

Annual Financial Report 2017

OESTERREICHISCHE
KONTROLLBANK
GROUP

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OeKB Group 2017 consolidated financial statements

Group management report 2017

Economic environment in 2017

The global economy gained considerable momentum in 2017. According to current International Monetary Fund (IMF) forecasts, global expansion rose from 3.2% in 2016 to 3.6% in the reporting period. This trend was driven by stronger impetus from key industrialised countries such as the USA (+2.2%) and the Eurozone members (+2.1%). Global trade also reflected the generally more dynamic market conditions. While the World Trade Organization (WTO) predicted expansion of 2.4% at the beginning of 2017, its most recent forecast for global trade growth was a solid 3.6%. The main reason for this upward revision is higher import demand in North America and Asia.

Improved economic conditions in the emerging and frontier markets

A look at the emerging and frontier markets shows that the economic output of these countries grew more rapidly in the reporting period than in 2016. According to IMF estimates, growth rose from 4.3% in 2016 to 4.6%. There were again significant differences from region to region. The aggregate GDP growth of the ASEAN 5 (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) came in at 5.2%. The BRIC countries also sent positive economic signals in 2017. Brazil and Russia climbed out of recession, and the growth slowdown that had been predicted for China for the reporting period was averted. India's economy again posted substantial growth at 6.7%, though it failed to match the previous year's level because of a far-reaching cash reform.

Positive developments in Central, Eastern, and Southeastern Europe

According to the Vienna Institute for International Economic Studies (WIIW), economic conditions in Central, Eastern, and Southeastern Europe improved overall in 2017. This can primarily be attributed to rising wages and household incomes, which in turn spurred private consumption. There was also a general uptrend in investments. In direct country comparison, Romania (+5.7%), Hungary (+4.0%), and Slovenia (+4.0%) were standouts with relatively good economic growth in the reporting period. By contrast, the economic recovery in crisis-plagued Ukraine still failed to really gather steam. While the economy did grow for the second year in a row in 2017 (+2.0%), the country is still suffering from a large number of risk factors.

Strong economic expansion in Austria

Domestic economic growth strengthened noticeably in 2017. The most recent forecast of the Austrian Institute of Economic Research (WIFO) points to GDP growth of 3.0%, driven by healthy corporate investment. The economy was also boosted by foreign trade, which profited from the improved global conditions. Financing activity also picked up, and the domestic market for corporate bonds grew substantially compared with 2016. The total issue volume came to € 14.4 billion, up from € 7.5 billion in 2016. Austrian government bonds continued to benefit from the country's reputation as a safe haven for investors. The yield on a 10-year government bond was 0.6% at the end of 2017 (2016: 0.4%).

Business development in 2017

The financing volume under the Export Financing Scheme rose again in 2017 in contrast to the previous years. This trend was facilitated by higher exports by Austrian companies, the attractive conditions, the new value creation rules, and the new Export Invest product in the Export Financing Scheme (EFV). Loans and advances to banks and customers rose by € 1,673.7 million. The financing volume relating to small and medium-sized enterprises remained stable in annual comparison at € 1,143.0 million.

The total comprehensive income for the year of € 58.6 million (2016: € 40.2 million) represents a year-on-year increase of 45.6%. The results for both years were heavily influenced by one-off effects in the other comprehensive income. In the reporting period, this effect stemmed from the fair value measurement of investments in other unconsolidated companies. In the previous year, other comprehensive income was impacted by the actuarial losses from the reduction of the discount rate on the employee benefit provisions from 2.40% to 1.75%.

OeKB acquired the remaining 30% of the shares in „Österreichischer Exportfonds“ GmbH from the minority shareholder (the Federal Economic Chamber) during the financial year, but this had no impact on the scope of consolidation of OeKB Group. The purchase of the shares increased the equity attributable to owners of the parent by € 0.8 million.

Consolidated statement of comprehensive income

Overall, it can be said that the Group's operating result for 2017 surpassed the expectations. Because of the continued low interest rate level, interest and similar income declined to € 312.1 million (2016: € 348.9 million). OeKB Group was also able to profit from the budget underruns stemming from negative interest rates on funding operations in 2017 and posted income of € 109.9 million (2016: € 105.4 million). Interest and similar expenses came to minus € 232.5 million (2016: minus € 267.2 million).

Taking these results, the Group's net interest income was € 79.6 million (2016: € 81.7 million).

Current income from investments in other unconsolidated companies declined by 12.6% to € 3.0 million (2016: € 3.4 million), primarily as a result of a lower dividend from CEESEG AG.

The share of profit or loss of equity-accounted investments decreased from € 6.0 million in 2016 to € 4.2 million in 2017. This was due to a lower actuarial result from the loan insurance subsidiary after the level of coverage claims increased.

As in the previous year, no new loan loss provisions were required.

Net fee and commission income in credit operations only decreased marginally by € 0.1 million to minus € 5.9 million.

Net fee and commission income from securities services increased to € 28.8 million (2016: € 27.7 million). The increase was driven by higher fee and commission income from securities account management and from the capital gains tax reporting services for funds.

Fees for the administration of export guarantees on behalf of the Republic of Austria declined. The net fee and commission income from the development bank's guarantee business was stable in annual comparison. OeKB Group generated total net fee and commission income from its guarantee business in the amount of € 13.8 million compared with € 15.0 million in the previous year.

Overall net fee and commission income came in at € 42.1 million (2016: € 41.0 million).

Within the administrative expenses of € 80.1 million (2016: € 82.1 million), staff costs declined to € 51.6 million (2016: € 55.6 million). The figure in the previous year included one-off expense effects in the amount of € 3.4 million relating to a generation management measure. Other administrative expenses came in at € 23.1 million (2016: € 21.3 million), € 1.7 million higher than in the previous year. This increase stemmed largely from the expenses for an IT project to implement a group-wide financial architecture according to BCBS 239 (the Basel Committee's principles for effective risk data aggregation and risk reporting) and from a project to reorganise the Export Services unit. The write-downs of € 5.4 million are close to the level reported in 2016.

