

Funding tomorrow's prosperity.



Annual Report

2014

Quick facts and figures

Financial year ended 31 December 2014

Oesterreichische Entwicklungsbank AG

- The official development bank of the Austrian government
- Member of the Association of European Development Finance Institutions (EDFI)

Founded in 2008 in Vienna

- Wholly owned subsidiary of Oesterreichische Kontrollbank AG
- Share capital: EUR 5,000,000
- 33 employees, 2 Executive Board members (as of 31 Dec. 2014)

Projects implemented in 2014

Number of projects signed		37
Investment Finance	EUR	183.87 million (16 projects)
Equity Investments	EUR	15.70 million (4 projects)
Advisory Programmes	EUR	3.04 million (16 projects)
Foreign Trade Programme	EUR	1.26 million (1 project)

Key financials

Total assets	EUR	604.6 million
Profit for the year	EUR	4,283,014
Unallocated profit for the year	EUR	194,014

Contribution to development

OeEB's projects contribute to progress towards the achievement of Millennium Development Goals 1 (halving poverty and extreme hunger), 7 (ensuring environmental sustainability) and 8 (fostering a global partnership for development).

With its projects, OeEB helps create better work and income opportunities for people in developing and transition countries. Through the private sector investment financed by OeEB, countries also gain higher tax revenues. By virtue of its strategic focus, OeEB ensures better and environmentally friendly energy supplies and, via its collaboration with local financial institutions, provides access to financial services.

The development performance indicators at portfolio level can be found at www.oe-eb.at.

Standard & Poor's long-term issuer rating: AA+; S&P short-term issuer rating: A-1+

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In the interest of readability, this report may in some cases use wording that is gender-specific. However, all references to positions, titles and people should be construed to include masculine, feminine and neuter as the context permits.

A. Management report

I. Business and financial review

i. Nature of business activities and terms of reference

Acting on behalf of the Austrian federal government, OeEB supports the development and expansion of private sector projects in developing countries.

The legislative basis for the activities of OeEB was created by an amendment to Austria's Export Guarantees Act (in German: Ausfuhrförderungsgesetz, or AusfFG).

On this basis OeEB backs projects – largely in the private sector – that require long-term financing and which have the ability to repay such funding out of their own resources. Every project must also have a positive sustainable impact on local and regional economic development.

OeEB provides solutions not offered by commercial banks in the various developing countries; its role is thus supplementary to that of commercial banks. OeEB offers the full range of long-term financing options, from equity finance to loans. In principle, any company based in an industrialised or developing country can become a client of OeEB.

Working with the client, OeEB develops solutions that are tailored precisely to the specific project, the current financial and business situation and the risk profile of the country in question.

A key aspect of client selection is the application of responsible-finance principles: In this regard, OeEB bears in mind environmental and social criteria as well as transparency and corporate governance standards.

Development transactions by their nature entail high project and country risks. Before individual deals are presented for approval to the Supervisory Board and to the panels specified for this purpose by law, the project risk and country risk are carefully analysed.

The priorities for OeEB, under its strategy for 2013 to 2017, are to assist micro, small and medium enterprises (MSMEs) as well as to promote renewable energy and resource efficiency. The geographic focus is placed on Africa, South Caucasus and Central Asia, Southeastern and Eastern Europe, and Central America and the Caribbean.

Embracing international cooperation, OeEB also works closely with international financial institutions (IFIs) and the European development banks under the umbrella of the Association of European Development Finance Institutions (EDFI), whose goal is to jointly finance private sector projects in developing countries and transition economies. Especially close partnerships are maintained with the German development finance institutions Kreditanstalt für Wiederaufbau (KfW) and Deutsche Investitions- und Entwicklungsgesellschaft (DEG), with FMO (the international development bank of the Netherlands), with OFID (the OPEC Fund for International Development) and the World Bank's International Finance Corporation (IFC).

ii. Business in the year

Investment Finance segment

In the 2014 financial year, the Investment Finance department signed contracts for 16 financings for long-term private sector investment projects totalling EUR 183.87 million. All projects were approved by the Executive Board and Supervisory Board and the external Business & Development Committee and Advisory Board as being worthy of support both from a development and business perspective.

Of the 16 financing deals concluded, eight projects, with a combined contract value of EUR 83.57 million, were undertaken directly with entities in the real economy. The other eight projects, worth EUR 100.30 million, were contracted with local financial intermediaries which, subject to OeEB guidelines, make loans into the real economy, particularly to numerous micro, small and medium-sized businesses. The local businesses and financial intermediaries receive a range of ongoing support from OeEB over the entire credit period, with assistance in the form of expertise-building, environmental and social management, development issues and sustainability in general.

Focus on energy and resource efficiency

The strategy of OeEB identifies energy and resource efficiency as a development priority. As in the year before, in 2014 the better part of the new commitments, at EUR 105.33 million, was for investment that furthers climate protection. Within the 16 projects signed in the year, climate protection credit lines were extended to seven companies or financial intermediaries in developing and transition countries in Central America, Southeastern Europe, Turkey, Asia and supranationally in Southeastern Europe and the South Caucasus, wherever financing from commercial banks is insufficient or unavailable.

In addition, EUR 23.23 million of significant infrastructure and energy projects were supported, including funding of EUR 8.82 million for a project of an Austrian investor in Montenegro.

Supporting MSMEs

OeEB also worked to help micro businesses and small and medium enterprises that would not be able to grow effectively without financial support from development banks. Projects with a contract amount of EUR 55.30 million were granted in 2014 for MSMEs in developing countries, where access to financing for these types of companies remains very limited to non-existent.

Projects in the world's poorest economies (Least Developed Countries)

Under new business in 2014, four credit lines totalling EUR 36.77 million were issued in Least Developed Countries. Examples are the financing of an energy supply project important for Bangladesh and a credit line extended to a local financial institution (owned by a Bangladeshi development NGO) that supports local small and medium-sized businesses.

Advisory Programmes segment

Through technical assistance under OeEB's Advisory Programmes (AP), projects are prepared and improved to enhance their development effectiveness. Examples of measures that may be funded with AP monies are studies, fees to hire specialists, project-related training and upgrading of qualifications, as well as the introduction of international standards.

In the 2014 financial year the Austrian Federal Ministry of Finance approved AP funds of approximately EUR 2.76 million for 17 projects.

In 2014, OeEB concluded contracts for 16 AP projects totalling EUR 3.04 million. These contracts also include projects approved in the previous financial years but signed in 2014.

Most projects in the year under review – OeEB's seventh year of operation – related directly to investment finance or equity investment. For example, projects focused on introducing new financial products, improving environmental and social standards, and stimulating institutional development. The focus on energy was further strengthened, notably by supporting studies needed in project development for renewable energy projects.

In 2014, OeEB disbursed EUR 8.35 million of AP funds to project partners, including monies for projects signed in prior years. The disbursements are tied to the progress of the respective projects and thus help ensure the achievement of development objectives.

