

# Annual Report 2017

Funding tomorrow's prosperity



OESTERREICHISCHE  
ENTWICKLUNGS-  
BANK AG

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**OeEB**

Oesterreichische Entwicklungsbank AG

## Quick facts and figures

Financial year end: 31 December 2017

### Oesterreichische Entwicklungsbank AG (“OeEB”)

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 of EUR 5,000,000

53 employees, plus 10 on parental leave (as of 31 Dec. 2017)

### Key financials

Total assets	EUR 737.2 million
Profit for the year	EUR 6,694,415
Unallocated profit for the year	EUR 129,415
Total portfolio as of 31 Dec. 2017	EUR 1.08 billion

### New projects signed in 2017

Investment Finance	EUR 232.51 million
Equity Investments	EUR 22.43 million
Advisory Programmes	EUR 1.04 million

### Contribution to development

OeEB’s projects contribute towards the achievement of the Sustainable Development Goals (SDGs), particularly SDG 1 (fighting poverty in all its forms), 7 (access to sustainable energy), 8 (sustainable economic growth), 13 (combating climate change) and 17 (global partnership for sustainable 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 on renewable energy and resource efficiency, OeEB ensures better and environmentally friendly energy supplies and, through 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](http://www.oe-eb.at).

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

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.

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# 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 legal foundation, OeEB backs projects in the private sector that require long-term financing and have the ability to repay such funding out of their own resources. Every project must also have a positive sustainable impact on local economic development.

OeEB provides solutions not offered by commercial banks in the respective developing countries; its role is thus complementary to that of commercial banks. OeEB offers the full range of long-term financing options, from credit finance to equity. Additionally, as project support, OeEB provides non-repayable grants that improve a project's development impacts. 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 full Executive Board and the Supervisory Board and to the panels specified for this purpose by law, the project risk and country risk are carefully analysed.

The overarching aim of OeEB's strategy, the current version of which is effective until the end of 2018, is to contribute to poverty reduction by supporting private sector development, with due regard to market development for and in concert with Austrian business. The strategic priorities for OeEB 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.

Besides many projects contracted on its own, 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 the international development bank of the Netherlands (FMO), the OPEC Fund for International Development (OFID), the European Bank for Reconstruction and Development (EBRD) and the World Bank's International Finance Corporation (IFC).

## ii. Business in the year

### Investment Finance segment

In the 2017 financial year, 16 contracts for new financings were signed for long-term private-sector investment projects totalling EUR 206.95 million, as well as a renewal of an existing transaction of EUR 25.56 million. In total in the year, OeEB thus signed 17 transactions with a combined volume of EUR 232.51 million. Eight of the 17 deals were concluded bilaterally between OeEB and the respective client, and nine were transacted together with proven financing partners.

All projects were approved by the Executive Board and Supervisory Board and the external Business & Development Committee and Advisory Board, after having been judged developmentally relevant and economically viable.

OeEB's strategic aims regarding new business call for expanding the business activity in developing countries in the bank's focal regions – Africa, Central America and the Caribbean, Southeastern and Eastern Europe, South Caucasus and Central Asia – as well as in the Least Developed Countries. OeEB also places sectoral priorities on the financing of renewable energy and resource efficiency and on supporting micro, small and medium enterprises (MSMEs).

One-third of the new financing deals, with a contract value of EUR 69.47 million, were concluded directly with private sector businesses or project companies in developing countries. Two-thirds of the new financings, worth EUR 137.47 million, were contracted in collaboration with local financial intermediaries (such as micro-finance funds and financial institutions) which make loans into the real economy under OeEB guidelines.

The local businesses and financial intermediaries receive a range of ongoing technical assistance from OeEB over the entire credit period, with support regarding expertise-building, environmental and social management, development issues and economic sustainability.

#### Support for MSMEs

To help grow and stabilise the local economies in developing countries by preserving and creating jobs, OeEB makes a particular point of assisting micro, small and medium enterprises. Projects for MSMEs with a combined contract amount of EUR 85.47 million were signed in 2017. At 41% of the year's total new volume, this made the MSME sector the largest recipient group in terms of new contracts. Additionally, a supra-regional microfinance fund with a contract value of EUR 25.56 million was renewed until 2025.

#### Focus on climate protection through renewable energy, resource efficiency and biodiversity

The OeEB strategy also attaches critical importance to climate protection. In the sectors of renewable energy, resource efficiency and biodiversity, new contracts in the amount of EUR 72.23 million were signed in 2017. This represented 35% of the total new volume.

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

In new business in 2017, three credit lines with a contract amount of EUR 33.35 million, or 16% of total new financings, were issued partly or entirely for Least Developed Countries. One credit line was granted to a financial intermediary in Bangladesh and two credit lines were extended to a financial institution and a microfinance fund in Sub-Saharan Africa that seek to support micro clients and SMEs in Least Developed Countries.

## Equity Investments segment

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

In the 2017 financial year, four equity projects in a total amount of EUR 22.43 million were signed. All the projects are in sectors to which OeEB gives priority – SME development and renewable energy. About 60% of the new business was accounted for by SME finance and microfinance, and 40% was made up by projects in the energy sector.

All projects were approved by the OeEB Executive Board and the external Business & Development Committee, after having been judged developmentally relevant and economically viable.

Disbursements to the project partners are made incrementally for overheads at fund level, or for investee companies at portfolio level, 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 11.99 million was paid out in 2017, including disbursements to partners for projects signed in prior years.

## Advisory Programmes segment: funding for technical assistance

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

In the 2017 financial year the funding for new TA measures came entirely from OeEB itself. The budget available for this is set at 10% of the prior year's profit for the year and thus amounted to EUR 0.796 million in 2017. Out of this amount, nine projects with a combined volume of EUR 0.54 million were approved. The remaining approximately EUR 0.26 million are available for new projects in 2018.

In total in 2017, OeEB concluded contracts for eleven AP projects with a combined value of EUR 1.04 million. These comprised OeEB-funded projects (seven projects with a total contract value of EUR 0.47 million) as well as projects already approved in the prior years and funded by the Austrian Ministry of Finance, but only signed in 2017. Most of the AP projects newly approved and contracted in the year under review related directly to investment finance or equity investment. For example, measures to improve environmental and social standards in the financial sector were initiated and projects in the energy sector were prepared.

In 2017, OeEB disbursed EUR 2 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 in order to help ensure the achievement of development objectives.

## Financial results

Profit for the year (i.e., net profit after tax) was EUR 6,694,415 (prior year: EUR 7,956,313). After transfers to reserves and before distribution or retention, unallocated profit for the year was EUR 129,415 (prior year: EUR 119,882).

As a result of the higher project volume, operating income rose from the prior year's EUR 16.88 million to EUR 17.61 million. Major income components were net interest income and securities income, at a combined total of about EUR 21.43 million (prior year: EUR 20.29 million). Net fee and commission expense amounted to approximately EUR 3.67 million (prior year: net expense of EUR 3.65 million). Fee and commission income, which was approximately EUR 6.04 million in the year (prior year: EUR 5.97 million), includes various fees from the Investment Finance activities and the fees for OeEB's management services rendered in the course of the Equity Investments activities for the Austrian Ministry of Finance. Fee and commission expense, amounting to about EUR 9.71 million in the financial year (prior year: EUR 9.62 million), consists mainly of the guarantee fees paid and accrued as payable to the Ministry of Finance for the guarantees for political and commercial risks (guarantees under section 9 (3) Export Guarantees Act).

The operating expenses of about EUR 8.68 million (prior year: EUR 6.80 million) reflected the bank's growth and consisted largely of staff costs of EUR 5.33 million (prior year: EUR 4.30 million) and other administrative expenses of EUR 3.30 million (prior year: EUR 2.47 million).

In the year under review there were five loss events with three clients; the claims for all of these were honoured by the Ministry of Finance under the above guarantees for political and commercial risks (guarantees issued pursuant to section 9 (3) Export Guarantees Act).