The other operating income came in at € 5.4 million, lower than the € 6.4 million reported in the previous year.

This put the operating profit at € 54.2 million, roughly € 2.1 million less than the € 56.3 million achieved in 2016.

The net gain or loss on financial instruments came to minus € 2.5 million in the reporting period (2016: minus € 2.0 million) and stemmed from the result of the fair value measurement of the other financial assets in the amount of minus € 2.0 million (2016: minus € 2.1 million) and the result from foreign exchange differences in the amount of minus € 0.5 million (2016: € 0.1 million).

Profit before tax in 2017 amounted to € 51.6 million (2016: € 54.4 million). The profit for the year of € 39.9 million (2016: € 43.5 million) is entirely attributable to the owners of the parent (2016: € 43.2 million). Taking other comprehensive income into account, total comprehensive income for the year attributable to owners of the parent was € 58.6 million (2016: € 39.9 million).

Segment performance

Following the reorganisation of the Export Services unit, management reporting was revised and the segment structure adapted accordingly during the financial year. The activities of the development bank have been assigned to the Export Services segment since this year. The current income from investments in capital-market-oriented and energy-market-oriented subsidiaries is now assigned to the Capital Market Services segment. The figures for the previous year were adapted accordingly (see also Note 6 – Segment information).

The following items of other comprehensive income in the segment information differ from their presentation on the income statement: the actuarial gains and losses pursuant to IAS 19 as part of staff costs (in administrative expenses); the share of net other comprehensive income, which is recognised as part of the share of profit of equity-accounted joint ventures, net of tax, for the equity-accounted joint ventures.

The net interest income in the **Export Services segment** fell from € 76.2 million to € 74.6 million. The decrease was the result of lower breakage costs from early loan repayments.

The net fee and commission income stems mainly from the administration of export guarantees and from guarantee fees paid to the Republic of Austria for financing arrangements under the development bank's activities. Demand for export guarantees was low during the reporting period, as was the case in the previous year. Net fee and commission income came to € 9.2 million, falling short of the € 10.2 million reported in 2016.

The administrative expenses of the segment rose to € 47.0 million (2016: € 44.3 million). The increase in annual comparison is primarily the result of higher project expenses relating to the reorganisation of the Export Services unit and higher expenses incurred in the operations of the development bank.

The net other operating income in the amount of minus € 1.1 million (2016: minus € 0.9 million) mainly resulted from the stability tax expenses and the income from service agreements.

The operating profit of the segment was € 35.6 million (2016: € 41.2 million). The result on financial instruments was a loss of € 0.4 million (2016: € 0.0 million); the profit after tax amounted to € 26.5 million (2016: € 31.5 million).

The net interest income in the **Capital Market Services segment** amounted to minus € 0.1 million, and was therefore stable in annual comparison (2016: minus € 0.1 million).

Current income from investments in other unconsolidated companies fell to € 2.7 million in annual comparison (2016: € 3.2 million).

The share of profits of equity-accounted investments went from minus € 0.1 million to plus € 0.3 million thanks to the result achieved by CCP.A.

The net fee and commission income from the segment rose to € 32.2 million in annual comparison (2016: € 30.2 million). The increase was driven by higher fee and commission income from securities account management and from the capital gains tax reporting services for funds.

The administrative expenses fell slightly to € 25.7 million (2016: € 26.5 million).

The net other operating income of the segment in the amount of € 0.8 million (2016: minus € 0.1 million) was generated by income from service agreements.

The operating profit of the segment stood at € 10.1 million (2016: € 6.7 million) and the profit after tax amounted to € 7.7 million (2016: € 5.0 million).

The net interest income in the **Other Services segment** declined from € 5.6 million to € 5.1 million. This decline was largely the result of lower interest income from the investment portfolio.

The share of profits of equity-accounted investments generated through OeKB EH Beteiligungs- und Management AG declined from € 5.9 million to € 4.0 million.

Net fee and commission income remained stable in annual comparison at € 0.6 million (2016: € 0.6 million).

The administrative expenses in the segment decreased to € 7.5 million (2016: € 15.6 million). This decline resulted primarily from the reduction in the discount rate for employee benefit provisions in the previous year and the associated higher expenses as well as from lower project expenses from billed services in this segment.

The other operating income of € 5.7 million (2016: € 7.4 million) resulted from income from service agreements and rental income as well as from income related to the input tax adjustment for previous years.

The operating profit of the segment was € 8.4 million (2016: € 4.2 million). The net loss on financial instruments of minus € 2.1 million was close to the result posted in the previous year (2016: minus € 2.0 million). The profit after tax amounted to € 5.7 million (2016: € 3.7 million).

Balance sheet

At 31 December 2017, cash and balances at central banks stood at € 424.2 million (2016: € 413.4 million).

Loans and advances to banks increased to € 16,192.9 million (2016: € 14,483.5 million) due to the higher volume of lending under the Export Financing Scheme. Loans and advances to customers declined slightly from € 1,572.6 million to € 1,537.0 million. The other financial assets remained stable in annual comparison at € 3,036.3 million (2016: € 3,039.3 million). The deposits from banks contracted owing to lower collateral deposits (2017: € 425.1 million; 2016: € 909.5 million).

The profit contribution from the private credit insurance group declined in annual comparison. In total, the value of interests in equity-accounted investments changed to € 66.8 million in 2017 (2016: € 67.7 million).

Total assets at 31 December 2017 amounted to € 26,004.8 million (2016: € 26,430.3 million).

Financial performance indicators

The cost/income ratio (administrative expenses/[operating profit + administrative expenses]) was 59.7% at the balance sheet date, which is a slight increase in annual comparison (2016: 59.3%).

The Group's equity capital rose from € 766.1 million to € 800.9 million in 2017.

At the balance sheet date, OeKB Group had € 758.0 million in available consolidated regulatory capital pursuant to Regulation (EU) No. 575/2013. This capital amounted to € 718.5 million in the previous year.

The tier 1 capital ratio (tier 1 capital/[minimum regulatory capital requirement/8%]) at the balance sheet date was 82.6%. The ratio came to 77.5% in the previous year. Further ratios can be found in Note 27.