Foreign Trade Programme

With its expertise in development and foreign trade, OeEB provides advice to the Austrian Ministry of Finance, especially in collaborations with international financial institutions (IFIs).

The aim of the participation in IFI programmes is the resulting transfer of know-how to Austrian businesses and the greater support by IFIs to improve business conditions for companies in selected countries. The IFI programmes are as a rule selected by the Ministry of Finance. In 2014 one further project was identified, the "Central Asia and South Caucasus Energy Infrastructure Program".

OeEB receives a fee for administering the Advisory Programmes and Foreign Trade Programme.

Equity Investments segment

Under the Equity Investments mechanism funded by the Austrian federal government, OeEB acts as a trustee for the Austrian Ministry of Finance (the trustor), entering into equity investments by acquiring direct interests or by buying fund units.

In the 2014 financial year, four equity projects in a total amount of EUR 15.70 million were signed. One of these, under the Austrian fast-start financing initiative for climate protection, is supported not just by funding from the Ministry of Finance but also with funds of the Austrian Ministry of Agriculture, Forestry, Environment and Water Management.

At the end of 2014 the Ministry of Finance approved an additional project, worth EUR 5.50 million, for which the contract negotiations were not yet completed by the balance sheet date.

Disbursements to the project partners are made incrementally for funds' individual client companies in the case of fund investments, and via capital increases in the case of direct equity investments. The project status and the general and development performance and financial results of the equity investments are regularly documented. In most equity projects, OeEB also takes an active role on the respective supervisory board or in a similar oversight function.

Approximately EUR 8.56 million was paid out in 2014, including disbursements to partners for projects signed in prior years.

Other Activities segment

In 2014 the cooperation with other development banks continued, particularly through the Neighbourhood Investment Facility (NIF) of the European Commission and the Western Balkans Investment Framework (WBIF). OeEB is a member of the Financial Institutions Group of the NIF and of the WBIF. In addition, OeEB works through the EU-Africa Infrastructure Trust Fund (EUAITF), which supports infrastructure projects in Africa. These facilities are to generate financing projects with co-financing from OeEB.

Financial results

The financial year under review closed with profit for the year of EUR 4,283,014 (prior year: EUR 2,023,894). After transfers to reserves and before distribution or retention, unallocated profit for the year was EUR 194,014 (prior year: EUR 206,128).

Thanks to the higher project volume, operating income rose significantly from the prior year's EUR 7.89 million to EUR 10.82 million. Major components of income were net interest income and securities income, at a combined total of about EUR 12.49 million (prior year: EUR 7.53 million). Net fee and commission expense amounted to approximately EUR 1.27 million (prior year: net fee and commission income of EUR 0.29 million). Fee and commission income, which was approximately EUR 5.2 million in the year (prior year: EUR 4.7 million), includes various fees from financings, fees for OeEB's management services rendered under the Advisory Programmes and investment finance projects for the Austrian Ministry of Finance, and fees for the bank's development- and foreign-trade-related consulting services to the Ministry. Fee and commission expense, amounting to about EUR 6.48 million in the financial year (prior year: EUR 4.41 million), consists mainly of the guarantee fees paid and accrued as payable to the Ministry of Finance for the government guarantee in accordance with section 9 Export Guarantees Act.

The operating expenses of about EUR 5.59 million (prior year: EUR 5.16 million) reflected the bank's growth and consisted largely of staff costs of EUR 3.55 million (prior year: EUR 3.27 million) and other administrative expenses of EUR 2.02 million (prior year: EUR 1.87 million).

The resulting operating profit in the financial year was about EUR 5.23 million, up from EUR 2.73 million in the prior year. After valuation effects and taxes, profit for the year was approximately EUR 4.28 million (prior year: EUR 2.02 million). In light of the good result, EUR 4.09 million of this profit was transferred to reserves (prior year: EUR 1.82 million).

Profit available for distribution was EUR 237,881 in the year under review (prior year: EUR 248,367).

iii. Office locations

The registered office of OeEB is located at Strauchgasse 3, 1010 Vienna, Austria.

OeEB has no branch offices in Austria or other countries.

iv. Financial and non-financial performance indicators

Financial performance indicators

Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013 (prior year: under section 22 Austrian Banking Act)

EUR '000	2014	2013
Risk-weighted assets under article 92 of Regulation (EU) No 575/2013 (prior year: section 22 (2) Austrian Banking Act) (credit risk)	557	213
Risk-weighted assets under part 3 of Regulation (EU) No 575/2013 (prior year: section 22i Austrian Banking Act) (operational risk)	8,376	6,590
Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013 (prior year: section 22 (1) Austrian Banking Act)		
<i>For credit risk (2014: 8% of 557; prior year: 8% of 213)</i>	45	17
<i>For operational risk (2014: 15% of 8,376; prior year: 15% of 6,590)</i>	1,256	989
<i>Total</i>	<i>1,301</i>	<i>1,006</i>
Available regulatory capital under part 2 of Regulation (EU) No 575/2013 (prior year: section 23 (14) Austrian Banking Act)	10,314	10,654

OeEB held sufficient regulatory capital throughout the financial year.

Earnings per share

Profit for the year was EUR 4,283,014. As the share capital is divided into 50,000 no par-value registered shares, earnings per share amounted to EUR 85.66.

Non-financial performance indicators

Staff

OeEB had an average of 33 employees in the year under review. This total does not include the Executive Board, which is employed by OeKB.

OeEB's staff primarily sees to the implementation of the projects, as well as transacting the banking business per se. The main activities are project acquisition and structuring; risk assessment; compliance tasks; negotiation and conclusion of new contracts; processing and monitoring of existing projects; evaluation of development relevance; formulation and implementation of ways to improve development relevance; and development-related communication and policy work.

OeEB has a service agreement with OeKB under which various services are procured from OeKB. This ensures access to proven know-how and raises additional synergies.

The service agreement is approved by the Financial Market Authority and covers accounting and reporting, human resources management, information technology, internal audit and other services. As well, OeEB is authorised to outsource the compliance officer function for those business segments covered by the Standard Compliance Code (SCC) and the SCC's minimum standards (securities compliance). The function of the anti-money laundering/anti-terrorism finance officer is performed by the Legal department of OeEB.

With the exception of the Executive Board, which is employed by OeKB, all OeEB staff members are directly employed by OeEB. Personal and professional qualifications are the only criteria for employee evaluation at OeEB, and employee pay is independent of gender. All salaried employees of OeEB are covered by the collective agreement of the commercial banking sector. For graduates of vocational schools and higher educational institutions, the salary scale starts above collective agreement levels.

The bank's compensation policy uses both performance criteria and market benchmarks. Care is taken to ensure an appropriate proportion of fixed to variable pay. The variable component is based partly on individual performance as discussed in the performance appraisal interview, and partly on various corporate performance indicators. Appropriate controls ensure that variable compensation is paid only when the bank's earnings allow it. This approach is followed at all levels of the organisation, including senior management.

