

Annual Report 2016

Funding tomorrow's prosperity



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BANK AG

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OeEB

Oesterreichische Entwicklungsbank AG

Quick facts and figures

Financial year end: 31 December 2016

Oesterreichische Entwicklungsbank AG

The official development bank of the Austrian government

Member of the Association of European Development Finance Institutions (EDFI)

Founded in 2008 in Vienna

Wholly owned subsidiary of Oesterreichische Kontrollbank AG

Share capital: EUR 5,000,000

42 employees, plus 6 on parental leave, plus 2 Executive Board members (as of 31 Dec. 2016)

Key financials

Total assets	EUR	806.18 million
Profit for the year	EUR	7,956,313
Unallocated profit for the year	EUR	119,882
Total portfolio as of 31 Dec. 2016	EUR	1.04 billion

New projects signed in 2016

Investment Finance	EUR	175.33 million
Equity Investments	EUR	17.55 million
Advisory Programmes	EUR	1.06 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.

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 – largely 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 supplementary to that of commercial banks. OeEB offers the full range of long-term financing options, from equity finance to loans. In principle, any company based in an industrialised or developing country can become a client of OeEB.

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

A key aspect of client selection is the application of responsible-finance principles: In this regard, OeEB bears in mind environmental and social criteria as well as transparency and corporate governance standards. Development transactions by their nature entail high project and country risks. Before individual deals are presented for approval to the Supervisory Board and to the panels specified for this purpose by law, the project risk and country risk are carefully analysed.

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

Embracing international cooperation, OeEB also works closely with international financial institutions (IFIs) and the European development banks under the umbrella of the Association of European Development Finance Institutions (EDFI), whose goal is to jointly finance private sector projects in developing countries and transition economies. Especially close partnerships are maintained with the German development finance institutions Kreditanstalt für Wiederaufbau (KfW) and Deutsche Investitions- und Entwicklungsgesellschaft (DEG), with 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 2016 financial year in the credit financing business, 16 contracts for new financing were signed for long-term private sector investment projects totalling EUR 175.33 million. 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.

The strategic aims of OeEB regarding new business call for expanding its business activity in developing countries in the 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).

Almost one-third of the new financing deals, with a contract value of EUR 51.08 million, were concluded directly with private sector businesses or project companies in developing countries. A good two-thirds of the new financings, worth EUR 124.25 million, were contracted in collaboration with local financial intermediaries (such as microfinance 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.

Focus on renewable energy and resource efficiency

The OeEB strategy identifies renewable energy and resource efficiency as development priorities. As in the prior years, these sectors collectively accounted for the largest single share of new financings, with new contracts worth EUR 69.67 million, or 40% of the total new volume.

Support for MSMEs

To help grow and stabilise the local economy 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 65.54 million were signed in 2016. At 37% of the total new volume, this made MSMEs the second largest recipient group in terms of new contracts.

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

In new business in 2016, three credit lines with a contract amount of EUR 21.63 million were issued for Least Developed Countries, representing 12% of the total of new financings. OeEB financed a telecommunications project important for Myanmar, and two credit lines were granted to financial intermediaries in Bangladesh that seek to support MSMEs and the expansion of renewable energy and resource efficiency projects in Bangladesh.

Advisory Programmes segment

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

In the 2016 financial year the Austrian Federal Ministry of Finance approved AP funds of approximately EUR 0.9 million for ten projects.

In 2016, OeEB concluded contracts for twelve AP projects totalling EUR 1.06 million. These contracts also include projects approved in the previous financial years but signed in 2016.

Most of the projects newly approved and contracted in the year under review related directly to investment finance or equity investment. For example, measures were initiated to improve environmental and social standards and the focus on energy was steadily strengthened further. The Advisory Programmes are also used to support measures in Lebanon and Jordan – two countries particularly affected by the refugee crisis – so as to allow the sustainable and focused nurturing of economic development.

In 2016, OeEB disbursed EUR 3.3 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.

Equity Investments segment

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

In the 2016 financial year, three equity projects in a total amount of EUR 17.55 million were signed. All the projects are in sectors that OeEB gives priority to – renewable energy and SME development.

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 5.33 million was paid out in 2016, including disbursements to partners for projects signed in prior years.

Financial results

Profit for the year was EUR 7,956,313 (prior year: EUR 6,114,049). After transfers to reserves and before distribution or retention, unallocated profit for the year was EUR 119,882 (prior year: EUR 130,004).

Thanks to the higher project volume, operating income rose significantly from the prior year's EUR 14.20 million to EUR 16.88 million. Major income components were net interest income and securities income, at a combined total of about EUR 20.29 million (prior year: EUR 16.33 million). Net fee and commission expense amounted to approximately EUR 3.65 million (prior year: net expense of EUR 2.29 million). Fee and commission income, which was approximately EUR 5.97 million in the year (prior year: EUR 5.88 million), includes various fees from financings and fees for OeEB's management services rendered under the Advisory Programmes and under investment finance projects for the Austrian Ministry of Finance. Fee and commission expense, amounting to about EUR 9.62 million in the financial year (prior year: EUR 8.18 million), consists mainly of the guarantee fees paid and accrued as payable to the Ministry of Finance for the government guarantees under section 9 Export Guarantees Act.