The resulting operating profit in the financial year was about EUR 8.93 million, compared with EUR 10.08 million in the prior year. After valuation effects and taxes, profit for the year was approximately EUR 6.69 million (prior year: EUR 7.96 million). On the basis of an agreement between the Ministry of Finance and OeEB dated 17 November 2016 on the use of OeEB's earnings, an amount equivalent to 10% of the 2017 profit for the year was set aside for use in the implementation of Advisory Programmes projects. In view of the good result, EUR 6.86 million was transferred to reserves (prior year: EUR 7.83 million).

Profit available for distribution was EUR 174,682 in the year under review (prior year: EUR 164,267).

### 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

###### Earnings per share

As profit for the year was EUR 6,694,415 and the share capital is divided into 50,000 no par-value registered shares, earnings per share amounted to EUR 133.89.

###### Financial ratios

The increase in cost-income ratio (operating expenses as a percentage of operating income) to 49.29% (prior year: 40.27%) was attributable both to the continued growth of the bank with resulting higher operating expenses, and to the decline in the US dollar exchange rate, which brought a more moderate increase in operating income compared with the prior year. As well, since the beginning of 2017, OeEB sets aside 10% of the most recent profit for the year as funding for Advisory Programmes projects. The fact that this funding no longer comes from the Austrian government leads to an additional rise in operating expenses.

The Tier 1 capital ratio (CRR Tier 1 capital as a percentage of risk-weighted assets) in 2017 was 82.37% (prior year: 67.43%) and the leverage ratio (Tier 1 capital as a percentage of total exposure) was 72.79% (prior year: 58.20%).

Return on equity (profit for the year as a percentage of average equity), at 22.08%, was below the prior-year level of 34.42%.

##### Non-financial performance indicators

###### Staff

OeEB had an average of 53 active employees in the year under review, plus ten employees on parental leave. OeEB's staff is responsible primarily for the implementation of the projects, as well as for transacting the banking business per se.

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 outsourcing of services 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.

The staff of OeEB is directly employed by OeEB. Personal and professional qualifications are the only criteria for employee evaluation at OeEB, and employee pay is independent of gender. The collective agreement for the banking sector is applied for all employees. For graduates of vocational schools and higher educational institutions, the salary scale starts above collective agreement levels.



OeEB's employees are responsible for developing new business (notably project acquisition, structuring, risk assessment, compliance tasks, negotiation and conclusion of new contracts, and processing of all transactions for these projects) and for the ongoing management of the existing portfolio of projects. Besides handling the banking and financing side of the transactions, the project lead personnel must also assess the development relevance of the projects, in consultation with OeEB's development experts. Important roles here are the formulation and implementation of ways to improve development relevance where necessary; and development-related communication and policy work.

The bank's compensation policy involves the use both of performance criteria and market benchmarks. Care is taken to ensure an appropriate relationship between fixed and variable pay. The variable component is based partly on individual performance as discussed in the performance appraisal interview, and partly on various corporate-level 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 the bank is 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. No benefits or services 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.

### 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 sustainability management system of the OeKB Group, 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 2017 sustainability report of the OeKB Group.

In keeping with the international nature of OeEB's activities, almost all of its business travel is by air. OeEB offsets the CO<sub>2</sub> emissions from its air travel by supporting reforestation projects conducted by Vienna's University of Natural Resources and Applied Life Sciences (see <http://www.boku.ac.at/wissenschaftliche-initiativen/zentrum-fuer-globalen-wandel-nachhaltigkeit/themen/nachhaltigkeit/boku-co2-kompensationssystem/klimaschutzprojekte/>).

## II. Outlook and risks for the bank

### i. Business outlook

Against the backdrop of the Sustainable Development Goals (SDGs) and the climate goals targeted by countries worldwide, 2017 like the prior year showed that OeEB's strategic direction is appropriate to the development-related and economic challenges. In view of the great need for investment and the large funding gap in the areas of renewable energy and of energy and resource efficiency in developing and newly industrialised countries, OeEB sees continuing high potential in 2018 for engagement in its core areas of expertise.

This outlook is also supported by a robust project pipeline in these and other sectors (such as infrastructure and SME development). It is further underpinned by conversations with existing and potential clients, with other development banks and, importantly, 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 achieving moderate continuing growth in 2018.

### ii. Significant risks and uncertainties

The environment for the financing of projects in developing countries remains challenging. Commercial banks continue to be selective and restrictive in their lending both as a result of regulatory requirements and adjustments to their business models, and in the face of existing regional uncertainties. But carrying out development projects is important for growth in these countries. The role of development banks is to be stable and dependable partners and to go where the need is.

The growth prospects for the world economy in 2018 are favourable, yet it is important to be aware of the regional differences and the potential downside risks. Thus, numerous developing and transition countries face the challenge of adjusting their economic structures to changing conditions, diversifying their economic output and reducing their dependence on natural resources, even as the debt situation in some of these countries has significantly worsened again in recent years. Moreover, at the political level, the protectionist trend that hinders economic integration across borders has been gathering force. The instability in the Middle East, local conflicts such as in Africa, and persistent security risks worldwide pose additional challenges. Against this backdrop, the business trend in OeEB's individual target countries remains difficult to forecast.

### iii. Risk management

#### Introduction

OeEB is a specialised institution for the financing of commercially viable, developmentally effective private sector investment projects in developing and newly industrialised countries. It is Austria's official development bank.

The focus of risk management activities in the financial year under review was on monitoring the risk impacts of new business areas and products. An additional priority was the integration of risk management at the OeKB Group level.

#### 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 full guarantee from the Austrian government under the Export Guarantees Act for every credit financing deal. Financing extended on behalf of the Austrian government represents the great majority of the bank's assets. For this portion of its total assets, OeEB, like its parent OeKB, is exempt from the provisions of relevant legislation such as the Capital Requirements Regulation (the CRR, or EU Regulation 575/2013) and the Capital Requirements Directive IV (CRD IV).

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. Although the equity base was already strengthened in the past, equity investments without a federal guarantee are undertaken only in accordance with the investment policies approved by the Supervisory Board or – if exceeding the relevant threshold levels which trigger the need for Supervisory Board approval – are made on the basis of specific individual approvals by the Supervisory Board.

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 and Advisory Programmes. These systems of internal control are reviewed annually and permit risk management at the level of the OeKB Group.

As OeKB is its sole owner, OeEB is covered by the Group ICAAP, or Internal Capital Adequacy Assessment Process. No ICAAP is performed at the level of OeEB. The key metric in the measurement and management of risk – the calculated economic capital required (for the going concern and gone concern views) – is compared against the economic capital available at different levels of scenario severity. At the 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. A basic principle of risk management at OeEB is the strict separation of risk origination and risk oversight. The risk management functions reside with the Executive Board member responsible for risk management. Taking into account the principle of proportionality, OeEB's risk management is appropriate to the business model, strategy, risk situation and internal operational requirements.

The Risk Management Committee decides 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 together 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 "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, there is a central contact person at OeEB 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, OeEB's 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 groups of related borrowers. Country limits and customer limits are in place and are reviewed on an ongoing basis.

The credit risk budget of EUR 5.75 million for 2017 was not exceeded.

### 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.

The market risk budget of EUR 5.75 million for 2017 was not exceeded.

### 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) into the OeKB Group's 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. In these areas, OeEB, which has its offices within OeKB's premises, works closely with OeKB.

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 the risk associated with this 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 standard 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 inter-related 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 regarding 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 related 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 are 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 Audit Committee, established in September 2016, has the following responsibilities among others:

- Monitoring the effectiveness of the internal control system, the internal audit system and the risk management system
- Reviewing the annual financial statements and preparing their adoption, reviewing the proposal for the appropriation of profit and reviewing the management report
- Carrying out the procedure for selecting the external independent auditor and recommending the auditor for nomination by the Supervisory Board

The Audit Committee met twice in the 2017 financial year.