Motivated staff members who provide service to a high standard of quality and professionalism, and do so in a cost- and risk-conscious manner, are critical to OeEB's sustained success as Austria's official development bank.

OeEB therefore invests in practice-oriented staff training and development. In the year under review, in addition to in-house training events offered together with OeKB, OeEB also made a point of providing growth opportunities through external seminars.

Committed to being a responsible employer, OeEB uses appropriate staff development tools to help create the right conditions for employee satisfaction and productivity. The employee interview discusses performance against productivity objectives set in the prior period, as well as work quality and team relations. Performance objectives and the conditions required to achieve them are set anew each year. A sustainability target is also agreed.

OeEB employees receive discounts on meals in the OeKB staff cafeteria. Other benefits are access to the company doctor, vaccination initiatives and the annual health week event. As part of the OeKB Group, the staff also has the (fee-based) use of the company day-care centre and the sports centre.

OeEB offers flexible working hours for all employees. There are no benefits or services which are reserved for full-time staff.

For OeEB employees with more than one year of service, contributions were paid to an external pension fund for the banking sector.

Significant events after the balance sheet date

There were no significant events after the balance sheet date.

Environmental responsibility

As it is OeEB's mandate to contribute to sustainable development, consideration of the environmental dimension both in the project work and in the operation of the Strauchgasse office is integral to the bank's activities. The lending and equity investment projects undergo an environmental and social impact assessment. In the project business, OeEB also specifically supports the use of renewable energy.

As part of the OeKB Group sustainability management system, environmental performance parameters for the Strauchgasse premises are carefully adhered to and monitored (EMAS, GRI). The resulting sustainable operations data can be found in the 2014 integrated annual report of the OeKB Group.

In keeping with the international nature of OeEB's activities, almost all travel is by air. OeEB is offsetting the CO₂ emissions from its air travel by supporting a reforestation project in Ethiopia conducted by Vienna's University of Natural Resources and Applied Life Sciences (see <http://www.boku.ac.at/co2-klimate-schutzprojekt.html?&L=1>).

II. Outlook and risks for the bank

i. Business outlook

Considering the great funding gap for micro, small and medium-sized enterprises in developing and newly industrialised countries and the large need for investment in renewable energy and in energy and resource efficiency, OeEB sees continuing high potential in 2015 for engagement in its areas of core expertise.

This outlook is supported by a robust project pipeline in these and other sectors (such as infrastructure). It is also underpinned by conversations with existing and potential clients, with other development banks and, especially, with Austrian companies that have an international focus.

OeEB believes it is well prepared for the challenges in its sphere of operations and is confident of continuing its growth trajectory in 2015.

ii. Significant risks and uncertainties

In a difficult environment and as a result of tightened regulatory requirements (Basel III), commercial banks continue to avoid projects in risky markets. Yet, to support growth in developing countries, executing projects there has never been more important than now. In these times more than ever, the role of development banks is to be stable and dependable partners and to go where the need is. For, although the global economic forecasts for 2015 are somewhat

more positive than for 2014, significant downside risks persist. Developing and transition countries, where demand for financing continues to be high, could face major challenges as a result especially of the erosion of commodity prices and the weak growth in Europe. As well, the rising regional conflicts are significant sources of uncertainty. It thus remains difficult to predict the business trend in OeEB's individual target countries.

iii. Overview of risk policy and strategy

Strategic approach to risk management

Project risks are assessed conservatively, which also has the effect of reducing reputation risk to OeEB.

To cover the very high project and country risks, OeEB receives a 100% guarantee from the Austrian government for every credit financing deal.

In view of the backing by the Republic of Austria through government guarantees, OeEB's share capital of EUR 5 million represents and meets the minimum requirement under the Austrian Banking Act. In the next several years OeEB will therefore not undertake any credit financing projects on the basis of its equity without obtaining an Austrian government guarantee.

OeEB is a wholly-owned subsidiary of OeKB and follows a risk policy and strategy consistent with that of the OeKB Group. In addition to the Group-level risk assessment, OeEB's banking risks are also measured at the individual-institution level. Moreover, internal control systems under the Austrian Banking Act were developed together with OeKB for OeEB's major business processes – Investment Finance, Equity Investments, Advisory Programmes – and the Foreign Trade Programme segment. These systems of internal control are reviewed annually and permit risk management at OeKB Group level.

Being wholly owned by OeKB, OeEB is covered by the Group ICAAP, or Internal Capital Adequacy Assessment Process. In the calculation of risk coverage, by setting risk budgets, the calculated economic capital required (for the going concern and gone concern views), as the key metric in the measurement and management of risk, is compared against the economic capital available at different levels of scenario severity. At individual-institution level, OeEB opts not to perform a Pillar II calculation of risk coverage. However, despite the relative insignificance of the risk, economic capital is determined for the investment risk arising from OeEB's own investment portfolio (the banking book), using the Value at Risk concept.

Risk management organisation

Under the Austrian Banking Act the full Executive Board is responsible for managing OeEB's risks relating to banking transactions and banking operations, for ensuring capital adequacy in respect of the risks taken, and for establishing the organisation that this requires. In doing so, regard must be had to the proportionality of the bank's enterprise-wide risk management (i.e., of the methods, systems and processes of risk management) with the structure and size of the bank's risks.

In the interest of this proportionality, and given OeEB's business sector and the nature and scale of its specific business and risk structure, the Executive Board considers that an FMA-compliant risk management organisation is appropriate. The Risk Management Committee has the authority and responsibility to decide on appropriate actions and processes for implementing the risk policy and strategy set by the Executive Board and approved by the Supervisory Board.

Operational risk management by OeEB involves the monitoring and control of the operational risk profile, the development of strategies and processes for the control of operational risk, and business continuity management in collaboration with OeKB's operational risk manager.

For emergencies and various crisis scenarios, the operational risk management policy identifies emergency and crisis response teams and sets out responsibilities and procedures.

The role of assuring the compliance of the internal control system (ICS) with legal requirements is contractually outsourced to OeKB. The ICS compliance officer at OeKB works closely with the ICS process owners at OeEB. Operational risk management is performed in close cooperation with the operational risk manager at OeKB and the organisation section of OeKB's so-called OBUS department.

Like the bank's risk management as a whole, the internal control system is subject to ongoing scrutiny by Internal Audit.

Under an agreement with OeKB, the securities compliance officer function is outsourced to OeKB. However, at OeEB there is a central contact person for compliance matters. The function of the anti-money laundering/anti-terrorism finance officer is performed by the Legal department of OeEB. To mitigate the legal risk of business transactions, the OeEB Legal department usually works with local law firms.

Risk types considered in bank-wide risk management

■ Credit risk

Credit risk is the risk of unexpected losses as a result of a counterparty's default or deterioration in credit quality. In view of its business structure, OeEB distinguishes the following types of credit risk:

– **Counterparty risk/default risk:**

The risk of loss as a result of a borrower's failure to honour its payment obligations or of the default of a counterparty (such as a borrower). All loan exposures are covered by an Austrian government guarantee for commercial and political risk.