The operating expenses of about EUR 6.80 million (prior year: EUR 6.17 million) reflected the bank's growth and consisted largely of staff costs of EUR 4.30 million (prior year: EUR 3.98 million) and other administrative expenses of EUR 2.47 million (prior year: EUR 2.17 million).

In the year under review there were four loss events with three clients; the claims for all of these were honoured by the Ministry of Finance under the government guarantees referred to above.

The resulting operating profit in the financial year was EUR 10.08 million, compared with EUR 8.03 million in the prior year. After valuation effects and taxes, profit for the year was approximately EUR 7.96 million (prior year: EUR 6.11 million). By a resolution of the Annual General Meeting on 15 December 2016 on the use of OeEB's earnings, an amount equivalent to 10% of the 2016 profit for the year was designated for use in the implementation of Advisory Programmes projects. In light of the good result, EUR 7.83 million of the profit for the year was transferred to reserves (prior year: EUR 5.98 million).

Profit available for distribution was EUR 164,267 in the year under review (prior year: EUR 174,385).

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

Profit for the year was EUR 7,956,313. As the share capital is divided into 50,000 no par-value registered shares, earnings per share thus amounted to EUR 159.13.

Financial ratios

With the further growth in project volume, the resulting rise in operating income, and efficient operational management, OeEB had a cost-income ratio (operating expenses as a percentage of operating income) of 40.27% (prior year: 43.46%).

The Tier 1 capital ratio (CRR Tier 1 capital as a percentage of risk-weighted assets) in 2016 was 67.43% (prior year: 60.18%) and the leverage ratio (Tier 1 capital as a percentage of total exposure) was 58.20% (prior year: 46.10%).

Return on equity (profit for the year as a percentage of average equity), at 34.42%, was below the prior-year level of 37.64%.

Non-financial performance indicators

Staff

OeEB had an average of 42 active employees in the year under review, plus six employees on parental leave. This total does not include the Executive Board, which is employed by OeKB.

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

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

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

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

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

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

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

Committed to being a responsible employer, OeEB uses appropriate staff development tools to help create the right conditions for employee satisfaction and productivity. The employee performance appraisal 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 2016 integrated annual 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 CO₂ emissions from its air travel by supporting a reforestation project in Ethiopia conducted by Vienna's University of Natural Resources and University of Natural Resources and Life Sciences (see <http://www.boku.ac.at/en/wissenschaftliche-initiativen/zentrum-fuer-globalen-wandel-nachhaltigkeit/themen/nachhaltigkeit/boku-co2-kompensationssystem/klimaschutzprojekte/aufforstung-und-natuerliche-wiederbewaldung-in-nord-gondar-aethiopien/>).

II. Outlook and risks for the bank

i. Business outlook

Against the backdrop of the Sustainable Development Goals (SDGs) and the Paris Agreement on climate change, which were signed in the previous year, 2016 showed that OeEB's strategic direction is appropriate to the development challenges and economic needs: 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 2017 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, especially, Austrian companies with 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 2017.

ii. Significant risks and uncertainties

The environment for the financing of projects in developing countries remains adverse. Commercial banks continue to be selective and restrictive in their lending both as a result of regulatory requirements (Basel III) and in the face of growing regional uncertainties. Yet, carrying out development projects is important for growth in these countries. In these times more than ever, the role of development banks is to be stable and dependable partners and to go where the need is.

Although the economic outlook for 2017 represents a slight overall improvement, both the regional divergences and the general downside risks remain considerable. Thus, numerous developing and transition countries face the challenge of adjusting their economic structures to the continuing relatively low overall commodity prices and the subdued demand from the leading industrial nations. Moreover, at the political level there is a growing resurgence of protectionist tendencies, which may jeopardise cross-border economic integration and could lead to volatility in international financial markets. Additional challenges are the low economic vigour in most of the BRICS countries, the instability in the Middle East and the persistent security risks worldwide. Against this backdrop, the business trend in OeEB's individual target countries is difficult to predict.

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 and adjusting the risk budgets for credit and market risk. Further priorities were the unification of the Group-wide rating systems and, at the operational level, the establishment of a unit for handling problem exposures.

Strategic approach to risk management

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

To cover the very high project and country risks, OeEB receives a 100% guarantee from the Austrian government 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 made only in accordance with the investment policies approved by the Supervisory Board or – if exceeding the relevant threshold levels for Supervisory Board approval – 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.

In 2016 an Audit Committee was established at OeEB and convened once in the financial year.

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. As 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 has a risk management 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, the OeEB Legal department usually works with local law firms.

Risk types considered in bank-wide risk management

Credit risk

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

- **Counterparty risk/default risk:** the risk of loss as a result of a borrower's failure to honour its payment obligations or of the default of a counterparty (such as a borrower). All loan exposures are covered by an Austrian government guarantee for commercial and political risk.
- **Concentration risk:** the risk of loss as a result of high credit exposure to individual borrowers or 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 700,000 for 2016 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 7 million for 2016 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 this risk would be difficult to perform and no such assessment is planned. OeEB continually monitors potential changes in its operating environment that have fundamental significance for its business activities and considers such developments in its business strategy.