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 & development

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

Vienna, 23 February 2018

Sabine Gaber  
Member of the Executive Board

Michael Wancata  
Member of the Executive Board

## B. Financial statements

### 1. Balance sheet at 31 December 2017

#### Assets

	31 DEC. 2017 EUR	31 DEC. 2016 EUR '000
<b>01 Balances at central banks</b>	<b>1,193.75</b>	<b>352</b>
<b>02 Loans and advances to banks</b>	<b>326,285,077.56</b>	<b>334,723</b>
a) Repayable on demand	31,954,952.60	28,031
b) Other loans and advances	294,330,124.96	306,692
<b>03 Loans and advances to customers</b>	<b>216,767,841.45</b>	<b>208,905</b>
<b>04 Bonds and other fixed income securities</b>	<b>8,019,479.59</b>	<b>8,516</b>
a) Of other issuers (i.e., non-public sector issuers)	8,019,479.59	8,516
<b>05 Equity shares and other variable income securities</b>	<b>183,930,170.61</b>	<b>156,016</b>
<b>06 Interests in companies</b>	<b>31,100.00</b>	<b>31</b>
<b>07 Non-current intangible assets</b>	<b>96,000.00</b>	<b>0</b>
<b>08 Property and equipment</b>	<b>391.00</b>	<b>0</b>
<b>09 Other assets</b>	<b>1,632,009.82</b>	<b>2,550</b>
<b>10 Prepaid expenses</b>	<b>162,809.97</b>	<b>133</b>
<b>11 Deferred tax assets</b>	<b>259,963.90</b>	<b>296</b>
<b>Total assets</b>	<b>737,186,037.65</b>	<b>711,522</b>
<b>Off-balance sheet items</b>		
1. Foreign assets	705,462,112.37	683,190
2. Fiduciary assets	119,859,896.76	94,661

## Liabilities and equity

	31 DEC. 2017 EUR	31 DEC. 2016 EUR '000
<b>01 Deposits from banks</b>	<b>666,897,299.76</b>	<b>664,274</b>
a) With agreed maturity or notice period	666,897,299.76	664,274
<b>02 Deposits from customers</b>	<b>27,704,246.93</b>	<b>8,159</b>
a) Non-savings deposits	27,704,246.93	8,159
Of which aa) With agreed maturity or notice period	27,704,246.93	8,159
<b>03 Other financial liabilities</b>	<b>3,364,303.29</b>	<b>5,268</b>
<b>04 Accruals and deferred income</b>	<b>2,619,724.22</b>	<b>2,895</b>
<b>05 Provisions</b>	<b>2,997,101.41</b>	<b>3,898</b>
a) Termination benefit provisions	153,041.00	128
b) Tax provisions	31,533.00	1,070
c) Other provisions	2,812,527.41	2,700
<b>06 Share capital</b>	<b>5,000,000.00</b>	<b>5,000</b>
<b>07 Retained earnings</b>	<b>28,412,000.00</b>	<b>21,847</b>
a) Statutory reserve	500,000.00	500
b) Other reserves	27,912,000.00	21,347
<b>08 Liability reserve under section 57 (5) Banking Act</b>	<b>16,680.48</b>	<b>17</b>
<b>09 Profit available for distribution</b>	<b>174,681.56</b>	<b>164</b>
<b>Total liabilities and equity</b>	<b>737,186,037.65</b>	<b>711,522</b>
<b>Off-balance sheet items</b>		
1. Contingent liabilities (guarantee obligations incurred and assets pledged as collateral security)	84,061,741,53	89,613
2. Off-balance sheet credit risks	194,864,223,15	192,095
3. Liabilities from fiduciary activities	119,859,896,76	94,661
4. Available regulatory capital under part 2 of Regulation (EU) No 575/2013	26,822,049,14	20,051
5. Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013	31,530,630,22	28,225
Regulatory capital requirement under article 92 (1) (a) of Regulation (EU) No 575/2013 (Common Equity Tier 1 ratio)	82.37%	67.43%
Regulatory capital requirement under article 92 (1) (b) of Regulation (EU) No 575/2013 (Tier 1 capital ratio)	82.37%	67.43%
Regulatory capital requirement under article 92 (1) (c) of Regulation (EU) No 575/2013 (total capital ratio)	85.07%	71.04%
6. Foreign liabilities	50,322,523.15	73,480

## 2. Income statement for the year ended 31 December 2017

	2017 EUR	2016 EUR '000
1. Interest and similar income	23,508,576.99	21,871
Of which from fixed income securities	225,001.21	132
2. – Interest and similar expense	7,935,085.57	6,475
<b>I. Net interest income</b>	<b>15,573,491.42</b>	<b>15,396</b>
3. + Income from securities and share of profit of other companies	5,858,628.63	4,897
a) Income from equity shares, other ownership interests and variable income securities	5,858,628.63	4,897
4. + Fee and commission income	6,041,677.50	5,965
5. – Fee and commission expense	9,713,640.41	9,617
6. ± Net (expense)/income from financial operations	– 458,116.70	145
7. + Other operating income	312,626.38	89
<b>II. Operating income</b>	<b>17,614,666.82</b>	<b>16,875</b>
8. Administrative expenses	8,626,332.68	6,772
a) Staff costs	5,327,189.04	4,302
Of which		
aa) Salaries	4,079,923.33	3,342
bb) Statutory social security costs, pay-based levies, and pay-based other compulsory contributions	990,360.91	755
cc) Other social expenses	85,492.71	68
dd) Expenses for retirement and other post-employment benefits	85,577.62	58
ee) Expenses for termination benefits and contributions to termination benefit funds	85,834.47	79
b) Other administrative expenses	3,299,143.64	2,470
9. Impairment of assets in asset items 7 and 8	29,069.66	2
10. – Other operating expenses	26,025.42	22
<b>III. Operating expenses</b>	<b>–8,681,427.76</b>	<b>–6,796</b>
<b>IV. Operating profit</b>	<b>8,933,239.06</b>	<b>10,079</b>

	2017 EUR	2016 EUR '000
11. + Gain on reversal of impairment losses on loans and advances	173,750.00	192
12. ± Impairment of securities measured as non-current financial assets	-159,729.50	-97
<b>V. Profit before tax</b>	<b>8,947,259.56</b>	<b>10,174</b>
13. – Income tax	2,252,844.86	2,218
<b>VI. Profit for the year</b>	<b>6,694,414.70</b>	<b>7,956</b>
14. – Transfer to reserves Of which transfer to liability reserve	6,565,000.00 –	7,836 3
<b>VII. Unallocated profit for the year</b>	<b>129,414.70</b>	<b>120</b>
15. + Profit brought forward from the prior year	45,266.86	44
<b>VIII. Profit available for distribution</b>	<b>174,681.56</b>	<b>164</b>

## 3. Notes to the financial statements

### 3.1 Legislative basis of operations

The Austrian Federal Minister of Finance was authorised by section 9 (1) Export Guarantees Act (German name of the Act: Ausfuhrförderungsgesetz, or AusFFG) to grant to Oesterreichische Entwicklungsbank AG (OeEB), a subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), the public mandate for establishing and providing the services of an Austrian development bank.

Principal activities of OeEB are the longer-term financing of sustainable investment in developing countries and the management of federal government activities for supporting the preparation and implementation of private sector projects in developing countries.

OeEB is bound by Austria's development aims and principles under the Development Cooperation Act, Federal Law Gazette I Vol. 49/2002, as amended (German name of the Act: Entwicklungszusammenarbeitgesetz, or EZA-G) and is required to consider Austria's foreign trade objectives.

OeEB operates primarily in developing countries. A guideline in this regard is the respective current list of Official Development Assistance (ODA) Recipients published by the OECD Development Assistance Committee (DAC). OeEB mainly supports private sector projects in developing countries. These projects must meet development criteria, satisfy international environmental and social standards and conform with Austrian and international law.

To support and/or implement the projects, OeEB employs three mechanisms: Investment Finance transactions, project support measures under Advisory Programmes, as well as Equity Investments, which are federally funded equity and near-equity investments in funds and companies.

The Investment Finance transactions are shown primarily in the balance sheet items "other loans and advances" (to banks), "loans and advances to customers", "bonds and other fixed income securities" and "equity shares and other variable income securities". In addition, there are risk participations in the Investment Finance business segment that are recognised as contingent liabilities, and credit risks in the form of credit facilities and securities purchase obligations.

For every Investment Finance transaction conducted under the Export Guarantees Act, the Republic of Austria provides a guarantee for political and commercial risks (pursuant to section 9 (3) Export Guarantees Act).