The return on equity (total comprehensive income attributable to owners of the parent/average equity attributable to owners of the parent) rose from 5.3% to 7.5% in 2017.

Research and development

No research and development is conducted due to the nature of the business activities of the members of OeKB Group (specialised institutions for implementing Austrian export promotion and financing as well as development assistance).

Risk management system

System of internal control management

The aim of the internal control system is to support the management in such a way that it is in a position to ensure ever better and more effective internal checks. This aim should not be limited solely to the accounting system, but should also include all important business processes so that the economic efficiency and effectiveness of business activities, the reliability of the business information (including non-financial reporting, e.g. corporate responsibility), and adherence to guidelines and regulations (compliance) can be guaranteed.

OeKB Group's internal control system (ICS) draws on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, which has five components: the control environment, risk assessment, control activities, information and communication, and monitoring activities.

The most fundamental aspect of the control environment is the corporate culture in which management and employees operate. Central organisational principles are the avoidance of conflicts of interest through strict separation of risk origination and risk oversight, the transparent documentation of core processes and control activities, and rigorous segregation of duties and application of the principle of dual control. The Internal Audit/Group Internal Audit department independently and regularly verifies adherence to the internal regulations, including the accounting and financial control rules. The management of Internal Audit/Group Internal Audit reports directly to the Executive Board and Supervisory Board.

The goal of risk management at OeKB Group is to identify all risks and take measures to avert or mitigate these risks. This also includes the risk of material misstatement of transactions. The risk management system includes all processes that serve to identify, analyse, and evaluate risks. They are identified and monitored by management, with a focus on risks that are deemed to be material. The internal control activities performed by the responsible departments are evaluated regularly.

OeKB Group has a governance system that sets out structures, processes, functions, and responsibilities within the bank. Care is taken to implement all control activities in such a way as to ensure that potential errors or discrepancies in financial reporting are avoided or discovered and corrected.

Control activities

IT-based control activities are a key component of the internal control system. Thus, the compartmentalisation of sensitive responsibilities is supported by the restrictive assignment of access permissions in the computer systems (need-to-know basis). The SAP enterprise management system is used for accounting and financial reporting. The functioning and effectiveness of this accounting system is ensured by means including integrated, automated control mechanisms.

In subsidiaries, the respective management bears ultimate responsibility for the internal control and risk management system. This system must fulfil the respective company's requirements with regards to the accounting process and compliance with the associated Group-wide policies and rules.

Information and communication

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

Monitoring

Financial statements intended for publication undergo a final review by management and staff of the Accounting & Financial Control department and by the Executive Board before being forwarded to the Audit Committee of the Supervisory Board. By monitoring compliance with all rules and regulations, OeKB Group aims to make all business processes as reliable as possible and ensure Group-wide conformity with policies and procedures. The staff members responsible manage identified risks and shortcomings in controls through prompt mitigative and preventative measures. The implementation of these measures is monitored. The Internal Audit/Group Internal Audit department evaluates compliance with the requirements in accordance with the annual audit plan.

Risk management

Risk management and risk controlling are key processes that are integral to the business strategy and are designed to ensure the lasting stability and profitability of the company and the entire bank group. Every risk assumed by OeKB Group is accepted consciously and is consistent with the Executive Board's risk policy and strategy, which aims to ensure a stable return on equity through a conservative approach to all business and operational risks. The risk policy and strategy set out the risk management principles, the risk appetite, and the principles for the measurement, control, and limitation of the defined risk categories.

OeKB acts as Austria's official export credit agency and is a central provider of services to the capital market. This special position of the Bank and the associated responsibility for supporting the Austrian economy shape the business strategy and risk policy.

The Export Financing Scheme represents the great majority of assets on the balance sheet. In this respect, OeKB is exempt from key laws such as the Capital Requirements Regulation or CRR (Regulation [EU] No. 575/2013). In OeKB Group's process for assessing risk coverage, the Export Financing Scheme is treated as investment risk for which risk coverage is calculated separately. Further major exemptions for OeKB apply in connection with liquidity regulations and the European and national provisions for the banking union (such as the Bank Recovery and Resolution Directive or BRRD).

Similarly, these exemptions apply to the two banking subsidiaries, "Österreichischer Exportfonds" GmbH and Oesterreichische Entwicklungsbank AG. Extensive exceptions also apply to the Group member bank OeKB CSD GmbH, which applied for a licence as a central depository under the CSD regulations in 2017 (see § 3[1]12 BWG).

Holistic risk management

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

One central guideline under the risk management framework is the risk policy and strategy, which is discussed with the Risk Committee of the Supervisory Board every year. Behavioural standards including a complaint handling system are described in the Code of Conduct, and the remuneration policy is risk adequate and documented, as is the Fit & Proper Policy. An adequate organisational structure for preventing money laundering and for ensuring compliance complement the governance framework. An effective internal control system is in place to ensure proper processes and correct financial reporting. Internal Audit and Group Internal Audit serve as the third line of defence.

ICAAP and ILAAP

Despite the exemptions referred to above, the OeKB bank group employs a risk management system that is based on the Internal Capital Adequacy Assessment Process (ICAAP) of OeKB Group. As a controlling and steering instrument, the ICAAP is an integral part of the management process. The process accounts for a going concern and gone concern approach. In addition to managing credit risk, market risk, and the various operational risks, the management of liquidity and business risk are key aspects of the risk management process.

Key risk management metrics and risk coverage calculation

The key variable in the measurement and management of OeKB Group's risk is economic capital, which is calculated using the concept of value at risk (VaR) as well as credit value at risk (CVaR) over a one-year observation period. Key components of aggregate risk are market risk, credit risk, and operational risk. Business risk is determined on the basis of statistical analyses of deviations between the target and actual situation.

The economic capital is compared against the risk coverage potential from both a going concern and gone concern perspective in the risk coverage calculation. The limits that are derived from this calculation and that are adopted by the Executive Board are continuously monitored.