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

OeEB outsources all accounting activities to its parent institution, Oesterreichische Kontrollbank Aktiengesellschaft (OeKB). The specific requirements are defined in a service agreement. In terms of the accounting process, the internal control system thus meets the same 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 interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring.

The purpose of the internal control system is to support management so as to enable it to ensure effective and continually improving internal controls 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 relating to the accounting process are identified and monitored by OeKB Group management and OeEB management, with a focus on material risks.

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

Control activities

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

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

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

Control activities concerning information technology security 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.

In 2016 an Audit Committee was established whose responsibilities include the following, 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 was established in September 2016 and met once in the 2016 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, 24 February 2017

Andrea Hagmann
Member of the Executive Board

Michael Wancata
Member of the Executive Board

B. Financial statements

1. Balance sheet at 31 December 2016

Assets

	31 DEC. 2016 EUR	31 DEC. 2015 EUR '000
01 Balances at central banks	351,500.38	294
02 Loans and advances to banks	378,502,924.02	350,416
a) Repayable on demand	71,810,936.47	60,928
Of which fiduciary assets	43,780,136.23	37,154
b) Other loans and advances	306,691,987.55	289,488
03 Loans and advances to customers	208,905,457.10	130,315
04 Bonds and other fixed income securities	8,515,677.38	3,475
a) Of other issuers (i.e., non-public sector issuers)	8,515,677.38	3,475
05 Equity shares and other variable income securities	156,016,434.06	131,316
06 Interests in companies	31,100.00	31
07 Property and equipment	437.00	0
08 Other assets	53,430,483.65	49,608
Of which fiduciary assets	50,880,711.43	48,568
09 Prepaid expenses	132,915.12	108
10 Deferred tax assets	296,407.28	0
Total assets	806,183,335.99	665,563
Memo items		
1. Foreign assets	734,071,494.77	604,866

Liabilities and equity

	31 DEC. 2016 EUR	31 DEC. 2015 EUR '000
01 Deposits from banks	664,273,912.08	544,498
a) With agreed maturity or withdrawal notice	664,273,912.08	544,498
02 Deposits from customers	8,159,030.41	3,614
a) Non-savings deposits	8,159,030.41	3,614
Of which aa) With agreed maturity or notice period	8,159,030.41	3,614
03 Other financial liabilities	99,929,356.23	91,955
Of which fiduciary liabilities	94,660,847.66	85,722
04 Accruals and deferred income	2,895,075.84	2,607
05 Provisions	3,898,014.09	3,688
a) Termination benefit provisions	127,868.00	94
b) Tax provisions	1,070,591.00	1,232
c) Other provisions	2,699,555.09	2,362
06 Share capital	5,000,000.00	5,000
07 Retained earnings	21,847,000.00	14,014
a) Statutory reserve	500,000.00	500
b) Other reserves	21,347,000.00	13,514
08 Liability reserve under section 57 (5) Banking Act	16,680.48	13
09 Profit available for distribution	164,266.86	174
Total liabilities and equity	806,183,335.99	665,563
Memo items		
1. Contingent liabilities (guarantee obligations incurred and assets pledged as collateral security)	89,612,638.54	100,451
2. Off-balance sheet credit risks	192,094,758.02	260,233
3. Available regulatory capital under part 2 of Regulation (EU) No 575/2013	20,050,680.48	14,239
4. Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013	28,224,523.36	21,685
Regulatory capital requirement under article 92 (1) (a) of Regulation (EU) No 575/2013 (Common Equity Tier 1 ratio in %)	67.43	60.18
Regulatory capital requirement under article 92 (1) (b) of Regulation (EU) No 575/2013 (Tier 1 capital ratio in %)	67.43	60.18
Regulatory capital requirement under article 92 (1) (c) of Regulation (EU) No 575/2013 (total capital ratio in %)	71.04	65.66
5. Foreign liabilities	73,480,487.65	62,615

2. Income statement for the year ended 31 December 2016

	2016 EUR	2015 EUR '000
1. Interest and similar income	21,870,982.86	16,878
Of which from fixed income securities	131,668.10	3
2. – Interest and similar expense	6,474,534.63	4,897
I. Net interest income	15,396,448.23	11,981
3. + Income from securities and share of profit of other companies	4,896,630.97	4,346
a) Income from equity shares, other ownership interests and variable income securities	4,896,630.97	4,346
4. + Fee and commission income	5,965,144.30	5,883
5. – Fee and commission expense	9,616,506.68	8,176
6. ± Net income/(expense) from financial operations	144,768.08	84
7. + Other operating income	88,734.08	86
II. Operating income	16,875,218.98	14,204
8. – Administrative expenses	6,771,594.17	6,152
a) Staff costs	4,301,776.22	3,982
Of which		
aa) Salaries	3,342,313.06	3,132
bb) Statutory social security costs, pay-based levies, and pay-based other compulsory contributions	755,360.21	678
cc) Other social expenses	68,041.99	62
dd) Expenses for retirement and other post-employment benefits	57,430.52	52
ee) Expenses for termination benefits and contributions to termination benefit funds	78,630.44	58
b) Other administrative expenses	2,469,817.95	2,170
9. – Impairment of assets in asset item 7	2,196.07	1
10. – Other operating expenses	22,032.21	20
III. Operating expenses	–6,795,822.45	–6,173
IV. Operating profit	10,079,396.53	8,031