The Equity Investments positions are recognised below the balance sheet (i.e., off-balance sheet) in the items "fiduciary assets" and "liabilities from fiduciary activities" (see section 3.2.10 of the notes). In the Equity Investments mechanism, the Republic of Austria, acting as trustor, makes the investment funding available for the entire duration of the investment; the risk of loss is therefore borne directly by the Republic of Austria.

## 3.2 Accounting policies

### 3.2.1 Basis of presentation and general principles applied

The annual financial statements of Oesterreichische Entwicklungsbank AG (“OeEB”, “the bank”) at and for the year ended 31 December 2017 were prepared by the Executive Board of OeEB in accordance with the provisions of the Austrian Commercial Code (in German: Unternehmensgesetzbuch, or UGB), as amended, and the bank-specific provisions of the Austrian Banking Act (in German: Bankwesengesetz, or BWG), as amended. The structure of the balance sheet and income statement is as specified in Annex 2 to section 43 Austrian Banking Act.

OeEB is classified as a public interest entity under section 43 (1a) Austrian Banking Act in conjunction with section 189a Austrian Commercial Code.

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 which arose in the 2017 financial year were recognised.

According to the size classes defined in section 221 (3) Austrian Commercial Code, OeEB is categorized as a large corporation.

The same measurement and presentation methods continued to be applied as in the prior year, except for the following change in presentation: Fiduciary assets and liabilities – which to date had been reported on the balance sheet in the items “loans and advances to banks”, “other assets” and “other financial liabilities” – are now reported off-balance sheet. This change is the result of a change in the management approach. In the business segments Advisory Programmes and Equity Investments where these transactions overseen by OeEB as trustee are found, the business volume had initially (in prior years) been assumed to be insignificant, but under the trustor’s new strategy it is now assigned increased significance, with a resulting rise in volume. For greater ease of understanding and clarity of the financial statements, the fiduciary assets and liabilities both for the year under review and the prior year are now reported below the balance sheet, i.e., off-balance sheet (also see section 3.2.10 of the notes).

FIDUCIARY ASSETS AND LIABILITIES	31 DEC. 2016 EUR
<b>Total assets in 2016 as reported</b>	<b>806,183,335.99</b>
Fiduciary assets within "loans and advances to banks"	43,780,136.23
Fiduciary assets within "other assets"	50,880,711.43
<b>Total fiduciary assets (which equals fiduciary liabilities within "other financial liabilities")</b>	<b>94,660,847.66</b>
<b>Total assets in 2016, less fiduciary assets</b>	<b>711,522,488.33</b>

Estimates are based on prudent judgement. To the extent that statistically determinable experience from comparable situations exists, it has been taken into account in arriving at estimates.

The financial year under review was the full calendar year.

### 3.2.2 Securities

Those **bonds and other fixed income securities** which are used to invest the share capital and are classified as current assets are measured using the conservative lower-of-cost-or-market approach, i.e., at the lower of historical cost or the quoted market price at the balance sheet date. The securities in this item that are classified as non-current assets relate to the Investment Finance segment. They are measured in the same way as equity shares and other variable income securities.

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

**Equity shares and other variable income securities** are measured using the modified lower-of-cost-or-market approach, i.e., are measured at cost or, if permanently impaired, at a lower quoted market price at the balance sheet date. They are classified as non-current assets.

The guarantees (under section 9 (3) Export Guarantees Act) for political and commercial risks cover not just the principal amount underwritten by OeEB but its target rate of return up to the documented funding costs plus the guarantee fee. 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 up to the maximum amount guaranteed.



### 3.2.3 Interests in companies

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

### 3.2.4 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. In accordance with tax legislation, a full year's amortisation is applied to additions made in the first half of the year, and half of a year's amortisation is applied to additions made in the second half of the year. Intangible assets generated internally 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 lasting in nature.

### 3.2.5 Property and equipment

Items of property and equipment are measured at cost, less depreciation and impairment. Small assets (assets with an individual acquisition cost of less than EUR 400) are expensed immediately. In accordance with tax legislation, a full year's depreciation is applied to additions made in the first half of the year, and half of a year's depreciation is applied to additions made in the second half of the year.

**Depreciation** is provided on a straight-line basis over the normal useful life of the assets, which is 10 years.

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

### 3.2.6 Loans and advances and other assets

**Loans and advances** to banks and customers, and **other assets**, are recognised at face amounts, subject to section 57 Banking Act. For identifiable credit risks in respect of borrowers, impairment losses are individually assessed.

In view of the guarantees for political and commercial risks under section 9 (3) Export Guarantees Act, the expected interest income is recognised on an accrual basis and recorded in the respective balance sheet item.

### 3.2.7 Deferred taxes

In accordance with section 198 (9) and (10) Austrian Commercial Code, deferred taxes are recognised using the balance sheet-based temporary concept and without discounting, on the basis of the current corporate tax rate of 25%.

### 3.2.8 Deposits from banks and other financial liabilities

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

### 3.2.9 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 1.80% (prior year: 1.75%), a salary growth rate of 2.75% (prior year: 2.75%) and an age at retirement of 65 years for men (prior year: 64 years and 9 months) and 65 years for women (prior year: 59 years and 9 months), and are based on the computation tables “AVÖ 2008 P” by Pagler & Pagler. Actuarial gains and losses are recognised in the income statement. The interest cost and the effects of a change in the discount rate are reported in staff costs.

The discount rate for termination benefit provisions is determined based on market yields of highly rated corporate bonds at the balance sheet date.

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.

Non-current provisions are recognised at the amount required to settle the obligation and are discounted if material.

### 3.2.10 Fiduciary assets and liabilities

The item “fiduciary assets” contains the transactions overseen by OeEB as trustee which are covered in section 3 of the contract concluded pursuant to section 9 (1) Export Guarantees Act. In fulfilling its mandate, OeEB is authorised among other things to acquire interests in investment funds and companies through federally funded equity and near-equity investments. The monies held in trust for these Equity Investments are used by OeEB by investing them in its own name for the account of the Austrian Ministry of Finance. Additionally, the total for fiduciary assets also includes a separate account of the federal government (“trust account”).

Under section 48 (1) Austrian Banking Act, fiduciary assets can be reported off-balance sheet if there is a special arrangement which allows these assets to be segregated from the assets available for distribution in the event of a compulsory liquidation of the bank. Such a right of segregation exists for the fiduciary assets of the federal government reported in the annual financial statements of OeEB, and these assets are therefore disclosed off-balance sheet.

At the same time, the obligation to the Ministry of Finance to surrender the funds (incurred by OeEB as a result of the right of segregation under section 48 (1) Austrian Banking Act) is reported off-balance sheet on the liabilities side.

### 3.2.11 Foreign currency translation

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

### 3.3 Notes to the balance sheet and income statement

#### 3.3.1 Supplementary disclosures

##### 3.3.1.1 Loans and advances

##### 3.3.1.1.1 Loans and advances to banks

LOANS AND ADVANCES TO BANKS REPAYABLE ON DEMAND	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Denominated in EUR	31,742,212.27	27,450,585.64
Denominated in USD	212,740.33	580,214.60
<b>Total</b>	<b>31,954,952.60</b>	<b>28,030,800.24</b>
OTHER LOANS AND ADVANCES TO BANKS	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Denominated in EUR	114,200,344.81	128,193,878.38
Denominated in USD	180,554,780.15	179,008,109.17
Less impairment charge under section 57 (1) Banking Act	-425,000.00	-510,000.00
<b>Total</b>	<b>294,330,124.96</b>	<b>306,691,987.55</b>
3.3.1.1.2 Loans and advances to customers		
LOANS AND ADVANCES TO CUSTOMERS	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Denominated in EUR	70,038,921.97	52,722,159.84
Denominated in USD	147,153,919.48	156,693,297.26
Less impairment charge under section 57 (1) Banking Act	-425,000.00	-510,000.00
<b>Total</b>	<b>216,767,841.45</b>	<b>208,905,457.10</b>

### 3.3.1.2 Securities

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

SECURITIES (INCL. ACCRUED INTEREST)	31 DEC. 2017 EUR	31 DEC. 2016 EUR
<b>Bonds and other fixed income securities</b>		
Listed	3,000,370.00	3,496,620.00
Unlisted	5,019,109.59	5,019,057.38
<b>Total</b>	<b>8,019,479.59</b>	<b>8,515,677.38</b>
Of which securities classified as non-current assets	5,019,109.59	5,019,057.38
<b>Equity shares and other variable income securities</b>		
Denominated in EUR	100,371,585.40	85,301,797.04
Denominated in USD	83,558,585.21	70,714,637.02
<b>Total</b>	<b>183,930,170.61</b>	<b>156,016,434.06</b>

Bonds and other fixed income securities in the amount of EUR 1,000,000.00 will be redeemed in the subsequent financial year. Also, interest in the amount of EUR 19,109.59 for 2017 will come due in the subsequent year.