– **Concentration risk:**

The risk of loss as a result of high credit exposure to individual borrowers or to groups of related borrowers. Country limits and customer limits are in effect and are reviewed quarterly.

■ Market risk

Market risk is the risk of loss as a result of changes in market parameters. It can be subdivided into interest rate risk, currency risk, equity risk and other price risks. Credit financing extended by OeEB is as a rule funded at rates compliant with the OECD's Commercial Interest Reference Rate (CIRR). OeEB has no other significant exposure to market risks.

■ Liquidity risk

Liquidity risks can be divided into term liquidity risk and withdrawal/call risk, as well as structural risk (funding liquidity risk).

Liquidity is currently managed and made available on a project basis in coordination between OeEB and OeKB. Term liquidity risk is the risk of change in the length of time for which capital is committed to or by OeEB. Withdrawal/call risk is the risk that deposits received are unexpectedly withdrawn or that loan commitments to borrowers are unexpectedly utilised. Both term liquidity risks and withdrawal/call risks are low as a result of OeEB's business structure and contractual arrangements. Liquidity is monitored and controlled with the aid of weekly cash flow projections.

As OeEB's funding is obtained largely through OeKB, the latter's standing in the market facilitates the availability of financing to OeEB at any time.

■ Operational risk

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, people or systems, or from external events. Operational risk includes legal risk.

The central integration of operational risk management (including information security) in the bank-wide management of risk, as well as the corporate culture, business continuity plans, insurance cover and similar centrally manageable measures, together form the framework within which the individual staff members are required to exercise personal responsibility for everyday risk management in their sphere of accountability. OeEB works closely in these areas with OeKB (and has its offices within OeKB's premises).

For emergencies and various crisis scenarios, the operational risk management policy identifies emergency and crisis response teams and sets out responsibilities and procedures; an emergency response manual is also in place.

■ Other risks

Other risks are:

– **Strategic risk:**

The risk of negative impacts on capital or earnings as a result of strategic business decisions and/or changes in the business environment.

– **Reputation risk:**

The risk of adverse consequences from the way in which the organisation is perceived by stakeholders (the shareholder, staff, clients, the Austrian government, and others).

– **Business risk:**

The risk of deterioration in earnings as a result of unexpected changes in business volume or in margins.

Strategic risks and reputational risks to OeEB arise primarily from its special position. As a result of its mandate, OeEB's only principal is the Republic of Austria. A quantitative assessment of this risk would be difficult to perform and no such assessment is planned. OeEB continually monitors potential changes in its operating environment that have fundamental significance for its business activities and considers such developments in its business strategy.

Key features of the internal control system in relation to the accounting process

OeEB outsources all accounting activities to its parent institution, Oesterreichische Kontrollbank Aktiengesellschaft (OeKB). The specific requirements are defined in a service agreement. In terms of the accounting process, the internal control system thus meets the same standards as that of OeKB.

Within the Executive Board of OeEB, Michael Wancata has responsibility for the accounting function and for the establishment and design of a system of internal control and of risk management in relation to the accounting processes that meets the bank's needs. The internal control system is implemented jointly with OeKB or by OeKB, according to the specific requirements of OeEB.

The key features of the internal control system can be described based on the definition of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework consists of five interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring.

The purpose of the internal control system is to support management so as to enable it to ensure effective and continually improving internal controls in respect of accounting. The system is intended to ensure compliance with policies and regulations and to create conditions conducive to the effectiveness of specific control activities in the key accounting processes.

The Group-level Internal Audit function (performed by the OeKB Group's Internal Audit department) independently and regularly verifies the adherence to internal policies and procedures, including also the accounting rules. The head of Group Internal Audit reports the findings directly to the Executive Board of OeEB. The Internal Audit activities are outsourced to OeKB under a service agreement.

■ Control environment

The most fundamental aspect of the control environment is the corporate culture in which management and employees operate. OeEB continually works to improve communication and the transmission of its basic corporate values.

The manner of implementation of the internal control system in respect of the accounting process is set out in the written internal policies and procedures of the accounting function. The responsibilities in relation to the internal control system have been adjusted to fit the company's organisational structure, in order to ensure a satisfactory control environment that meets the requirements.

■ Risk assessment

Risks relating to the accounting process are identified and monitored by OeKB Group management and OeEB management, with a focus on material risks.

The preparation of the financial statements regularly requires the use of estimates. This involves the inherent risk that future developments will differ from these estimates. As all loans extended by OeEB are secured by guarantees of the Republic of Austria, this estimation risk is particularly relevant to, for example, assumptions regarding the stability of the value of interests in companies.

■ Control activities

In addition to the Supervisory Board and Executive Board, the general control environment also encompasses middle management, such as the department heads.

All control activities are applied "in-process" during the regular ongoing operation of the business processes in order to ensure that potential errors in financial reporting are detected and corrected.

The Executive Board, working with OeKB, is responsible for ensuring that the levels of the reporting hierarchy are structured such that a given activity and the controls on the activity are not performed by the same person (i.e., ensuring the strict separation of responsibilities).

Control activities concerning information technology security represent a cornerstone of the internal control system. Thus, the segregation of sensitive responsibilities is supported by the restrictive assignment of IT privileges. SAP ERP Central Component 6.0 software is used for accounting and financial reporting. The functioning and effectiveness of this accounting system is assured, among other ways, by automated IT controls installed in the system. OeEB's IT function has been outsourced to OeKB; as a result, the same high security standards are applied as at the parent institution.

■ Information and communication

The financial reporting requirements are regularly updated by management and communicated to the staff concerned.

As well, the Group accounting staff members involved receive frequent training regarding changes in international accounting practices in order to be able to detect risks of inadvertent reporting deficiencies at an early stage.

■ Monitoring

Ultimate responsibility for the enterprise-wide ongoing monitoring of business processes rests with management and the Supervisory Board. The respective department heads are responsible for the monitoring of the relevant areas of activity; for example, checks and validations are conducted at regular intervals. Group Internal Audit is also involved in the monitoring process. The system of internal control likewise performs a monitoring and oversight function.

The findings of the monitoring activities are reported to management and the Supervisory Board. The Executive Board regularly receives summarised financial reports such as monthly financial statements as well as risk reports. Financial statements intended for publication undergo a final review by accounting management staff (at Group and OeEB level) and by the OeEB Executive Board before being forwarded to the OeEB Supervisory Board.

III. Research and development

As a result of its particular mandate, OeEB does not conduct research and development.