Risk appetite

OeKB Group defines risk appetite primarily in relation to the confidence levels at which the economic capital is determined. In the gone concern approach, the confidence level for unexpected losses is set at 99.98%, which on the internal master rating scale corresponds to OeKB's current rating (S&P: AA+ / Moody's: Aa1).

Liquidity risk is managed primarily using the specified survival period, which is determined by means of liquidity gap analyses under stress scenarios. The specified minimum survival period under stress is set at one month.

Non-financial performance indicators

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

In addition to management career paths, particular importance is attached to expert career paths to remain attractive as an employer for highly qualified personnel. The members of OeKB Group maintain flat management hierarchies where the various experts play a critical role in the success of each company.

OeKB Group's long-term success depends on the commitment of the people working for it. Family-friendly measures such as flexible working hours, teleworking, and a Bank daycare center address the needs of every employee who values the compatibility of work and family life. Full- and part-time educational leave is actively supported. All of this is intended to ensure a good balance between professional and non-professional activities.

Compensation at OeKB is based on personal performance, risk behavior, and the corporate results (see Disclosure Report). Oesterreichische Entwicklungsbank, OeKB CSD, and Exportfonds also apply remuneration models that are based on the remuneration policy at OeKB as parent company.

The Group's consolidated headcount at the end of 2017 was 405 full-time equivalents (2016: 405).

The Group generated an operating profit of € 134 thousand per full-time equivalent (2016: € 139 thousand).

Employees of OeKB Group ¹

	31 Dec 2017	31 Dec 2016	31 Dec 2015
Total as at 31 December	445	442	444
<i>Of whom part-time employees</i>	<i>119</i>	<i>107</i>	<i>101</i>
<i>Part-time employees in %</i>	<i>26.7%</i>	<i>24.2%</i>	<i>22.7%</i>
Total employees in full-time equivalents	405	405	412
Average number of employees pursuant to the UGB	402	406	404
Average age	45.5	45.0	44.9
Average length of service	16.3	16.2	16.2
Sick days per year and full-time employee	8.1	10.1	9.1
Proportion of total positions held by women	55.7%	57.5%	56.8%
Proportion of management positions held by women	35.0%	38.5%	40.3%
Turnover rate ²	4.7%	3.6%	2.3%

¹ Including the fully consolidated companies Oesterreichische Entwicklungsbank AG, OeKB CSD GmbH, and "Österreichischer Exportfonds" GmbH; including employees assigned to Acredia AG.

² The turnover rate is calculated as follows: the number of people leaving during the year (excluding retirement) x 100 divided by the average number of employees in the year. Because of the low turnover rate, a breakdown by gender and age group is not sensible.

Outlook for 2018

The year 2018 will be another difficult but successful period in economic terms. The economic projections are good, and the global economy is picking up speed. However, the political uncertainty will continue at varying levels from region to region. This poses a significant challenge for the Austrian export industry. As in the past, OeKB Group continues to provide exporters with extensive assistance, both through export loans and with guarantees for the financing of business acquisitions and start-ups. We expect to be able to expand our lending volume in 2018 due to rising export and foreign investment activity by Austrian companies as well as due to our attractive financing conditions and products.

We expect our securities investments to continue delivering lower earnings in 2018 due to the sustained low interest from reinvestments. The Federal Reserve System has indicated that USD interest rates will rise. Interest rates in the Eurozone will remain low in 2018. The risk premiums on Austrian government bonds remain stable, which means that the terms of access to the international capital markets should remain attractive for OeKB.

We expect a positive decision in the first half of the year in the ongoing application procedure in which OeKB CSD is seeking a licence as a central depository in Austria pursuant to the CSDR.

Overall, OeKB Group is well prepared to meet the challenges ahead, and we are expecting sustained growing operating income.

We wholeheartedly thank all our employees for their commitment and their contribution to our success. Our sincere thanks also go to the Staff Council, whose members continued their long tradition of representing the interests of the employees and of the Bank.

Vienna, 6 March 2018

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

OeKB Group 2017 consolidated financial statements

Income statement

€ thousand	Notes	2017		2016 (adjusted) *		Change in %
Interest and similar income *		200,770	312,058	242,432	348,945	-10.6%
Plus budget underruns from negative interest from money market business *		1,404		1,083		29.7%
Plus budget underruns from negative interest from refinancing business *		109,883		105,430		4.2%
Interest and similar expenses *		-216,385	-232,507	-258,844	-267,251	-13.0%
Plus losses from negative interest from money market business *		-1,578		-2,483		-36.4%
Plus losses from negative interest from credit operations *		-10,529		-3,762		179.9%
Plus losses from negative interest from securities *		-4,015		-2,162		85.7%
Net interest income	8		79,551		81,694	-2.6%
Current income from investments in other unconsolidated companies *			2,983		3,412	-12.6%
Share of profit or loss of equity-accounted investments, net of tax	20		4,193		5,968	-29.7%
Net credit risk provisions	9		-		-	-
Fee and commission income	10	54,722		53,647		2.0%
Fee and commission expenses	10	-12,656		-12,665		-0.1%
Net fee and commission income	10		42,066		40,982	2.6%
Administrative expenses	11		-80,068		-82,142	-2.5%
Other operating income *	12	8,149		9,346		-12.8%
Other operating expenses *	12	-2,720		-2,928		-7.1%
Other operating income *	12		5,429		6,419	-15.4%
Operating profit			54,154		56,333	-3.9%
Net gain or loss on financial instruments *	13		-2,521		-1,961	28.5%
Profit before tax			51,634		54,373	-5.0%
Income tax	14		-11,771		-10,897	8.0%
Profit for the year			39,863		43,475	-8.3%