As a disclosure under section 56 (4) Austrian Banking Act, the difference between the market value and carrying amount of securities admitted to trading on and listed on an exchange that were held as current assets was EUR 27,380.00 (prior year: EUR 29,280.00).

In the financial year, write-ups of EUR 0.00 to historical cost were performed (prior year: EUR 21,860.00).

The fund shares reported in "equity shares and other variable income securities" are classified as non-current assets and were acquired for the purpose of investment financing; they are not admitted to trading on an exchange.

### 3.3.1.3 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 25,100.00. OeEB also held a 7.69% equity interest in Interact Climate Change Facility S.A., measured at cost at EUR 6,000.00. Both companies are based in Luxembourg.

### 3.3.1.4 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.

### 3.3.1.5 Other assets

2017	REMAINING MATURITY		CARRYING AMOUNT EUR
	UP TO 1 YEAR EUR	OVER 1 YEAR EUR	
Other assets outside Austria	1,500,747.44	50,000.00	1,550,747.44
Receivables from tax authority	–	–	–
Sundry assets	81,262.38	–	81,262.38
<b>Total</b>	<b>1,582,009.82</b>	<b>50,000.00</b>	<b>1,632,009.82</b>

2016	REMAINING MATURITY		CARRYING AMOUNT EUR
	UP TO 1 YEAR EUR	OVER 1 YEAR EUR	
Other assets outside Austria	2,298,264.48	208,112.77	2,506,377.25
Receivables from tax authority	34,059.49	–	34,059.49
Sundry assets	9,335.48	–	9,335.48
<b>Total</b>	<b>2,341,659.45</b>	<b>208,112.77</b>	<b>2,549,772.22</b>

"Other assets" included accrued income of EUR 1,135,876.51 for 2017 (prior year: EUR 638,677.68) to be received after the balance sheet date.

### 3.3.1.6 Deferred tax assets

The deferred taxes at the balance sheet date consisted only of deferred tax assets and were recognised for temporary differences between the carrying amounts in the financial statements and their tax base, for the following items:

DEFERRED TAXES	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Impairment under section 57 Banking Act	212,500.00	255,000.00
Non-current provisions for employee benefits	47,463.90	41,407.28
<b>Total</b>	<b>259,963.90</b>	<b>296,407.28</b>

Movements in deferred taxes were as follows:

DEFERRED TAXES	2017 EUR	2016 EUR
At 1 January	296,407.28	331,863.54
Change recognised in profit or loss	-36,443.38	-35,456.26
<b>At 31 December</b>	<b>259,963.90</b>	<b>296,407.28</b>

The dividend payout restriction under section 235 (2) Austrian Commercial Code (deferred tax assets) does not apply, as there were sufficient uncommitted reserves.

### 3.3.1.7 Fiduciary assets

The following table presents the fiduciary assets held under the Advisory Programmes and Equity Investments, which are undertaken pursuant to section 3 of the contract concluded on the basis of section 9 (1) Export Guarantees Act. The table also shows the trust account of the federal government.

FIDUCIARY ASSETS	31 DEC. 2017 EUR	31 DEC. 2016 TEUR
The European Fund for Southeast Europe SA, SICAV-SIF, Bertrange, Luxembourg (EFSE) - Class C	6,000,000.00	6,000
CGFT Capital Pooling GmbH & Co KG, Berlin	5,000,000.00	5,000
Microfinance Enhancement Facility SA, SICAV-SIF, Luxembourg (MEF) - Class C	3,000,000.00	3,000
Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF, Luxembourg, (REGFIMA) - C Shares	3,000,000.00	3,000
<b>Total under Advisory Programmes</b>	<b>17,000,000.00</b>	<b>17,000</b>
CEE Special Situations Fund, L.P., St. Helier, Jersey	20,094,518.28	18,476
Africa Renewable Energy Fund, Cybercity, Ebène, Mauritius	4,889,211.66	3,301
DWM Funds S.C.A SICAV-SIF, Luxembourg	3,882,930.10	2,576
SEAF Caucasus Growth Fund LP, Cayman Islands	3,831,766.35	3,723
WWB Capital Fund, L.P., New York	2,858,993.79	2,486
Ascent Rift Valley Fund Ltd., Port Louis, Mauritius	2,203,040.80	778
Cambodia Laos Myanmar Development Fund II, Singapore	2,012,493.73	70
The Enterprise Expansion Fund S.A. (ENEF), Luxembourg	1,615,671.07	693
Dolma Impact Fund I, Ebène, Mauritius	1,364,672.93	452
Shore Capital II Limited, Port Louis, Mauritius - A Shares	1,115,754.31	1,059
Catalyst MENA Clean Energy Fund L.P., St. Peter Port, Guernsey	603,108.55	0
Frontier Energy II Alpha K/S, Copenhagen	520,686.39	0
RENDCOR GmbH, Vienna	497,500.00	0
Caucasus Clean Energy Fund I, St Peter Port, Guernsey	314,527.03	147
Adenia Capital IV, Port Louis, Mauritius	264,159.00	119
ShoreCap III LP, Port Louis, Mauritius	27,492.36	0
<b>Total under (federally funded) Equity Investments</b>	<b>46,096,526.35</b>	<b>33,880</b>
<b>Trust account balance</b>	<b>56,763,370.41</b>	<b>43,780</b>
<b>Total fiduciary assets</b>	<b>119,859,896.76</b>	<b>94,660</b>



### 3.3.1.8 Deposits from banks and other financial liabilities

#### 3.3.1.8.1 Deposits from banks

DEPOSITS FROM BANKS	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Denominated in EUR	260,613,333.97	261,866,565.67
Denominated in USD	406,283,965.79	402,407,346.41
<b>Total</b>	<b>666,897,299.76</b>	<b>664,273,912.08</b>

#### 3.3.1.8.2 Deposits from customers

DEPOSITS FROM CUSTOMERS	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Denominated in EUR	27,704,246.93	8,159,030.41
Denominated in USD	0.00	0.00
<b>Total</b>	<b>27,704,246.93</b>	<b>8,159,030.41</b>

#### 3.3.1.8.3 Other financial liabilities

OTHER FINANCIAL LIABILITIES	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Other financial liabilities in Austria	2,279,670.58	2,374,880.86
Liabilities to Ministry of Finance from Advisory Programmes	1,054,725.67	2,893,458.37
Sundry liabilities	29,907.04	169.34
<b>Total</b>	<b>3,364,303.29</b>	<b>5,268,508.57</b>

Other financial liabilities included accrued expenses for 2017 of EUR 2,275,857.05 (prior year: EUR 2,373,717.67) that will be paid after the balance sheet date.

Other financial liabilities were all current in nature.

### 3.3.1.9 Provisions

The item “other provisions” showed the following composition and movements:

OTHER PROVISIONS	1 JAN. 2017 EUR	ADDED	USED	RELEASED	31 DEC. 2017 EUR
Provision for vacation pay	157,778.07	232,007.38	157,778.07	–	232,007.38
Provision for legal, audit and consulting expenses	100,000.00	85,000.00	72,222.64	27,777.36	85,000.00
Guarantee fees	1,849,483.00	1,809,919.00	1,849,483.00	–	1,809,919.00
Sundry provisions	592,294.02	545,593.03	430,451.24	21,834.78	685,601.03
<b>Total</b>	<b>2,699,555.09</b>	<b>2,672,519.41</b>	<b>2,509,934.95</b>	<b>49,612.14</b>	<b>2,812,527.41</b>

### 3.3.1.10 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. The proposed dividend to be paid in the subsequent year for the 2017 financial year is EUR 129,000.00 in total, or EUR 2.58 per share. The **return on assets** in 2017 was 0.91% (prior year: 0.99%).