	2016 EUR	2015 EUR '000
11. + Gain on reversal of impairment losses on loans and advances	191,860.00	152
12. ± Impairment of securities measured as non-current financial assets	-97,073.41	-76
V. Profit before tax	10,174,183.12	8,107
13. – Income tax	2,217,869.72	1,993
VI. Profit for the year	7,956,313.40	6,114
14. – Transfer to reserves	7,836,431.47	5,984
Of which transfer to liability reserve	3,431.47	6
VII. Unallocated profit for the year	119,881.93	130
15. + Profit brought forward from the prior year	44,384.93	44
VIII. Profit available for distribution	164,266.86	174

3. Notes to the financial statements

3.1 Accounting policies

3.1.1 Basis of presentation and general principles applied

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

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

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

The principle of prudence was observed by reporting only those profits realised at the balance sheet date. All identifiable risks and impending losses which arose in the 2016 financial year were recognised. According to the size classes defined in section 221 (3) Austrian Commercial Code, Oesterreichische Entwicklungsbank AG is to be categorized as a large corporation.

The financial year under review was the full calendar year.

The same measurement methods continued to be applied as in the prior year, except for the changes brought by the first-time application of the Act on Changes in Accounting Practices 2014, or RÄG 2014. These changes relate only to deferred taxes, which are recognized from 1 January 2016 in accordance with the new legal requirements. The balance of deferred tax assets existing at 1 January 2016 was fully capitalized.

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.

3.1.2 Securities

Those **bonds and other fixed income securities** which are used to invest the share capital and classified as current assets are measured using the conservative lower-of-cost-or-market approach, i.e., measured 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 area. 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.

Based on section 9 Export Guarantees Act and the terms and conditions agreed with the Austrian Federal Ministry of Finance regarding guarantees for transactions and rights of OeEB, all securities held as non-current assets are backed by federal government guarantees.

These guarantees cover not just the subscription amount but the target rate of return up to the combined amount of the documented funding costs and 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.

3.1.3 Interests in companies

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

3.1.4 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 one-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. The normal useful life is 10 years.

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

3.1.5 Loans and advances and other assets

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

The loans and advances to banks shown under “other loans and advances” (i.e., those not repayable on demand), and the loans and advances to customers, are covered by federal guarantees under section 9 Export Guarantees Act and under the terms and conditions agreed with the Federal Ministry of Finance regarding guarantees for transactions and rights of OeEB. In view of the guarantees, the expected interest income is recognised on an accrual basis and recorded in the respective balance sheet item.

3.1.6 Deposits from banks and other financial liabilities

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

3.1.7 Provisions

Provisions for termination benefits are determined on the basis of generally accepted actuarial principles, using the projected unit credit method in accordance with International Accounting Standard 19. The calculations assume a discount rate of 1.75% (prior year: 2.40%), a salary growth rate of 2.75% (prior year: 3%) and an age at retirement of 64 years 9 months for men and 59 years 9 months for women, 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 now recognised at the amount required to settle the obligation and are discounted if material.

3.1.8 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%.

3.1.9 Foreign currency translation

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

3.2 Notes to the balance sheet and income statement

3.2.1 General information

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

3.2.2 Supplementary disclosures

3.2.2.1 Loans and advances

3.2.2.1.1 Loans and advances to banks

	31 DEC. 2016 EUR	31 DEC. 2015 EUR
LOANS AND ADVANCES TO BANKS REPAYABLE ON DEMAND		
Denominated in EUR	71,230,721.87	60,766,104.11
Denominated in USD	580,214.60	161,512.87
Total	71,810,936.47	60,927,616.98
OTHER LOANS AND ADVANCES TO BANKS		
Denominated in EUR	128,193,878.38	172,853,146.12
Denominated in USD	179,008,109.17	117,230,079.15
Less impairment charge under section 57 (1) Banking Act	-510,000.00	-595,000.00
Total	306,691,987.55	289,488,225.27

3.2.2.1.2 Loans and advances to customers

LOANS AND ADVANCES TO CUSTOMERS	31 DEC. 2016 EUR	31 DEC. 2015 EUR
Denominated in EUR	52,722,159.84	53,734,231.66
Denominated in USD	156,693,297.26	77,175,859.24
Less impairment charge under section 57 (1) Banking Act	-510,000.00	-595,000.00
Total	208,905,457.10	130,315,090.90

3.2.2.2 Non-current assets

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

3.2.2.3 Securities

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. 2016 EUR	31 DEC. 2015 EUR
Bonds and other fixed income securities		
Listed	3,496,620.00	3,474,815.33
Unlisted	5,019,057.38	0.00
Total	8,515,677.38	3,474,815.33
Of which securities classified as non-current assets	5,019,057.38	0.00
Equity shares and other variable income securities		
Denominated in EUR	85,301,797.04	80,718,239.88
Denominated in USD	70,714,637.02	50,597,578.92
Total	156,016,434.06	131,315,818.80

Bonds and other fixed income securities in the amount of EUR 500,000.00 will be redeemed in the subsequent financial year. Also, interest in the amount of EUR 19,057.38 for 2016 will come due in the subsequent year.