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Other comprehensive income

€ thousand	Notes	2017	2016 (adjusted) *	Change in %
Items that will not be reclassified into the income statement in future				
Actuarial gains/losses from defined benefit plans	24	-119	-4,231	-97.2%
Equity-accounted investments - Share of net other comprehensive income	20	105	-88	-218.8%
Tax effects	14	30	1,058	-97.2%
Total		15	-3,261	-100.5%
Items that will be reclassified into the income statement in future				
Net gain or loss from the fair value measurement of investments in other unconsolidated companies (available for sale)	18	24,898	-	100.0%
Tax effects	14	-6,225	-	100.0%
Total		18,674	-	100.0%
Net other comprehensive income after tax		18,689	-3,261	-673.0%
Total comprehensive income for the year		58,551	40,214	45.6%
Profit for the year				
Attributable to owners of the parent		39,863	43,207	-7.7%
Attributable to non-controlling interests	19	-	268	-100.0%
		39,863	43,475	-8.3%
Breakdown of total comprehensive income				
Attributable to owners of the parent		58,551	39,928	46.6%
Attributable to non-controlling interests	19	-	285	-100.0%
		58,551	40,214	45.6%

Earnings per share

	2017	2016
Total comprehensive income for the year attributable to owners of the parent, in € thousand	58,551	39,928
Average number of shares outstanding	880,000	880,000
Earnings per share, in €	66.54	45.37

As in the previous year, there were no exercisable conversion or option rights at 31 December 2017. The diluted earnings per share correspond to the undiluted earnings per share.

Consolidated balance sheet of OeKB Group

Assets

€ thousand	Notes	31 Dec 2017	31 Dec 2016 (adjusted) *	Change in %
Cash and balances at central banks	15, 28	424,206	413,360	2.6%
Loans and advances to banks	16, 37	16,192,881	14,483,492	11.8%
Loans and advances to customers	16, 37	1,536,986	1,572,646	-2.3%
Allowance for impairment losses on loans and advances	17	-	-	-
Other financial assets	18, 37	3,036,328	3,039,350	-0.1%
Derivative financial instruments	36, 37	533,887	1,051,666	-49.2%
Guarantees pursuant to § 1(2b) AFGG	36, 37	4,095,741	5,683,157	-27.9%
Equity-accounted investments	20	66,843	67,743	-1.3%
Property, equipment and intangible assets	21	16,900	20,266	-16.6%
Current tax assets		10,668	4,018	165.5%
Deferred tax assets *	25	56,418	64,256	-12.2%
Other assets *		33,914	30,312	11.9%
Total assets *		26,004,771	26,430,269	-1.6%

Liabilities and equity

€ thousand	Notes	31 Dec 2017	31 Dec 2016 (adjusted) *	Change in %
Deposits from banks *	22, 37	425,088	909,475	-53.3%
Deposits from customers	22, 37	753,965	837,592	-10.0%
Debt securities in issue	23, 37	21,640,415	21,261,202	1.8%
Derivative financial instruments	36, 37	555,651	719,622	-22.8%
Provisions	24	145,508	148,722	-2.2%
Current tax liabilities		407	2,409	-83.1%
Other liabilities *		44,297	41,795	6.0%
EFS interest rate stabilisation provision	26	1,638,577	1,743,311	-6.0%
Equity	27	800,864	766,142	4.5%
<i>Of which attributable to non-controlling interests</i>	27	-	4,585	-100.0%
Total liabilities and equity *		26,004,771	26,430,269	-1.6%

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Consolidated statement of changes in equity of OeKB Group

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

More information on equity is provided in Note 27.

Consolidated statement of changes in equity 2017

€ thousand	Notes	Subscribed capital	Capital reserves	Retained earnings	IAS 19 - Reserve *	Available for sale - Reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 January 2017	19, 27	130,000	3,347	646,912	(18,702)	-	761,558	4,585	766,142
Profit for the year		-	-	39,863	-	-	39,863	-	39,863
Other comprehensive (expense)		-	-	-	15	18,674	18,689	-	18,689
Total comprehensive income for the year		-	-	39,863	15	18,674	58,551	-	58,551
Acquisition of non-controlling interests without change in control	19	-	-	776	-	-	776	(4,446)	(3,670)
Transactions with owners (dividends)	19, 27	-	-	(20,020)	-	-	(20,020)	(140)	(20,160)
As at 31 Dec 2017		130,000	3,347	667,531	(18,687)	18,674	800,864	-	800,864

Consolidated statement of changes in equity 2016

€ thousand	Notes	Subscribed capital	Capital reserves	Retained earnings	IAS 19 - Reserve *	Available for sale - Reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 January 2016	19, 27	130,000	3,347	623,725	(15,423)	-	741,650	4,439	746,089
Profit for the year		-	-	43,207	-	-	43,207	268	43,475
Other comprehensive (expense)		-	-	-	(3,279)	-	(3,279)	17	(3,261)
Total comprehensive income for the year		-	-	43,207	(3,279)	-	39,928	285	40,214
Transactions with owners (dividends)	19, 27	-	-	(20,020)	-	-	(20,020)	(140)	(20,160)
As at 31 Dec 2016		130,000	3,347	646,912	(18,702)	-	761,558	4,585	766,142

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Consolidated statement of cash flows of OeKB Group

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

Consolidated statement of cash flows of OeKB

€ thousand	31 Dec 2017	31 Dec 2016 (adjusted) *	31 Dec 2016 (as reported)
Cash and cash equivalents at beginning of period	413,360	223,147	223,147
Net cash from operating activities *	30,745	614,890	71,723
Net cash from investing activities *	3,931	(404,517)	2,856,699
Net cash from financing activities *	(23,830)	(20,160)	(2,738,209)
Cash and cash equivalents at end of period	424,206	413,360	413,360