Since 1 January 2017, under an agreement between the Austrian Ministry of Finance and OeEB of 17 November 2016, the funding for Advisory Programmes (AP) is provided by OeEB itself. Annually, 10% of the respective prior year’s profit for the year (as per OeEB’s adopted financial statements) is newly made available for AP projects.

If the budgeted amount for new AP projects is not fully utilised in a given year, the unused amount is carried forward and added to the amount available in the subsequent year. In these financial statements, a portion of other (uncommitted) retained earnings was thus set aside as a reserve for technical assistance (TA) activities in connection with the Advisory Programmes.

As well, out of the 2017 profit for the year, EUR 6,188,470.25 was transferred to uncommitted reserves, i.e., to free reserves.

Of the “non-TA” retained earnings, EUR 500,000.00 (prior year: EUR 500,000.00) represented the statutory reserve, fulfilling the requirement under section 229 (6) Austrian Commercial Code that the statutory reserve, when complete, shall amount to 10% of share capital.

The year's movements in retained earnings are shown in the following table:

RETAINED EARNINGS	FOR TECHNICAL ASSISTANCE (TA) EUR	NON-TA EUR	TOTAL EUR
At 1 January 2017	795,631.34	21,051,368.66	21,847,000.00
Released	-292,911.72	0.00	-292,911.72
Added	669,441.47	6,188,470.25	6,857,911.72
<b>At 31 December 2017</b>	<b>1,172,161.09</b>	<b>27,239,838.91</b>	<b>28,412,000.00</b>

The released amount of EUR 292,911.72 represents the expenses for the year for technical assistance (TA), which are reported in other administrative expenses. These expenses serve to improve development effectiveness through project preparation, project support and studies.

### 3.3.1.11 Information on off-balance sheet transactions

The item “contingent liabilities” relates entirely to risk participations of OeEB in loans issued by Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main, and Deutsche Investitions- und Entwicklungsgesellschaft (DEG), Cologne. Through these facilities, OeEB shares risk internally with KfW and DEG to the extent of its contractual portion of the exposure by guaranteeing the respective outstanding loan principal and interest.

CONTINGENT LIABILITIES	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Risk participation facilities of Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main	45,503,946.49	54,348,496.59
Risk participation facilities of Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Cologne	38,557,795.04	35,264,141.95
<b>Total</b>	<b>84,061,741.53</b>	<b>89,612,638.54</b>

These risk participation agreements are backed by **guarantees** for political and commercial risks (received under section 9 (3) Export Guarantees Act) that cover the contractual interest up to the contractual maturity date of the underlying loan, including OeEB's risk compensation fee under the risk participation agreement.

The credit risk recognised below the balance sheet (i.e., off-balance sheet) was related to undrawn commitments to lend (unused limits on credit facilities, and securities purchase obligations). To secure the risks, OeEB receives a guarantee of the Republic of Austria for political and commercial risks on every transaction (under section 9 (3) Export Guarantees Act).

	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Credit facilities	173,935,347.98	162,863,660.40
Securities purchase obligations	20,928,875.17	29,231,097.62
<b>Total</b>	<b>194,864,223.15</b>	<b>192,094,758.02</b>

#### Liabilities under fiduciary activities

This item represents the obligation to the Ministry of Finance to surrender the fiduciary assets (an obligation incurred by OeEB as a result of the right of segregation of these assets under section 48 (1) Austrian Banking Act). In these 2017 financial statements, fiduciary activities are for the first time not reported on the balance sheet (see section 3.2.10 of the notes).

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

The regulatory capital under part 2 of Regulation (EU) No 575/2013 was as follows:

	31 DEC. 2017 EUR	31 DEC. 2016 EUR
<b>Regulatory capital under part 2 of Regulation (EU) No 575/2013</b>		
Share capital	5,000,000.00	5,000,000.00
Retained earnings	28,412,000.00	21,847,000.00
Less reserve for technical assistance (TA) <sup>1</sup>	-1,172,161.09	-795,631.34
Less transfer to retained earnings <sup>2</sup>	-6,188,470.25	-7,037,368.66
Liability reserve	16,680.48	16,680.48
<b>Total reserves</b>	<b>21,068,049.14</b>	<b>14,030,680.48</b>
Intangible assets	-96,000.00	0.00
<b>Tier 1 capital</b>	<b>25,972,049.14</b>	<b>19,030,680.48</b>
Tier 2 capital (impairment under section 57 Banking Act in the version of 2013), weighted at 50% (prior year: 60%) <sup>3</sup>	850,000.00	1,020,000.00
<b>Total available regulatory capital</b>	<b>26,822,049.14</b>	<b>20,050,680.48</b>
<b>Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013</b>		
Loans and advances to banks	34,877.66	274,108.87
Other loans and advances	1,114,605.51	1,233,250.64
<b>Risk-weighted exposure amounts for credit risk</b>	<b>1,149,483.17</b>	<b>1,507,359.51</b>
<b>Risk-weighted exposure amounts for market risk</b>	<b>0.00</b>	<b>580,214.60</b>
<b>Total regulatory capital requirement for operational risk (Basic Indicator approach)</b>	<b>30,381,147.05</b>	<b>26,136,949.25</b>
<b>Total exposure amount</b>	<b>31,530,630.22</b>	<b>28,224,523.36</b>

<sup>1</sup> Refer to section 3 (1) 7 Austrian Banking Act (also see page 39 of this report).

<sup>2</sup> 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.

<sup>3</sup> Under article 486 (4) of Regulation (EU) No 575/2013 in conjunction with section 20 Austrian CRR Companion Regulation.

At 31 December 2017 and 2016, the above values yield the following ratios under section 92 (1) (a) to (c) of Regulation (EU) No 575/2013, which are compared with the respective minimum ratios applicable to the bank:

	31 DEC. 2017		31 DEC. 2016	
	MINIMUM RATIO	ACTUAL RATIO	MINIMUM-RATIO	ACTUAL RATIO
Common Equity Tier 1 capital ratio	5.750%	82.370%	5.125%	67.430%
Tier 1 capital ratio	7.250%	82.370%	6.625%	67.430%
Total capital ratio	9.250%	85.070%	8.625%	71.040%

The bank's minimum ratios had the following composition:

	31 DEC. 2017	31 DEC. 2016
Common Equity Tier 1 ratio under article 92 (1) (a) of Regulation (EU) No 575/2013	4.500%	4.500%
Capital conservation buffer under section 23 Banking Act in conjunction with section 103q (11) Banking Act	1.250%	0.625%
Common Equity Tier 1 ratio under article 92 (1) (a) of Regulation (EU) No 575/2013, including buffer requirements	5.750%	5.125%
Tier 1 capital ratio under article 92 (1) (b) of Regulation (EU) No 575/2013, including buffer requirements	7.250%	6.625%
Total capital ratio under article 92 (1) (c) of Regulation (EU) No 575/2013, including buffer requirements	9.250%	8.625%

As in the prior year, the minimum ratios required at 31 December 2017 arise from article 92 (1) of Regulation (EU) No 575/2013, the additional capital buffer requirements of the Austrian Banking Act, and the capital buffer regulation of the Austrian Financial Market Authority (FMA).

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 covers 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 section 27a; section 39 (2b) 7 in conjunction with 39 (4); section 39 (3); and section 74 (6) 3a in conjunction with 74 (1).

### 3.3.1.13 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 412,918,088.19 (prior year: EUR 407,946,394.07)

**Liabilities:** EUR 406,313,872.83 (prior year: EUR 402,407,515.75)

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.

### 3.3.1.14 Information on derivative financial instruments

At the balance sheet date of 31 December 2017, OeEB did not hold derivative financial instruments.