Disclosure under section 56 (4) Austrian Banking Act: The difference between the market value and carrying amount of listed securities that were held as current assets was EUR 29,280.00 (prior year: EUR 24,090.00).

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

The fund shares reported in the item “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.

3.2.2.4 Interests in companies

At the end of the financial year, OeEB held a 7.63% equity interest in European Financing Partners S.A.; this investment was measured at cost at EUR 25,100. OeEB also held a 7.69% equity interest in Interact Climate Change Facility S.A., measured at cost at EUR 6,000. Both companies are based in Luxembourg.

3.2.2.5 Other assets

31 DEC. 2016	REMAINING MATURITY UP TO 1 YEAR EUR	REMAINING MATURITY OVER 1 YEAR EUR	CARRYING AMOUNT 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
Subtotal	2,341,659.45	208,112.77	2,549,772.22
Fiduciary assets	–	–	50,880,711.43
Total			53,430,483.65

31 DEC. 2015	REMAINING MATURITY UP TO 1 YEAR EUR	REMAINING MATURITY OVER 1 YEAR EUR	CARRYING AMOUNT EUR
Other assets outside Austria	757,822.55	203,087.78	960,910.33
Receivables from tax authority	77,542.05	–	77,542.05
Sundry assets	1,779.68	–	1,779.68
Subtotal	837,144.28	203,087.78	1,040,232.06
Fiduciary assets	–	–	48,567,987.26
Total			49,608,219.32

“Other assets” included accrued income of EUR 638,677.68 for 2016 (prior year: EUR 512,294.13) to be received after the balance sheet date.

3.2.2.6 Fiduciary assets and liabilities

The transactions overseen by OeEB as trustee – which represent neither financial nor legal exposure for OeEB – are contained in the balance sheet as fiduciary assets within the balance sheet items named in the following table.

FIDUCIARY ASSETS AND LIABILITIES	31 DEC. 2016 EUR	31 DEC. 2015 EUR
ASSETS		
Loans and advances to banks	43,780,136.23	37,153,877.22
Other assets	50,880,711.43	48,567,987.26
Total	94,660,847.66	85,721,864.48
LIABILITIES		
Other financial liabilities	94,660,847.66	85,721,864.48

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

3.2.2.7 Deferred tax assets

The deferred tax assets at the balance sheet date 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. 2016 EUR	31 DEC. 2015 EUR
Impairment under section 57 Banking Act	255,000.00	0.00
Non-current provisions for employee benefits	41,407.28	0.00
Total	296,407.28	0.00

Movements in deferred taxes were as follows:

DEFERRED TAXES	2016 EUR	2015 EUR
At 1 January	331,863.54	0.00
Change recognised in profit or loss	-35,456.26	0.00
At 31 December	296,407.28	0.00

3.2.2.8 Deposits from banks and other financial liabilities

3.2.2.8.1 Deposits from banks

DEPOSITS FROM BANKS	31 DEC. 2016 EUR	31 DEC. 2015 EUR
Denominated in EUR	261,866,565.67	302,487,688.84
Denominated in USD	402,407,346.41	242,009,544.06
Total	664,273,912.08	544,497,232.90

3.2.2.8.2 Deposits from customers

DEPOSITS FROM CUSTOMERS	31 DEC. 2016 EUR	31 DEC. 2015 EUR
Denominated in EUR	8,159,030.41	3,614,390.06
Denominated in USD	0.00	0.00
Total	8,159,030.41	3,614,390.06

3.2.2.8.3 Other financial liabilities

OTHER FINANCIAL LIABILITIES	31 DEC. 2016 EUR	31 DEC. 2015 EUR
Other financial liabilities in Austria	2,374,416.51	1,887,466.93
Liabilities to Ministry of Finance from Advisory Programmes	2,893,458.37	4,345,935.42
Sundry liabilities	633.69	56.65
Subtotal	5,268,508.57	6,233,459.00
Fiduciary liabilities	94,660,847.66	85,721,864.48
Total	99,929,356.23	91,955,323.48

Other financial liabilities included accrued expenses for 2016 of EUR 2,373,717.67 (prior year: EUR 1,872,015.11) that will be paid after the balance sheet date.

As in the prior year, other financial liabilities were all current in nature, with the exception of the fiduciary liabilities.