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

€ thousand	Notes	2017	2016 (adjusted) *	2016 (as reported)
Profit before tax		51,634	54,373	54,373
Non-cash items included in profit, and adjustments to reconcile profit with cash flows from operating activities				
Depreciation on property and equipment	21	4,696	4,654	4,654
Amortisation on intangible assets	21	673	580	580
Changes in provisions *	24	(3,213)	3,566	69,922
Changes in the EFS interest rate stabilisation provision *	26	(104,734)	390,393	-
Changes in guarantees pursuant to § 1(2b) AFFG *	36	1,936,339	(355,090)	-
Gains/losses from the disposal/measurement of property and equipment		-	29	29
Net gain or loss from the fair value measurement of investments in other unconsolidated companies	18	(24,898)	-	-
Gains/losses from the disposal/measurement of investments in other unconsolidated companies *	13	2,021	2,095	2,041
Unrealised gains/losses from changes in the fair value of debt securities in issue and derivative financial instruments *	13	-	-	(284,025)
Unrealised gains/losses from foreign currency differences on financial instruments assigned to the Export Financing Scheme *	13	500	(135)	284,018
Other non-cash items		(198)	(235)	(362)
Changes in operating assets and liabilities after adjustment for non-cash components				
Proceeds from the redemption of				
Loans and advances to banks *	16	12,350,000	16,176,955	-
Loans and advances to customers *	16	1,007,288	1,101,325	-
Payments for the purchase of				
Loans and advances to banks *	16	(14,060,444)	(12,826,561)	-
Loans and advances to customers *	16	(971,743)	(1,190,503)	-
Proceeds from				
Deposits from banks *	22, 28	4,963,459	3,658,658	-
Deposits from customers *	22, 28	1,318,580	1,649,836	-
Debt securities in issue *	23, 28	20,523,447	17,506,622	-
Repayments from the redemption of				
Deposits from banks *	22, 28	(5,447,887)	(3,872,564)	-
Deposits from customers *	22, 28	(1,402,207)	(1,566,771)	-
Debt securities in issue *	23, 28	(18,229,719)	(20,093,970)	-
Other assets from operating activities *		(548,232)	(2,441,243)	(2,796,292)
Other liabilities from operating activities *		(1,439,638)	2,324,365	2,648,275
Interest received *		280,428	288,419	291,831
Current income from investments in other unconsolidated companies *		2,983	3,412	-
Interest paid		(160,210)	(187,576)	(187,576)
Income tax paid		(18,180)	(15,744)	(15,744)
Net cash from operating activities		30,745	614,890	71,723

€ thousand	Notes	2017	2016 (adjusted) *	2016 (as reported)
Proceeds from the redemption and disposal of				
Loans and advances to banks *	16	-	-	16,176,955
Loans and advances to customers *	16	-	-	1,101,325
Other financial assets	18	550,393	79,901	79,901
Property, equipment, and intangible assets	21	-	500	500
Payments for the purchase of				
Loans and advances to banks *	16	-	-	(12,826,561)
Loans and advances to customers *	16	-	-	(1,190,503)
Other financial assets	18	(544,459)	(481,961)	(481,961)
Property, equipment, and intangible assets	21	(2,003)	(2,957)	(2,957)
Net cash from investing activities		3,931	(404,517)	2,856,699
Proceeds from				
Deposits from banks *	22, 28	-	-	3,658,658
Deposits from customers *	22, 28	-	-	1,649,836
Debt securities in issue *	22, 28	-	-	17,506,622
Repayments from the redemption of				
Deposits from banks *	22, 28	-	-	(3,872,564)
Deposits from customers *	22, 28	-	-	(1,566,771)
Debt securities in issue *	22, 28	-	-	(20,093,970)
Acquisition of non-controlling interests	28	(3,670)	-	-
Dividend payments *	27, 28	(20,160)	(20,160)	(20,020)
Net cash from financing activities		(23,830)	(20,160)	(2,738,209)

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Notes to the consolidated financial statements of OeKB Group

Recognition and measurement principles

Note 1 General information

Oesterreichische Kontrollbank AG (OeKB) is a special-purpose bank with its registered office in 1010 Vienna, Austria. The activities of OeKB Group consist largely of export services and capital market services.

Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, is a public interest entity pursuant to § 43(1a) BWG in conjunction with § 189a 1 lit. a UGB.

Services for exporters

OeKB Group offers the Austrian export industry a wide range of hedging and financing options for its exports and investments abroad. Under the Export Financing Scheme, companies are provided with financing at attractive terms through their main banks. As an agent of the federal government, export guarantees and bill guarantees are issued in the name of the Republic of Austria. Credit lines for SMEs and the activities of the Austrian development bank round out the portfolio.

Services for the capital market

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

Legal basis for the export guarantee and the Export Financing Scheme

Liability according to the Austrian Export Guarantees Act (AusFG)

According to the AusFG, the Federal Minister of Finance is authorised to assume guarantees in the name of the Republic of Austria for the proper fulfilment of transactions by foreign counterparties and for the enforcement of the rights of export companies that directly or indirectly improve Austria's current account. These transactions and rights relate to projects abroad – especially in the areas of environmental protection, waste disposal, and infrastructure – whose realisation by domestic or foreign companies is in Austria's interests. According to § 7 AusFG, the guarantee fee and all claims paid shall be collected by the agent of the federal government (OeKB) and credited regularly to an account of the federal government opened at the authorised agent of the federal government. Pursuant to § 8a AusFG, OeKB will remain responsible for the processing of these export guarantees until the conclusion of an agency contract.

OeKB is entitled to an adequate fee for the administration of these export guarantees (shown in fee and commission income from export guarantees, Note 10).

The tasks of the Austrian development bank are specified in § 9 AusFG. Oesterreichische Entwicklungsbank AG (100% subsidiary of OeKB) has been commissioned to fulfil these responsibilities. The guarantee fees paid to the Republic of Austria in connection with the financing arrangements provided by the development bank are reported under the fee and commission expenses (see Note 10).

The legal basis was extended by further five years to 31 December 2022 during the financial year.

Federal law on the financing of transactions and rights (Export Financing Guarantees Act – AFFG)

Pursuant to § 1 AFFG, the Federal Minister of Finance is authorised until 31 December 2023 to issue guarantees in the name of the Republic of Austria for credit operations (bonds, loans, lines of credit, and other obligations) conducted by the authorised agent of the federal government pursuant to § 5(1) AusfFG (OeKB). The guarantees are issued:

- to the benefit of the creditor of the agent authorised by the federal government (OeKB) for the fulfilment of its obligations under credit operations (§ 1[2a] AFFG);
- to the benefit of the agent authorised by the federal government (OeKB) to guarantee a specific exchange rate between the euro and another currency (exchange rate risk) for the fulfilment of obligations under credit operations for the period of time during which the proceeds from the credit operation are used for financing in euros (§ 1[2b] AFFG).