### 3.3.1.15 Amounts due from and to Group entities

The specific amounts due from and to intra-Group companies at the balance sheet date were as follows.

AMOUNTS DUE FROM AND TO GROUP ENTITIES	31 DEC. 2017 EUR	31 DEC. 2016 EUR
<b>Assets</b>		
Loans and advances to banks	31,780,564.29	27,900,880.89
Other assets	0.00	7,414.38
<b>Liabilities</b>		
Deposits from banks	616,594,961.05	590,793,593.77
Trade payables	64,343.02	0.00

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 615,006,096.10 at the balance sheet date (prior year: EUR 589,464,772.09), as well as the assignment of any relevant claims under the guarantees issued by the Ministry of Finance for political and commercial risks (guarantees based on section 9 (3) Export Guarantees Act).

### 3.3.1.16 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:

LOANS AND ADVANCES TO BANKS NOT REPAYABLE ON DEMAND	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Up to 3 months	16,136,572.98	19,319,916.30
More than 3 months and up to 1 year	82,202,865.64	56,943,038.26
More than 1 year and up to 5 years	163,120,284.61	204,140,515.28
More than 5 years	33,295,401.73	26,798,517.71
<b>Total</b>	<b>294,755,124.96</b>	<b>307,201,987.55</b>
Less impairment under section 57 Banking Act	-425,000.00	-510,000.00
<b>Total</b>	<b>294,330,124.96</b>	<b>306,691,987.55</b>

Accrued interest of EUR 1,830,577.55 (prior year: EUR 2,246,249.39) was recognised within the maturity band of up to 3 months.



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

LOANS AND ADVANCES TO CUSTOMERS NOT REPAYABLE ON DEMAND	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Up to 3 months	6,732,610.89	4,682,683.58
More than 3 months and up to 1 year	23,118,789.36	19,453,244.15
More than 1 year and up to 5 years	107,140,462.44	95,233,829.98
More than 5 years	80,200,978.76	90,045,699.39
<b>Total</b>	<b>217,192,841.45</b>	<b>209,415,457.10</b>
Less impairment under section 57 Banking Act	-425,000.00	-510,000.00
<b>Total</b>	<b>216,767,841.45</b>	<b>208,905,457.10</b>

Accrued interest of EUR 2,039,860.64 (prior year: EUR 1,905,785.80) was recognised within the maturity band of up to 3 months.

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

DEPOSITS FROM BANKS NOT REPAYABLE ON DEMAND	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Up to 3 months	20,092,657.68	21,434,035.19
More than 3 months and up to 1 year	139,596,415.26	75,864,908.78
More than 1 year and up to 5 years	269,854,024.49	383,081,720.88
More than 5 years	237,354,202.33	183,893,247.23
<b>Total</b>	<b>666,897,299.76</b>	<b>664,273,912.08</b>

Accrued interest of EUR 1,876,610.25 (prior year: EUR 1,755,111.07) was recognised within the maturity band of up to 3 months.

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

DEPOSITS FROM CUSTOMERS NOT REPAYABLE ON DEMAND	31 DEC. 2017 EUR	31 DEC. 2016 EUR
Up to 3 months	170,028.18	114,186.66
More than 3 months and up to 1 year	506,718.75	395,564.91
More than 1 year and up to 5 years	21,910,833.36	2,173,269.24
More than 5 years	5,116,666.64	5,476,009.60
<b>Total</b>	<b>27,704,246.93</b>	<b>8,159,030.41</b>

Accrued interest of EUR 1,121.93 (prior year: EUR 280.41) was recognised within the maturity band of up to 3 months.

### 3.3.1.17 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 286,570.90 for the year 2018 (prior year forecast for 2017: about EUR 241,767.64) and at about EUR 1,531,812.00 for the five-year period from 2018 to 2022 (prior year forecast for the five-year period from 2017 to 2021: about EUR 1,436,810.00).

### 3.3.2 Notes to the income statement

#### 3.3.2.1 Interest income

INTEREST INCOME	2017 EUR	2016 EUR
<b>Interest and similar income from lendings and investments</b>		
From loans and advances to banks	11,555,265.38	11,874,730.86
From loans and advances to customers	11,728,310.40	9,864,583.90
From fixed income securities	225,001.21	131,668.10
<b>Total</b>	<b>23,508,576.99</b>	<b>21,870,982.86</b>

The following table shows an analysis of interest income by geographic market, in accordance with section 64 (1) 9 Austrian Banking Act.

INTEREST INCOME	2017 EUR	2016 EUR
<b>Interest and similar income from lendings and investments</b>		
Africa	2,196,967.16	1,788,386.69
Central America and Caribbean	7,979,102.30	7,235,270.55
Asia	9,766,066.07	8,808,944.65
Southeastern and Eastern Europe	2,047,008.54	2,956,493.64
Supraregional	1,519,432.92	1,081,887.33
<b>Total</b>	<b>23,508,576.99</b>	<b>21,870,982.86</b>

### 3.3.2.2 Interest expense

INTEREST EXPENSE	2017 EUR	2016 EUR
<b>Interest and similar expense</b>		
For deposits from banks	7,921,016.97	6,467,532.49
For deposits from customers	14,068.60	7,002.14
<b>Total</b>	<b>7,935,085.57</b>	<b>6,474,534.63</b>

### 3.3.2.3 Income from securities and share of profit of other companies

This item in the amount of EUR 5,858,628.63 (prior year: EUR 4,896,630.97) consisted primarily of the income from securities classified as non-current assets that is collected on an accrual basis up to the maximum guaranteed amount, as a result of the guarantee for political and commercial risks based on section 9 (3) Export Guarantees Act.

The following table shows an analysis of income from securities and investees by geographic market, in accordance with section 64 (1) 9 Austrian Banking Act:

INCOME FROM SECURITIES AND SHARE OF PROFIT OF OTHER COMPANIES	2017 EUR	2016 EUR
Africa	390,506.11	273,780.43
Central America and Caribbean	176,290.37	0.00
Southeastern and Eastern Europe	1,000.00	591.67
Supraregional	5,290,832.15	4,622,258.87
<b>Total</b>	<b>5,858,628.63</b>	<b>4,896,630.97</b>

### 3.3.2.4 Fee and commission income and expense

FEE AND COMMISSION INCOME	2017 EUR	2016 EUR
Guarantee commissions	2,744,061.34	2,903,007.09
Commitment and monitoring fees	698,630.51	870,635.24
Management fees	1,494,515.04	1,264,895.77
Administration fee for Advisory Programmes	0.00	80,654.87
Administration fee for federal equity investments in funds and companies	1,104,470.61	845,951.33
<b>Total</b>	<b>6,041,677.50</b>	<b>5,965,144.30</b>

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

The following table presents an analysis of fee and commission income by geographic market, in accordance with section 64 (1) 9 Austrian Banking Act:

FEE AND COMMISSION INCOME	2017 EUR	2016 EUR
Africa	479,565.41	361,653.48
Central America and Caribbean	743,234.65	1,030,756.82
Asia	2,668,562.66	2,523,278.47
Southeastern and Eastern Europe	2,046,401.67	1,718,503.29
Supraregional	103,913.11	330,952.24
<b>Total</b>	<b>6,041,677.50</b>	<b>5,965,144.30</b>

Fee and commission expense was as follows:

FEE AND COMMISSION EXPENSE	2017 EUR	2016 EUR
Guarantee fees (section 9 (3) Export Guarantees Act)	9,629,351.00	9,545,286.00
Other fees or commissions	84,289.41	71,220.68
<b>Total</b>	<b>9,713,640.41</b>	<b>9,616,506.68</b>

The fee and commission expense consisted largely of the accrued guarantee fees payable to the Austrian Ministry of Finance for the guarantees for political and commercial risks (guarantees under section 9 (3) Export Guarantees Act).

### 3.3.2.5 Other operating income

Other operating income amounted to EUR 312,626.38 (prior year: EUR 88,734.08) and had two main sources: the pass-through of expenses, and fiduciary services rendered and billed by OeEB.