3.2.2.9 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. 2016 EUR	31 DEC. 2015 EUR
ASSETS		
Loans and advances to banks	71,681,017.12	60,926,427.45
Other assets	7,414.38	0.00
LIABILITIES		
Deposits from banks	590,793,593.77	481,884,836.46
Trade payables	0.00	92,370.20

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 the item “equity shares and other variable income securities”, totalling EUR 589,464,772.09 at the balance sheet date (prior year: EUR 481,080,868.07), as well as the assignment of any relevant claims under the Austrian government guarantee issued by the Ministry of Finance.

3.2.2.10 Provisions

The item “other provisions” had the following composition:

OTHER PROVISIONS	1 JAN. 2016 EUR	ADDED	USED	RELEASED	31 DEC. 2016 EUR
Provision for vacation pay	173,168.47	157,778.07	173,168.47	–	157,778.07
Provision for legal, audit and consulting expenses	120,100.00	100,000.00	81,209.32	38,890.68	100,000.00
Guarantee fees	1,483,350.00	1,849,483.00	1,483,350.00	–	1,849,483.00
Sundry provisions	584,724.12	454,838.02	395,628.40	51,639.72	592,294.02
Total	2,361,342.59	2,562,099.09	2,133,356.19	90,530.40	2,699,555.09

3.2.2.11 Equity

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

Profit for the year was EUR 7,956,313.40. By a resolution of the Annual General Meeting on 15 December 2016 on the use of OeEB’s earnings, an amount equivalent to 10% of the 2016 profit for the year was designated for use in the implementation of Advisory Programmes projects. Of the profit for the year, EUR 7,833,000.00 was transferred to **uncommitted reserves**. Of this amount, EUR 795,631.34 represented the funds set aside for use in AP projects. As well, EUR 3,431.47 was transferred to the **liability reserve** under section 57 (5) Austrian Banking Act, leaving EUR 164,266.86 of **profit available for distribution** (including profit of EUR 44,384.93 brought forward from the prior year). The dividend payout restriction under section 235 (2) Austrian Commercial Code (deferred tax assets) does not apply, as there were sufficient uncommitted reserves. The proposed dividend to be paid in the subsequent year for the 2016 financial year is EUR 119,000.00 in total, or EUR 2.38 per share. The **return on assets** for 2016 was 0.99%.

3.2.2.12 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 407,946,394.07 (prior year: EUR 245,528,902.22)

Liabilities: EUR 402,407,515.75 (prior year: EUR 242,009,544.06)

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

3.2.2.13 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. 2016 EUR	31 DEC. 2015 EUR
Up to 3 months	19,319,916.30	17,867,015.81
More than 3 months and up to 1 year	56,943,038.26	44,509,720.04
More than 1 year and up to 5 years	204,140,515.28	206,282,393.45
More than 5 years	26,798,517.71	21,424,095.97
Total	307,201,987.55	290,083,225.27
Less impairment under section 57 Banking Act	-510,000.00	-595,000.00
Total	306,691,987.55	289,488,225.27

Accrued interest of EUR 2,246,249.39 (prior year: EUR 2,339,569.44) 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. 2016 EUR	31 DEC. 2015 EUR
Up to 3 months	4,682,683.58	3,074,633.13
More than 3 months and up to 1 year	19,453,244.15	17,204,443.30
More than 1 year and up to 5 years	95,233,829.98	53,853,527.55
More than 5 years	90,045,699.39	56,777,486.92
Total	209,415,457.10	130,910,090.90
Less impairment under section 57 Banking Act	-510,000.00	-595,000.00
Total	208,905,457.10	130,315,090.90

Accrued interest of EUR 1,905,785.80 (prior year: EUR 856,259.25) 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. 2016 EUR	31 DEC. 2015 EUR
Up to 3 months	21,434,035.19	17,623,081.42
More than 3 months and up to 1 year	75,864,908.78	62,150,158.55
More than 1 year and up to 5 years	383,081,720.88	328,659,907.09
More than 5 years	183,893,247.23	136,064,085.84
Total	664,273,912.08	544,497,232.90

Accrued interest of EUR 1,755,111.07 (prior year: EUR 1,074,810.74) 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. 2016 EUR	31 DEC. 2015 EUR
Up to 3 months	114,186.66	187,462.98
More than 3 months and up to 1 year	395,564.91	562,343.76
More than 1 year and up to 5 years	2,173,269.24	2,080,833.34
More than 5 years	5,476,009.60	783,749.98
Total	8,159,030.41	3,614,390.06

Accrued interest of EUR 280.41 (prior year: EUR 15.06) was recognised within the maturity band of up to 3 months.

3.2.2.14 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 241,767.64 for the year 2017 (prior year forecast for 2016: about EUR 229,425.00) and at about EUR 1,436,810.00 for the five-year period from 2017 to 2021 (prior year forecast for the five-year period from 2016 to 2020: about EUR 1,201,850.00).

3.2.2.15 Information on derivative financial instruments

At the balance sheet date of 31 December 2016, OeEB did not hold derivative financial instruments.