Vienna, 2 February 2015

Andrea Hagmann
Member of the Executive Board

Michael Wancata
Member of the Executive Board

B. Financial statements

1. Balance sheet at 31 December 2014

Assets

	31 Dec. 2014 EUR	31 Dec. 2013 EUR '000
01 Balances at central banks	185,338.48	267
02 Loans and advances to banks	307,244,930.70	213,656
a) Repayable on demand	54,096,098.84	44,524
Of which fiduciary assets	31,895,838.50	23,244
b) Other loans and advances	253,148,831.86	169,132
Of which to intra-group companies	54,093,268.29	44,523
03 Loans and advances to customers	131,068,427.03	103,733
04 Bonds and other fixed income securities	3,492,736.98	4,493
a) Of other issuers (i.e., non-public sector issuers)	3,492,736.98	4,493
05 Equity shares and other variable income securities	120,409,648.79	87,154
06 Interests in companies	31,100.00	31
07 Other assets	42,072,610.06	28,260
Of which fiduciary assets	41,409,571.57	27,969
08 Prepaid expenses	89,236.61	78
Total assets	604,594,028.65	437,672
Memo items		
1. Foreign assets	550,931,352.65	393,894

Liabilities and equity

	31 Dec. 2014 EUR	31 Dec. 2013 EUR '000
01 Deposits from banks	498,631,747.70	359,524
a) With agreed maturity or notice period	498,631,747.70	359,524
Of which from intra-group companies	461,164,998.10	329,602
02 Deposits from customers	4,070,025.88	0
a) Non-savings deposits	4,070,025.88	0
Of which aa) With agreed maturity or notice period	4,070,025.88	0
03 Other financial liabilities	83,088,299.74	65,037
Of which fiduciary liabilities	73,305,410.07	51,213
04 Accruals and deferred income	2,321,249.67	2,171
05 Provisions	3,201,620.92	1,738
a) Termination benefit provisions	74,559.00	48
b) Tax provisions	740,230.00	152
c) Other provisions	2,386,831.92	1,538
06 Share capital	5,000,000.00	5,000
07 Retained earnings	8,036,000.00	3,947
a) Statutory reserve	500,000.00	500
b) Other reserves	7,536,000.00	3,447
08 Liability reserve under section 57 (5) Banking Act	7,203.50	7
09 Profit available for distribution	237,881.24	248
Total liabilities and equity	604,594,028.65	437,672
Memo items		
1. Contingent liabilities (guarantee obligations incurred and assets pledged as collateral security)	102,689,508.06	82,032
2. Off-balance sheet credit risks	152,892,704.31	184,729
3. Available regulatory capital under part 2 of Regulation (EU) No 575/2013 (prior year: available regulatory capital under section 23 (14) Austrian Banking Act)	10,314,203.50	10,654
4. Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013 (prior year: regulatory capital requirement under section 22 (1) Austrian Banking Act)	1,300,903.16	1,005
5. Foreign liabilities	37,471,072.47	29,924

2. Income statement for the year ended 31 December 2014

	2014 EUR	2013 EUR '000
1. Interest and similar income	13,258,013.19	8,764
Of which from fixed income securities	10,672.35	8
2. – Interest and similar expense	4,694,873.41	3,702
I. Net interest income	8,563,139.78	5,062
3. + Income from securities and share of profit of other companies	3,393,091.60	2,467
a) Income from equity shares, other ownership interests and variable income securities	3,393,091.60	2,467
4. + Fee and commission income	5,208,888.01	4,703
5. – Fee and commission expense	6,479,360.06	4,415
6. + Other operating income	138,191.01	73
II. Operating income	10,823,950.34	7,890
7. – Administrative expenses	5,570,440.34	5,138
a) Staff costs	3,549,199.19	3,272
Of which:		
aa) Salaries	2,816,737.34	2,617
bb) Statutory social security costs, pay-based levies, and pay-based other compulsory contributions	575,581.19	524
cc) Other social expenses	51,113.86	48
dd) Expenses for retirement and other post-employment benefits	48,238.66	38
ee) Expenses for termination benefits and contributions to termination benefit funds	57,528.14	45
b) Other administrative expenses	2,021,241.15	1,866
8. – Impairment of non-current intangible assets	679.83	4
9. – Other operating expenses	19,040.30	14
III. Operating expenses	– 5,590,160.47	– 5,156
IV. Operating profit	5,233,789.87	2,734
10. ± Net gain (+) or loss (–) on valuation of loans and advances and securities	362,168.80	– 13

	2014 EUR	2013 EUR '000
V. Profit before tax	5,595,958.67	2,721
11. – Income tax	1,312,944.39	697
VI. Profit for the year	4,283,014.28	2,024
12. – Transfer to reserves	4,089,000.00	1,818
Of which transfer to liability reserve	0.00	0
VII. Unallocated profit for the year	194,014.28	206
13. + Profit brought forward from the prior year	43,866.96	42
VIII. Profit available for distribution	237,881.24	248

3. Notes to the financial statements

3.1 Accounting policies

3.1.1 Basis of presentation and general principles applied

The annual financial statements of Oesterreichische Entwicklungsbank AG (“OeEB”, “the bank”) were prepared by the Executive Board of OeEB in accordance with the provisions of the Austrian Commercial Code (UGB) and the bank-specific provisions of the Austrian Banking Act (BWG).

The financial statements were drawn up in accordance with accounting principles generally accepted in Austria and with the guiding principle of presenting a true and fair view of the bank’s financial position, results of operations and cash flows. The financial statements were prepared in accordance with the principle of **completeness**.

In measuring the individual assets and liabilities, the principle of **individual measurement** was observed and the bank’s **continuing operation** was assumed.

The principle of prudence was observed by reporting only those profits realised at the balance sheet date. All identifiable risks and impending losses arising in the 2014 financial year were recognised.

The financial year under review was the full calendar year.

3.1.2 Securities

Securities classified as current assets are measured using the conservative lower-of-cost-or-market approach (in other words, they are measured at the lower of cost or the quoted market price at the balance sheet date).

The bank does not hold securities for trading and therefore does not maintain a trading book.

Securities classified as non-current assets are measured using the modified lower-of-cost-or-market approach (i.e., measured at cost or, if permanently impaired, at a lower quoted market price at the balance sheet date).

In accordance with section 9 Export Guarantees Act (the “Ausfuhrförderungsgesetz”), OeEB’s investment financing transactions are covered by a federal government guarantee from the Austrian Federal Ministry of Finance in the amount of their cost. In view of the full government guarantee, the expected dividends and interest income for the year under these transactions are recognised in the balance sheet item “equity shares and other variable income securities” on an accrual basis in the amount of the funding costs, which represent the maximum amount guaranteed.

3.1.3 Interests in companies

Interests in companies are measured at cost, less any lasting material impairment losses.

3.1.4 Intangible assets

Intangible assets are recognised in the balance sheet only if they have been acquired by purchase. They are measured at cost less amortisation and impairment. Intangible assets generated internally, and small assets with an individual acquisition cost of less than EUR 400, are expensed immediately.

Amortisation is provided on a straight-line basis over a useful life of 5 years, i.e., at a rate of 20% per year.

Impairment losses existing at the balance sheet date are recognised if the impairment is expected to be of a lasting nature.