### 3.3.2.6 Expenses for termination benefits and contributions to termination benefit funds

The amounts in this item consisted of EUR 25,173.00 (prior year: EUR 33,706.00) for an addition to the termination benefit provision, and an expense of EUR 60,661.47 (prior year: EUR 44,924.44) for contributions to the employer-funded termination benefit fund.

In reliance on section 242 (4) Austrian Commercial Code, no analysis of the amounts in terms of salaried employees, managers and Executive Board is presented.

### 3.3.2.7 Other administrative expenses

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

The disclosure of expenses for the audit firm is omitted here and instead is made in the consolidated financial statements of the OeKB Group.

### 3.3.2.8 Staff count

In the year under review, OeEB had an average of 50.33 employees (prior year: 40.33).

### 3.3.2.9 Analysis of income tax

The item "income tax" can be analysed as follows:

	2017 EUR	2016 EUR
Current tax	2,216,401.48	2,514,277.00
Decrease (+)/increase (-) in deferred taxes	36,443.38	-296,407.28
<b>Total</b>	<b>2,252,844.86</b>	<b>2,217,869.72</b>

## 3.4 Additional information

### 3.4.1 Boards

#### **Members of the Executive Board**

Sabine Gaber (from 1 January 2018)  
Andrea Hagmann (to 31 December 2017)  
Michael Wancata

The two Executive Board members jointly represent the bank. In reliance on section 242 (4) Austrian Commercial Code, no analysis of the Executive Board's compensation is presented.

#### **Members of the Supervisory Board**

Helmut Bernkopf (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 (prior year: EUR 15,284.07).

#### **Employee Representatives on the Supervisory Board**

Caroline Gützer (from 30 November 2017)  
Josef Straninger (from 30 November 2017)

The **Audit Committee** consists of all members of the Supervisory Board:

Ferdinand Schipfer (committee chairman)  
Helmut Bernkopf (committee vice-chairman)  
Maria-Christine Dangl  
Kurt Bayer  
Caroline Gützer (from 30 November 2017)  
Josef Straninger (from 30 November 2017)

The **Nomination and Remuneration Committee** had the following members:

Helmut Bernkopf (committee chairman)  
Ferdinand Schipfer (committee vice-chairman)



### 3.4.2 Related party transactions

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 disclosure report prepared by OeKB. Information on this is provided on the OeKB website ([www.oekb.at](http://www.oekb.at)).

Transactions with related parties were effected only at arm's length.

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

OeEB's transactions are financed largely by OeKB (at market rates) in order to ensure the availability of funding at all times.

### 3.4.3 Events after the balance sheet date

By letter of 9 January 2018, the Austrian Financial Market Authority advised OeEB that OeEB is classified as an institution that takes deposits within the meaning of section 7 (1) 3 lit. a of the Deposit Guarantee Schemes and Investor Compensation Act (German name of the Act: Einlagensicherungs- und Anlegerentschädigungsgesetz, or ESAEG) and is thus required under section 8 (1) ESAEG to be a member of a deposit guarantee scheme. The further steps in this matter are being initiated in the 2018 financial year.

Vienna, 23 February 2018  
Oesterreichische Entwicklungsbank AG

The Executive Board:  
Sabine Gaber  
Michael Wancata

## Movements in non-current assets in 2017

EUR	AT COST 1 JAN. 2017	ADDITIONS	DISPOSALS	AT COST 31 DEC. 2017	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: 1 JAN. 2017
<b>Intangible assets</b>					
Software	28,135.24	120,000.00	0.00	148,135.24	28,135.24
<b>Property and equipment</b>					
Fixtures, fittings and equipment	460.00	0.00	0.00	460.00	23.00
Small assets	0.00	5,023.66	5,023.66	0.00	0.00
	<b>460.00</b>	<b>5,023.66</b>	<b>5,023.66</b>	<b>460.00</b>	<b>23.00</b>
<b>Financial assets</b>					
1. Interests in companies	31,100.00	0.00	0.00	31,100.00	0.00
2. Securities classified as non-current assets	161,035,491.44	29,814,920.11	1,901,131.35	188,949,280.20	0.00
	<b>161,066,591.44</b>	<b>29,814,920.11</b>	<b>1,901,131.35</b>	<b>188,980,380.20</b>	<b>0.00</b>

EUR	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: ADDITIONS	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: DISPOSALS	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: 31 DEC. 2017	CARRYING AMOUNT 31 DEC. 2017	CARRYING AMOUNT 31 DEC. 2016
<b>Intangible assets</b>					
Software	24,000.00	0.00	52,135.24	96,000.00	0.00
<b>Property and equipment</b>					
Fixtures, fittings and equipment	46.00	0.00	69.00	391.00	437.00
Small assets	5,023.66	5,023.66	0.00	0.00	0.00
	<b>5,069.66</b>	<b>5,023.66</b>	<b>69.00</b>	<b>391.00</b>	<b>437.00</b>
<b>Financial assets</b>					
1. Interests in companies	0.00	0.00	0.00	31,100.00	31,100.00
2. Securities classified as non-current assets	0.00	0.00	0.00	188,949,280.20	161,035,491.44
	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>188,980,380.20</b>	<b>161,066,591.44</b>

# C. Auditor's report

## Report on the Financial Statements

### Audit Opinion

We have audited the financial statements of

**Oesterreichische Entwicklungsbank AG, Vienna, Austria,**

that comprise the Balance Sheet as of 31 December 2017, the Income Statement for the year then ended, and the Notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2017, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the regulations of the Austrian Banking Act.

### Basis for our Opinion

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

### Key Audit Matters

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

## Recognition and Valuation of Assets in the Investment Finance Segment

Refer to notes section 3.1 Legal basis.

### **Risk for the Financial Statements**

As of 31 December 2017 the assets in the Investment Finance Segment amount to EUR 701.8 million, or 95.2% of total assets. These assets are shown mainly in the balance sheet items other loans and advances to banks, loans and advances to customers, bonds and other fixed income securities as well as equity shares and other variable income securities.

OeEB operates in the Investment Finance Segment considering especially the principles and goals of the Austrian Development Policy as well as the existence of guarantees of the Austrian Federal Ministry of Finance covering political and economic risks adequately for their transactions (section 9 para 3 Export Guarantees Act).

Essential criteria for recognition and valuation of the assets in the Investment Finance Segment is consequently the verification of the existence of guarantees of the Austrian Federal Ministry of Finance sufficiently covering political and economic risks for each transaction by OeEB's management. Therefore management established processes and internal controls, where failures can impact especially the valuation of assets in the Investment Finance Segment within the financial statements of OeEB.

### **Our Response**

We analyzed the processes in the respective operating departments verifying the existence of guarantees of the Austrian Federal Ministry of Finance sufficiently covering political and economic risks for each transaction in order to ensure the adequate valuation of assets in the Investment Finance Segment within the financial statements of OeEB.

Furthermore we analyzed the relevant processes and key controls within these processes in the respective operating departments. In assessing and testing of "design & implementation" as well as "operating effectiveness" of the directors' key controls in these areas we focused on controls before signing of contracts, on conditions of pay-out and on proper monitoring over the contract period. Our test of details focused – sample based - on the recording of transactions in accordance with the underlying contracts in the financial statements of OeEB. The sample selection was made using a random selection approach considering new transactions in the 2017 financial year.

## Responsibilities of Management and Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and the regulations of the Austrian Banking Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The audit committee is responsible for overseeing the Company's financial reporting process.

## Auditors' Responsibilities

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

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

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit, i.e., key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

# Report on Other Legal Requirements

## Management Report

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

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

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

### **Opinion**

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

### **Statement**

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

## Other Information

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

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

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



## Additional Information in Accordance with Article 10 EU Regulation

At the Annual General Meeting on 23 March 2016, we were elected as auditors. We were appointed by the supervisory board on 30 March 2016. We have been the Company's auditors from the year ended 31 December 2008, without interruption.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 EU Regulation. We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have maintained our independence from the audited Company throughout the course of the audit.

Vienna, 23 February 2018

**KPMG Austria GmbH**  
**Wirtschaftsprüfungs- und Steuerberatungsgesellschaft**

signed by:  
Mag. Wilhelm Kovsca  
Wirtschaftsprüfer  
(Austrian Chartered Accountant)

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



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