The fee provisions for the issue of guarantees by the Republic of Austria pursuant to the AFFG specify a (minimum) guarantee fee that depends on the volume of the outstanding borrowings in the Export Financing Scheme. The guarantee fees are directly related to the debt securities issued by OeKB. For this reason, the expenses from the guarantee fees are reported under interest and similar expenses (see Note 8).

Material accounting policies

Pursuant to §§ 59a BWG and 245a UGB, Oesterreichische Kontrollbank AG, Vienna, prepared the consolidated financial statements for the year ending 31 December 2017 exclusively in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated financial statements were prepared on the basis of the going concern principle.

In preparing these financial statements, OeKB Group applied all IFRS and IAS standards and interpretations of them by the International Financial Reporting Interpretations Committee (IFRIC, formerly Standard Interpretations Committee or SIC) that were mandatory at the balance sheet date. Uniform recognition and measurement methods are used throughout the Group.

The consolidated financial statements are presented in thousands of euros rounded to the nearest whole number. The euro is also OeKB Group's functional currency. All amounts are indicated in thousands of euros unless specified otherwise. The tables may contain rounding differences.

OeKB Group follows the IFRS-based regulatory requirements (FIN-REP) in the presentation of the balance sheet. These requirements were introduced by the European Banking Authority (EBA) in 2014 and represent a mandatory regulatory framework to be applied by EU-based credit institutions. This harmonisation considerably increases the comparability of reports published by the regulator, by the investors, and by OeKB Group.

Special features of the Export Financing Scheme (EFS)

The purpose of the OeKB Export Financing Scheme is to refinance export loans (delivery, purchase, and investment financing and export acceptance credit and financing of domestic investments for exports) extended by the banks participating in the scheme (with OeKB refinancing bank lending to the customer) and to provide direct lending (debt restructuring agreements with state agencies, purchase of accounts receivable from predominantly public entities). The majority of the loans and advances to banks and customers and the other financial assets, the associated refinancing items (deposits from banks and debt securities in issue), derivative financial instruments held as hedging instruments, and guarantees pursuant to § 1(2b) AFFG are part of this scheme. The majority of the debt securities in issue feature a guarantee from the Republic of Austria pursuant to § 1(2a) AFFG.

The majority of loans and advances to banks and customers in the EFS feature a guarantee from the Republic of Austria pursuant to the AusfFG. Due to these guarantees, OeKB Group is not exposed to significant credit risk. For this reason, no loan loss provisions need to be formed in connection with the EFS. Because of the guarantees, the claims are subject to uniform conditions depending on the time at which they were concluded. These uniform interest rates, which are published on the OeKB web site, are derived from the OeKB's credit spreads. The credit spreads of the OeKB are in turn dependent on the credit spreads of the Republic of Austria due to the creditor guarantee pursuant to § 1(2a) AFFG.

Exchange rate risks exist for the most part only in connection with short- and long-term debt securities issued for funding the EFS. These risks are largely secured by the exchange rate guarantees of the Republic of Austria pursuant to § 1(2b) AFFG on an individual transaction basis. OeKB thus does not bear any material exchange rate risk from the Export Financing Scheme. The foreign currency strategy is coordinated with the Federal Ministry of Finance (BMF) as part of an ongoing portfolio strategy. The calculation and settlement of these exchange rate positions is conducted in agreement with the Ministry of Finance for each individual transaction. In some cases, the transactions are refinanced in the same currency and the exchange rates that apply to maturing liabilities are immediately applied to newly issued debt. Because of the importance and relevance of this item for all parties, it is being reported in a separate item (guarantees pursuant to § 1(2b) AFFG).

The interest rate stabilisation provision for the Export Financing Scheme is based on the specific purpose of the EFS and the risk associated with this programme. It contains the surpluses from charged interest and the net gains or losses from the measurement of the financial instruments in the EFS at fair value. OeKB was commissioned by the Federal Ministry of Finance in 1968 to collect proceeds generated under the EFS in a separate account and to use them solely for financing the EFS as needed. This was implemented through the formation of the EFS interest rate stabilisation provision. The Supervisory Board also complies with this obligation by adopting annual motions to this end. The proceeds generated under the EFS cannot be accessed by the owners now or in future and may only be used by management for the purposes of the EFS. This provision reflects the fact that the proceeds from the EFS do not accrue to OeKB Group but are instead to be kept in the EFS for the covering of risks (including in relation to the obligation to continue operating in the event that the agency agreement pursuant to § 8a AusfFG is terminated).

Since the inception of the internationally unique Export Financing Scheme in 1960, the EFS interest rate stabilisation provision has been built up from the ongoing surpluses. This item also includes the result from foreign exchange differences and the result from changes in the fair value of financial instruments that are assigned to the EFS. This provision may only be used to lower the effective refinancing rate in subsequent years. The federal tax office for corporations in Vienna has acknowledged the EFS interest rate stabilisation provision as a deductible debt item in so far as it is used for decreasing the effective refinancing interest rate for the EFS. In coordination with the Federal Ministry of Finance, OeKB has decided to report this item separately due to its specific nature.

Changes in recognition and measurement methods

Aside from the new and changed accounting policies described below, these consolidated financial statements were prepared using the same recognition and measurement methods as were applied in the preparation of the consolidated financial statements for financial year 2016.

Consolidated statement of comprehensive income

Unlike in the previous year, the current income from investments in other unconsolidated companies was reported in a separate item on the consolidated statement of comprehensive income. This item was reported as part of the net interest income in 2016. The net interest income also includes the budget underruns from negative interest rates in the interest and similar income and the losses from negative interest rates in the interest and similar expenses. In the previous year, the budget underruns from negative interest rates were reported in the interest and similar expenses and the losses from negative interest rates in the interest and similar income. The adaptations can be seen in the following table. The Notes were adapted accordingly.