3.1.5 Loans and advances and other assets

Loans and advances to banks and customers, and **other assets**, are recognised at face amounts. For identifiable credit risks in respect of borrowers, impairment losses are individually assessed.

The loans and advances to banks shown under “other loans and advances” (i.e., those not repayable on demand), and the loans and advances to customers, are covered by a federal guarantee under section 9 Export Guarantees Act in the amount of their cost. In view of the guarantee, the expected interest income is recognised on an accrual basis and recorded in the respective balance sheet item.

3.1.6 Deposits from banks and other financial liabilities

Deposits from banks and other financial liabilities are recognised at repayable amounts.

3.1.7 Provisions

Provisions 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 calculations assume a discount rate of 2.40% (prior year: 3.25%), a salary growth rate of 3% (prior year: 3%) and an age at retirement of 64 years 3 months for men and 59 years 3 months for women, and are based on the computation tables “AVÖ 2008 P” by Pagler & Pagler. The interest cost is reported within staff costs.

The item “**other provisions**” represents all risks, and all liabilities of uncertain amount or nature, identifiable at the time of preparation of the financial statements, measured as dictated by prudent business judgment.

3.1.8 Foreign currency translation

The reporting currency is the euro. Foreign currency amounts are ordinarily translated at middle rates of exchange.

3.2 Notes to the balance sheet and income statement

3.2.1 General information

The structure of the balance sheet and income statement is as specified in Annex 2 to section 43 Austrian Banking Act.

3.2.2 Supplementary disclosures

3.2.2.1 Loans and advances

3.2.2.1.1 Loans and advances to banks

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Loans and advances to banks repayable on demand		
Denominated in EUR	54,006,820.69	44,514,005.66
Denominated in USD	89,278.15	10,449.32
Total	54,096,098.84	44,524,454.98
Other loans and advances to banks		
Denominated in EUR	153,524,137.34	120,034,341.87
Denominated in USD	100,304,694.52	49,947,296.08
Total	253,828,831.86	169,981,637.95

The above table does not reflect an impairment loss under section 57 Austrian Banking Act of EUR 680,000.00 (prior year: EUR 850,000.00).

3.2.2.1.2 Loans and advances to customers

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Loans and advances to customers		
Denominated in EUR	57,100,887.83	53,304,092.49
Denominated in USD	74,647,539.20	51,279,181.93
Total	131,748,427.03	104,583,274.42

The above table does not reflect an impairment loss under section 57 Austrian Banking Act of EUR 680,000.00 (prior year: EUR 850,000.00).

3.2.2.2 Non-current assets

The changes in individual non-current asset items and the breakdown of amortisation and impairment are presented in the table “Movements in non-current assets” at the end of the notes to the financial statements.

3.2.2.3 Securities

The securities in the balance sheet item “bonds and other fixed income securities” are classified as current assets; they are admitted to trading on a stock exchange and are listed securities. At 31 December 2014 the difference between their market value and carrying amount was EUR 18,205.00.

No bonds or other fixed income securities will be redeemed in the subsequent financial year. Interest in the amount of EUR 451.98 for 2014 will come due in the subsequent year.

The fund shares and trust preferred securities recorded in “equity shares and other variable income securities” are classified as non-current assets and were purchased for the purpose of investment financing; they are not admitted to trading on an exchange. In the following table, the amounts for the year under review are shown net of accrued interest of EUR 1,166,884.60 (prior year: net of accrued interest of EUR 1,209,111.10).

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Securities		
Denominated in EUR	80,400,000.00	59,000,000.00
Denominated in USD	38,842,764.19	26,944,384.02
Total	119,242,764.19	85,944,384.02

3.2.2.4 Interests in companies

At the end of the financial year, OeEB held a 7.63% equity interest in European Financing Partners S.A.; this investment was measured at cost at EUR 25,100.

OeEB also held a 7.69% equity interest in Interact Climate Change Facility S.A., measured at cost at EUR 6,000. Both companies are based in Luxembourg.

3.2.2.5 Other assets

	Remaining maturity of up to 1 year EUR	Remaining maturity of more than 1 year EUR	Carrying amount EUR
2014			
Other assets outside Austria	368,707.55	138,275.90	506,983.45
Tax assets	155,269.46	-	155,269.46
Sundry assets	785.58	-	785.58
Total	524,762.59	138,275.90	663,038.49
2013			
Other assets outside Austria	57,140.79	121,851.77	178,992.56
Tax assets	111,175.09	-	111,175.09
Sundry assets	1,314.30	-	1,314.30
Total	169,630.18	121,851.77	291,481.95

“Other assets” included accrued income of EUR 268,707.68 for 2014 (prior year: EUR 57,140.84) that will be received after the balance sheet date.

3.2.2.6 Fiduciary assets and liabilities

The transactions overseen by OeEB as trustee – which represent neither financial nor legal exposure for OeEB – are recognised in the balance sheet as fiduciary assets in the amount of EUR 31,895,838.50 under loans and advances to banks (prior year: EUR 23,243,629.79) and in the amount of EUR 41,409,571.57 under other assets (prior year: EUR 27,968,852.62). Within other financial liabilities,

these transactions are recognised in the amount of EUR 73,305,410.07 (prior year: EUR 51,212,482.41).

The fiduciary assets and liabilities were generated under the Advisory Programmes of the Austrian Ministry of Finance and through the federally funded equity investments.

3.2.2.7 Deposits from banks and other financial liabilities

Other financial liabilities included expenses of EUR 2,196,668.43 accrued in the financial year

under review that will be paid after the balance sheet date (prior year: EUR 1,412,503.52).

3.2.2.8 Amounts due from and to Group entities

The specific amounts of loans and advances to, deposits from, and trade payables with intra-group companies at the balance sheet date were as follows.

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Assets		
Intra-group loans and advances to banks	54,093,268.29	44,522,908.26
Liabilities		
Intra-group deposits from banks	461,164,998.10	329,601,860.97
Intra-group trade payables	677,479.75	260,771.11

The security for the deposits from banks consists of the assets recorded in loans and advances to banks and to customers, and the shares recorded in “equity shares and other variable income securities”, totalling

EUR 502.0 million at the balance sheet date (prior year: EUR 358.8 million), as well as the assignment of any relevant claims under the Austrian government guarantee issued by the Ministry of Finance.

3.2.2.9 Provisions

The provision for termination benefits was calculated in accordance with the principles of IAS 19, using a discount rate of 2.40%. This provision amounted to EUR 74,559.00 (prior year: EUR 47,554.00).