3.2.2.16 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. 2016 EUR	31 DEC. 2015 EUR
Risk participation facilities of Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main	54,348,496.59	62,572,244.55
Risk participation facilities of Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Cologne	35,264,141.95	37,879,049.47
Total	89,612,638.54	100,451,294.02

These risk participation agreements are backed by **federal guarantees** (under section 9 (3) Export Guarantees Act) in the form of guarantees for transactions and rights of OeEB 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 as a memo item below the balance sheet related to undrawn commitments to lend (unused limits on credit facilities, and securities purchase obligations). To secure the risks, OeEB receives a 100% guarantee of the Republic of Austria on every transaction (section 9 (3) Export Guarantees Act).

	31 DEC. 2016 EUR	31 DEC. 2015 EUR
Credit facilities	162,863,660.40	223,484,361.80
Securities purchase obligations	29,231,097.62	36,748,433.91
Total	192,094,758.02	260,232,795.71

3.2.2.17 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. 2016 EUR	31 DEC. 2015 EUR
Regulatory capital under part 2 of Regulation (EU) No 575/2013		
Share capital	5,000,000.00	5,000,000.00
Retained earnings	21,847,000.00	14,014,000.00
Less transfer to retained earnings ¹	-7,833,000.00	-5,978,000.00
Liability reserve	16,680.48	13,249.01
Total reserves	14,030,680.48	8,049,249.01
Tier 1 capital	19,030,680.48	13,049,249.01
Tier 2 capital (impairment under section 57 Banking Act in the version of 2013), weighted at 60% (prior year: 70% ²)	1,020,000.00	1,190,000.00
Total available regulatory capital	20,050,680.48	14,239,249.01
Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013		
Loans and advances to banks	274,108.87	478,921.81
Other loans and advances	1,233,250.64	685,291.00
Risk-weighted exposure amounts for credit risk	1,507,359.51	1,164,212.81
Risk-weighted exposure amounts for market risk	580,214.60	0.00
Total regulatory capital requirement for operational risk (Basic Indicator approach)	26,136,949.25	20,521,261.40
Total exposure amount	28,224,523.36	21,685,474.21

¹ Under article 26 (2) of the CRR (Regulation (EU) No 575/2013), earnings for the year are included in Common Equity Tier 1 capital only after the official adoption of the final annual financial results.

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

At 31 December 2016 and 2015, the above figures 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. 2016 IN %		31 DEC. 2015 IN %	
	MINIMUM RATIO	ACTUAL RATIO	MINIMUM RATIO	ACTUAL RATIO
Common Equity Tier 1 capital ratio	5.125	67.430	4.500	60.180
Tier 1 capital ratio	6.625	67.430	6.000	60.180
Total capital ratio	8.625	71.040	8.000	65.660

The bank's minimum ratios had the following composition:

	31 DEC. 2016 IN %	31 DEC. 2015 IN %
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	0.625	0.000
Common Equity Tier 1 ratio under article 92 (1) (a) of Regulation (EU) No 575/2013 including buffer requirements	5.125	4.500
Tier 1 capital ratio under article 92 (1) (b) of Regulation (EU) No 575/2013 including buffer requirements	6.625	6.000
Total capital ratio under article 92 (1) (c) of Regulation (EU) No 575/2013 including buffer requirements	8.625	8.000

The minimum ratios required at 31 December 2016 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). The minimum ratios required in the prior year arose from article 92 (1) of the Regulation (EU) No 575/2013.

Section 3 (1) 7 Austrian Banking Act provides that Regulation (EU) No 575/2013 and section 39 (3) and (4) Austrian Banking Act do not apply to transactions of Oesterreichische Kontrollbank Aktiengesellschaft (“OeKB”) related to export promotion under the Export Guarantees Act 1981 and the Export Financing Guarantees Act 1981. As determined by the Financial Market Authority (FMA) in its pronouncement of 7 August 2008, this exemption also applies (by analogy) to Oesterreichische Entwicklungsbank AG inasmuch as OeEB engages in transactions related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. As well, under section 3 (2) 1 Austrian Banking Act, the following legal provisions are not applicable: part 6 of Regulation (EU) No 575/2013, and the Austrian Banking Act’s section 27a; section 39 (2b) 7 in conjunction with 39 (4); section 39 (3); and section 74 (6) 3a in conjunction with 74 (1).

3.2.3 Notes to the income statement

3.2.3.1 Interest income and expense

INTEREST INCOME	2016 EUR	2015 EUR
Interest and similar income from lendings and investments		
From loans and advances to customers	9,864,583.90	6,504,852.58
From loans and advances to banks	11,874,730.86	10,369,591.10
From fixed income securities	131,668.10	3,139.16
Total	21,870,982.86	16,877,582.84
INTEREST EXPENSE	2016 EUR	2015 EUR
Interest and similar expense		
For deposits from banks	6,467,532.49	4,890,153.92
For deposits from customers	7,002.14	6,937.07
Total	6,474,534.63	4,897,090.99

3.2.3.2 Income from securities and share of profit of other companies

This item in the amount of EUR 4,896,630.97 (prior year: EUR 4,346,273.96) 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 government guarantee based on section 9 Export Guarantees Act.