The item “other provisions” had the following composition:

	1 Jan. 2014 EUR	Added EUR	Used EUR	Released EUR	31 Dec. 2014 EUR
Other provisions					
Provision for vacation pay	135,832.79	154,891.34	135,832.79	-	154,891.34
Provision for legal, audit and consulting expenses	85,000.00	100,000.00	73,468.49	11,531.51	100,000.00
Guarantee premiums	837,639.00	1,377,123.00	837,639.00	-	1,377,123.00
Sundry provisions	480,341.84	614,016.89	314,198.49	25,342.66	754,817.58
Total	1,538,813.63	2,246,031.23	1,361,138.77	36,874.17	2,386,831.92

3.2.2.10 Equity

The **share capital** of Oesterreichische Entwicklungsbank AG of EUR 5 million is divided into 50,000 no-par value registered shares, each representing an equal portion of the share capital.

Profit for the year was EUR 4,283,014.28. Of this total, EUR 4,089,000.00 was transferred to **uncommitted reserves**. In 2014, no transfer was made to the

liability reserve under section 57 (5) Austrian Banking Act. As a result, **profit available for distribution** was EUR 237,881.24 (including profit of EUR 43,866.96 brought forward from the prior year). The proposed dividend to be paid in the subsequent year for the 2014 financial year is EUR 193,500.00, or EUR 3.87 per share. The return on assets for 2014 was 0.71%.

3.2.2.11 Total amounts of assets and liabilities denominated in foreign currencies

The foreign currency positions at the balance sheet date had the following values in euros:

Assets: EUR 214,885,186.34
(prior year: EUR 128,830,719.64)

Liabilities: EUR 212,476,754.84
(prior year: EUR 127,751,637.08)

The difference in amounts between these assets and liabilities resulted in part from differences in interest rates between the project investments made and the related borrowing. These interest rate differences in turn are explained by the fact that the income guaranteed by the federal government was higher than the borrowing costs. There were also a US dollar bank account and USD-denominated receivables in connection with project investments.

3.2.2.12 Maturity analysis as per section 64 (1) (4) Austrian Banking Act

Loans and advances to banks not repayable on demand had the following maturity profile:

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Loans and advances to banks not repayable on demand		
Up to 3 months	-	-
More than 3 months and up to 1 year	8,319,510.64	3,021,294.09
More than 1 year and up to 5 years	218,360,615.56	99,776,818.17
More than 5 years	24,709,661.48	65,876,658.69
Total	251,389,787.68	168,674,770.95

The amounts for the year under review in the table above are shown net of accrued interest of EUR 2,439,044.18 (prior year: EUR 1,306,867.00).

They also do not reflect an impairment loss under section 57 Austrian Banking Act of EUR 680,000.00 (prior year: EUR 850,000.00).

Loans and advances to customers not repayable on demand had the following maturity profile:

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Loans and advances to customers not repayable on demand		
Up to 3 months	-	-
More than 3 months and up to 1 year	-	-
More than 1 year and up to 5 years	31,327,579.64	24,788,454.52
More than 5 years	99,898,993.98	79,289,874.55
Total	131,226,573.62	104,078,329.07

The amounts for the year under review in the table above are shown net of accrued interest of EUR 521,853.41 (prior year: EUR 504,945.35).

They also do not reflect an impairment loss under section 57 Austrian Banking Act of EUR 680,000.00 (prior year: EUR 850,000.00).

Deposits from banks not repayable on demand had the following maturity profile:

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Deposits from banks not repayable on demand		
Up to 3 months	-	-
More than 3 months and up to 1 year	35,744,352.08	13,021,294.08
More than 1 year and up to 5 years	284,009,111.41	175,632,998.03
More than 5 years	177,815,040.04	170,042,431.21
Total	497,568,503.53	358,696,723.32

The amounts for the year under review in the table above are shown net of accrued interest of EUR 1,063,244.17 (prior year: EUR 827,054.13).

Deposits from customers not repayable on demand had the following maturity profile:

	31 Dec. 2014 EUR	31 Dec. 2013 EUR
Deposits from customers not repayable on demand		
Up to 3 months	-	-
More than 3 months and up to 1 year	-	-
More than 1 year and up to 5 years	1,285,000.00	-
More than 5 years	2,785,000.00	-
Total	4,070,000.00	-

The amounts for the year under review in the table above are shown net of accrued interest of EUR 25.88 (prior year: EUR 0.00).

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

The future lease obligations from the use of off-balance sheet property and equipment are currently forecast at approximately EUR 231,075.00 for the

year 2015 and about EUR 1,239,135.00 for the five-year period from 2015 to 2019.

3.2.2.14 Information on derivative financial instruments

At the balance sheet date of 31 December 2014, OeEB did not hold derivative financial instruments.

3.2.2.15 Information on off-balance sheet transactions under sections 237 (8a) and 199 Austrian Commercial Code

Contingent liabilities

This item represented guarantees in the amount of EUR 102,689,508.06 (prior year: EUR 82,031,647.61) issued by OeEB to Kreditanstalt für Wiederaufbau (KfW) and to Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG).

Credit risk

For off-balance sheet credit risks, an amount of EUR 152,892,704.31 (prior year: EUR 184,728,903.41) was recognised as a memo item below the balance sheet. It related to undrawn commitments to lend (unused limits on credit facilities, and securities purchase obligations). To secure the risks, OeEB receives a 100% guarantee of the Republic of Austria on every transaction.

3.2.2.16 Regulatory capital under part 2 of Regulation (EU) No 575/2013

The regulatory capital under part 2 of Regulation (EU) No 575/2013 (prior year: section 23 Austrian Banking Act) was as follows:

	31 Dec. 2014 EUR	31 Dec. 2013 EUR '000
Regulatory capital under part 2 of Regulation (EU) No 575/2013 (prior year: section 23 Austrian Banking Act)		
Share capital	5,000,000.00	5,000
Retained earnings	8,036,000.00	3,947
Less transfer to retained earnings ¹	- 4,089,000.00	0
Liability reserve	7,203.50	7
Total reserves	3,954,203.50	3,954
Tier 1 capital	8,954,203.50	8,954
Tier 2 capital (reserve for general banking risks under section 57 Banking Act in the version of 2013), weighted at 80% ²	1,360,000.00	1,700
Total available regulatory capital	10,314,203.50	10,654
Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013 (prior year: section 22 Austrian Banking Act)		
Loans and advances to banks	248,625.62	99
Other loans and advances	308,568.60	114
Total risk-weighted assets (Standardised approach to credit risk)	557,194.22	213
Regulatory capital requirement for credit risk (8% of risk-weighted assets)	44,575.54	17
Regulatory capital requirement for operational risk	1,256,327.62	989
Total regulatory capital requirement	1,300,903.16	1,006

¹ Under article 26 (2) of the CRR (Regulation (EU) No 575/2013), 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) of Regulation (EU) No 575/2013 in conjunction with section 20 Austrian CRR Companion Regulation.

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 (“OeKB”) related to export promotion under the Export Guarantees Act 1981 and the Export Financing Guarantees Act 1981. As determined by the Financial Market Authority (FMA) in its pronouncement of 7 August 2008, this exemption also applies (by analogy) to Oesterreichische Entwicklungsbank AG inasmuch

as OeEB engages in transactions 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).