3.2.3.3 Fee and commission income and expense

FEE AND COMMISSION INCOME	2016 EUR	2015 EUR
Guarantee commissions	2,903,007.09	2,549,630.33
Commitment and monitoring fees	870,635.24	895,590.05
Management fees	1,264,895.77	1,264,224.40
Administration fee for Advisory Programmes	80,654.87	565,510.35
Administration fee for federal equity investments in funds and companies	845,951.33	527,602.26
Administration fee for Foreign Trade Programme	0.00	80,502.33
Total	5,965,144.30	5,883,059.72

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

FEE AND COMMISSION EXPENSE	2016 EUR	2015 EUR
Guarantee fees (section 9 (3) Export Guarantees Act)	9,545,286.00	8,151,204.00
Other fees or commissions	71,220.68	25,295.82
Total	9,616,506.68	8,176,499.82

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

3.2.3.4 Other operating income

Other operating income amounted to EUR 88,734.08 (prior year: EUR 86,623.77) and represented mainly the pass-through of expenses.

3.2.3.5 Expenses for termination benefits and contributions to termination benefit funds

The amounts in this item consisted of EUR 33,706.00 (prior year: EUR 19,603.00) for an addition to the termination benefit provision, and an expense of EUR 44,924.44 (prior year: EUR 38,681.09) 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.

3.2.3.6 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.

3.2.3.7 Staff count

In the year under review, OeEB had an average of 48 employees (prior year: 40).

3.2.3.8 Analysis of income tax

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

	2016 EUR	2015 EUR
Current tax	2,514,277.00	1,992,768.00
Allocation of deferred tax assets	-296,407.28	0.00
Total	2,217,869.72	1,992,768.00

3.3 Additional information

3.3.1 Boards

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

Andrea Hagmann

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.

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

Rudolf Scholten (Chairman), until 21 September 2016

Helmut Bernkopf (Chairman), from 21 September 2016

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 15,284.07 (prior year: EUR 14,100.00).

3.3.2 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).

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.

3.3.3 Events after the balance sheet date

There were no significant events after the balance sheet date.

Vienna, 24 February 2017

Oesterreichische Entwicklungsbank AG

The Executive Board

Andrea Hagmann

Michael Wancata

Movements in non-current assets in 2016

EUR	AT COST 1 JAN. 2016	ADDITIONS	DISPOSALS	AT COST 31 DEC. 2016	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: 1 JAN. 2016
Intangible assets					
Software	28,135.24	0.00	0.00	28,135.24	28,135.24
Property and equipment					
Fixtures, fittings and equipment	0.00	460.00	0.00	460.00	0.00
Small assets	0.00	2,173.07	2,173.07	0.00	0.00
	0.00	2,633.07	2,173.07	460.00	0.00
Financial assets					
1. Interests in companies	31,100.00	0.00	0.00	31,100.00	0.00
2. Securities classified as non-current assets	1131,315,818.80	26,887,944.38	2,187,329.12	156,016,434.06	0.00
	131,346,918.80	26,887,944.38	2,187,329.12	156,047,534.06	0.00

EUR	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: ADDITIONS	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: DISPOSALS	ACCUMULATED AMORTISATION, DEPRECIATION AND IMPAIRMENT: 31 DEC. 2016	CARRYING AMOUNT 31 DEC. 2016	CARRYING AMOUNT 31 DEC. 2015
Intangible assets					
Software	0.00	0.00	28,135.24	0.00	0.00
Property and equipment					
Fixtures, fittings and equipment	23.00	0.00	23.00	437.00	0.00
Small assets	2,173.07	2,173.07	0.00	0.00	0.00
	2,196.07	2,173.07	23.00	437.00	0.00
Financial assets					
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	156,016,434.06	131,315,818.80
	0.00	0.00	0.00	156,047,534.06	131,346,918.80

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 statement of financial position as of 31 December 2016, 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 2016, 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 Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the "Auditors' Responsibility" section of our report. We are independent of the Company within the meaning of Austrian commercial law, banking- and professional regulations, and 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.

Management's Responsibility and Responsibility of the Audit Committee for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles including 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, and, where appropriate, to disclose matters that are relevant to the Company's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Company or closure of operations is planned or cases in which such measures appear unavoidable.

The audit committee is responsible for the oversight of the financial reporting process of the Company.

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the financial statements taken as a whole, are free of material – intentional or unintentional – misstatements and to issue an audit report containing our audit opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will detect a material misstatement, if any. Misstatements may result from fraud or error and are considered material if they could, individually or as a whole, be expected to influence the economic decisions of users based on the financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We consider 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 as well as related disclosures made by management.
- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.
- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.
- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.

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 as to whether it has been prepared in accordance with legal requirements.

The legal representatives of the Company are 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 has been prepared in accordance with legal requirements and is consistent with the financial statements.

Statement

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

Other Information

The legal representatives of the Company are responsible for the other information. Other information comprises all information provided in the annual report, with the exception of the financial statements, the management report, and the auditor's report thereon.

Our opinion on the financial statements does not cover other information, and we will not provide any assurance on it.

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

Vienna, 24 February 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by:
DDr. Martin Wagner
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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



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