3.2.3 Notes to the income statement

3.2.3.1 Interest income and expense

	2014 EUR	2013 EUR
Interest and similar income from lendings and investments		
From loans and advances to customers	5,087,347.51	3,557,842.48
From loans and advances to banks	8,159,993.33	5,198,037.97
From fixed income securities	10,672.35	8,418.03
Total	13,258,013.19	8,764,298.48
Interest and similar expense		
For deposits from banks	4,692,513.16	3,702,405.85
For deposits from customers	2,360.25	0.00
Total	4,694,873.41	3,702,405.85

3.2.3.2 Fee and commission income and expense

The fee and commission income was in relation principally to the reimbursement of expenses incurred in the course of (partly fiduciary) services rendered by OeEB to the Federal Ministry of Finance, and to various monitoring fees received in connection with credit commitments.

The fee and commission expense consisted mainly of the accrued guarantee fees payable to the Austrian Ministry of Finance for the government guarantee in accordance with section 9 Export Guarantees Act.

3.2.3.3 Other administrative expenses

Other administrative expenses (i.e., non-staff costs) consisted largely of costs for leases, purchased services, and auditing and consulting.

The auditor's remuneration is included within other administrative expenses; in the financial year, it consisted of an expense of EUR 64,900.00 for the audit of the 2014 company financial statements (prior year: EUR 62,700.00).

3.2.3.4 Staff count

In the year under review, OeEB had an average of 33 employees (prior year: 30).

3.2.3.5 Expenses for termination benefits and contributions to termination benefit funds

The amounts in this item consisted of an expense of EUR 27,005.00 for the termination benefit provision, and EUR 30,523.14 of contributions to the employer-funded termination benefit fund.

In reliance on section 241 Austrian Commercial Code, no analysis of the amounts in terms of salaried employees, managers and Executive Board is presented.

3.2.3.6 Deferred taxes

A deferred tax asset of EUR 340,000.00 was recognized for the impairment loss under section 57 Austrian Banking Act (prior year: EUR 425,000.00). Deferred tax assets relating to provisions amounted

to EUR 24,968.47. These deferred tax assets are not included in the financial statements; other, similar items were insignificant in amount.

3.3 Additional information

3.3.1 Boards

In the financial year, the following individuals were **members of the Executive Board**:

Andrea Hagmann
Michael Wancata

The two Executive Board members jointly represent the bank. In reliance on section 241 Austrian Commercial Code, no analysis of the Executive Board's compensation is presented.

The following individuals were **members of the Supervisory Board** in the financial year:

Rudolf Scholten (Chairman)
Ferdinand Schipfer (Vice-Chairman)
Maria-Christine Dangl
Kurt Bayer

The total expense for compensation of the Supervisory Board for the year under review was EUR 14,100.00.

3.3.2 Related party transactions under section 237 (8b) Austrian Commercial Code

Oesterreichische Entwicklungsbank AG, which has its registered office in Vienna (OeEB, Companies Register Number 304601v, Vienna Commercial Court), is a wholly-owned subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB, Companies Register Number 85749b, Vienna Commercial Court) and is fully consolidated in the OeKB Group financial statements.

The disclosures under part 8 of the CRR (the Capital Requirements Regulation (EU) No. 575/2013) are presented in the consolidated financial statements prepared by OeKB.

The only related party transactions in the year under review were with OeKB and were conducted at arm's length.

Under a service agreement between the two institutions, OeKB provides services to OeEB. The service agreement is approved by the Financial Market Authority and covers accounting, human resources management, information technology, internal audit and other services.

In order to ensure the availability of sufficient funding at all times, OeEB's transactions are largely financed by OeKB.

Vienna, 2 February 2015
Oesterreichische Entwicklungsbank AG

The Executive Board
Andrea Hagmann Michael Wancata

Movements in non-current assets in 2014

EUR	At cost at 1 Jan. 2014	Additions	Disposals	Reclassifi- cations	At cost at 31 Dec. 2014
Intangible assets	28,135.24	0.00	0.00	0.00	28,135.24
Software	28,135.24	0.00	0.00	0.00	28,135.24
Financial assets	85,975,484.02	33,298,380.17	0.00	0.00	119,273,864.19
1. Interests in companies	31,100.00	0.00	0.00	0.00	31,100.00
2. Securities classified as non-current assets **	85,944,384.02	33,298,380.17	0.00	0.00	119,242,764.19
Total	86,003,619.26	33,298,380.17	0.00	0.00	119,301,999.43

EUR	Accumulated amortisation and impairment	Carrying amount at 31 Dec. 2014	Carrying amount at 31 Dec. 2013	Amortisation and impairment for the year ¹⁾
Intangible assets	- 28,135.24	0.00	0.00	0.00
Software	- 28,135.24	0.00	0.00	0.00
Financial assets	0.00	119,273,864.19	85,975,484.02	0.00
1. Interests in companies	0.00	31,100.00	31,100.00	0.00
2. Securities classified as non-current assets **	0.00	119,242,764.19	85,944,384.02	0.00
Total	- 28,135.24	119,273,864.19	85,975,484.02	0.00

^{*} Excluding small assets of EUR 679.83.

^{**} Excluding accrued income of EUR 1,166,884.60.

Movements in non-current assets in 2013

EUR	At cost at 1 Jan. 2013	Additions	Disposals	Reclassifi- cations	At cost at 31 Dec. 2013
Intangible assets	28,135.24	0.00	0.00	0.00	28,135.24
Software	28,135.24	0.00	0.00	0.00	28,135.24
Financial assets	75,065,282.20	10,910,201.82	0.00	0.00	85,975,484.02
1. Interests in companies	31,100.00	0.00	0.00	0.00	31,100.00
2. Securities classified as non-current assets **	75,034,182.20	10,910,201.82	0.00	0.00	85,944,384.02
Total	75,093,417.44	10,910,201.82	0.00	0.00	86,003,619.26

EUR	Accumulated amortisation and impairment	Carrying amount at 31 Dec. 2013	Carrying amount at 31 Dec. 2012	Amortisation and impairment for the year ¹⁾
Intangible assets	- 28,135.24	0.00	1,500.00	1,500.00
Software	- 28,135.24	0.00	1,500.00	1,500.00
Financial assets	0.00	85,975,484.02	75,065,282.20	0.00
1. Interests in companies	0.00	31,100.00	31,100.00	0.00
2. Securities classified as non-current assets **	0.00	85,944,384.02	75,034,182.20	0.00
Total	- 28,135.24	85,975,484.02	75,066,782.20	1,500.00

¹⁾ Excluding small assets of EUR 2,267.46.

** Excluding accrued income of EUR 1,209,111.10.

C. Auditor's report

Report on the Financial Statements

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

Oesterreichische Entwicklungsbank AG, Vienna, Austria,

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, 2 February 2015

KPMG Austria AG
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:

Bernhard Gruber pp Gerhard Schalko
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

Publication of the financial statements together with our auditor's opinion may only be made if the financial statements and the management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.



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