€ thousand	2016 (as reported)		2016 (adjusted)	
Interest and similar income	245,844	237,437	242,432	348,945
Minus losses from negative interest from money market business	(2,483)		-	
Plus budget underruns from negative interest from money market business	-		1,083	
Minus losses from negative interest from credit operations	(3,762)		-	
Minus losses from negative interest from securities	(2,162)		-	
Plus budget underruns from negative interest from refinancing business	-		105,430	
Interest and similar expenses	(258,844)	(152,330)	(258,844)	(267,251)
Minus budget underruns from negative interest from money market business	1,083		-	
Plus losses from negative interest from money market business	-		(2,483)	
Plus losses from negative interest from credit operations	-		(3,762)	
Plus losses from negative interest from securities	-		(2,162)	
Minus budget underruns from negative interest from refinancing business	105,430		-	
Net interest income		85,106		81,694
Current income from investments in other unconsolidated companies		-		3,412
Net interest income and current income from investments in other unconsolidated companies		85,106		85,106

In the consolidated statement of comprehensive income, we broke the other operating income reported in the previous year down into other operating income and other operating expenses. The Notes were adapted accordingly.

The disclosures in the notes pertaining to the net gain or loss on financial instruments (Note 13) were adjusted in relation to the Export Financing Scheme in the financial year. The disclosures are now being made separately for the financial instruments that are assigned to the EFS and for the financial instruments that are not assigned to the EFS. The adaptations can be seen in the following table. The Notes were adapted accordingly.

Net gain or loss on financial instruments (overall)

€ thousand	2016 (as reported)	2016 (adjusted)	Changes
Net gain or loss from foreign exchange differences	(283,891)	135	284,025
Net gain or loss from fair value measurement	281,930	(2,095)	(284,025)
Net gain or loss on financial instruments	(1,961)	(1,961)	-

Net gain or loss from the fair value measurement of financial instruments

€ thousand	2016 (as reported)	2016 (adjusted)	Changes
Change in the fair value of the			
Loans and advances to banks	-	(59,578)	(59,578)
Loans and advances to customers	-	(1)	(1)
Other financial assets	(2,095)	54,405	56,500
Derivative financial instruments	-	82,501	82,501
Guarantees pursuant to § 1(2b) AFFG	444,897	160,872	(284,025)
Fair value measurement of debt securities in issue and derivatives	177,817	-	(177,817)
Debt securities in issue	-	98,675	98,675
Change in the fair value	620,619	336,874	(283,745)
Transfer of the net gain or loss on financial instruments assigned to the EFS to the EFS interest rate stabilisation provision	(338,689)	(338,970)	(281)
Net gain or loss from the fair value measurement	281,930	(2,095)	(284,025)

Net gain or loss from the foreign exchange differences on financial instruments

€ thousand	2016 (as reported)	2016 (adjusted)	Changes
Foreign exchange differences from debt securities in issue and derivatives	(355,090)	-	355,090
Foreign exchange differences from other assets/liabilities	135	-	(135)
Gains from foreign exchange differences	-	152,347	152,347
Losses from foreign exchange differences	-	(507,302)	(507,302)
Subtotal	(354,956)	(354,956)	-
Foreign exchange differences on guarantees pursuant to § 1(2b) AFFG	71,065	355,090	284,025
Net gain or loss from the foreign exchange differences	(283,891)	135	284,025
Net gain or loss on financial instruments (overall)	(1,961)	(1,961)	-

In the previous year, the fair value changes were reported for all financial instruments of the EFS in aggregate in the item 'Fair value measurement of debt securities in issue and derivative financial instruments'. The changes in fair value are now assigned to the respective financial instruments. In addition, the foreign exchange differences are now reported in the gains and losses from exchange differences.

The change in foreign exchange differences on guarantees pursuant to § 1(2b) AFFG (€ 284,025 thousand) was allocated entirely to the fair value measurement of this item for the financial year, in line with the characteristics of this item.

Consolidated balance sheet

The Executive Board decided during the financial year to no longer report the fiduciary assets and liabilities that relate to the activities of the development bank on the balance sheet of OeKB Group (2016: € 94,661 thousand). This is primarily intended to provide the reader with a true and fair view of the asset position. When recognised for the first time, the Executive Board expected that these items would remain immaterial. However, the fiduciary intends to increase the volume of such business conducted through the development bank in future. The figures for the previous year were adjusted as shown in the following table.

The tax refund entitlements and payable taxes are netted on the balance sheet pursuant to IAS 12.74 because they are related to income taxes levied by the same tax authority. The figures for the previous year were adjusted as shown in the following table.

Assets

€ thousand	31 Dec 2016 (as reported)	31 Dec 2016 (adjusted)	Changes
Deferred tax assets	87,929	64,256	-23,674
Other assets	81,193	30,312	-50,882
Total assets	26,504,821	26,430,269	-74,556

Liabilities

	31 Dec 2016 (as reported)	31 Dec 2016 (adjusted)	Changes
Deposits from banks	865,694	909,475	43,780
Deferred tax liabilities	23,673	-	-23,673
Other liabilities	136,456	41,795	-94,662
Total liabilities	26,504,821	26,430,269	-74,556

Consolidated statement of changes in equity

The IAS 19 reserve is shown separately in the consolidated statement of changes in equity for better clarity; the figures for the previous year were adapted accordingly (2016: retained earnings € 628,210 thousand). The IAS 19 reserve contains the actuarial gains and losses of defined-benefit pension plans.

Consolidated statement of cash flows

The consolidated statement of cash flows provides clearer information about the cash flow from operating activities through the separate items pertaining to the Export Financing Scheme (change in the EFS interest rate stabilisation provision and the change in guarantees pursuant to § 1[2b] AFFG). In the previous year, the change in guarantees pursuant to § (2b) AFFG was included in the item 'Unrealised gains/losses from foreign currency differences on financial instruments assigned to the Export Financing Scheme'. The proceeds from the redemption of loans and advances to banks and customers and the payments for the purchase of loans and advances to banks and customers were moved from the cash flow from investing activities to the cash flow from operating activities. Proceeds from deposits from banks and customers and from debt securities in issue and the redemption of deposits from banks and customers and of debt securities in issue were moved from the cash flow from financing activities to the cash flow from operating activities. The interest received contained the current income from investments in other unconsolidated companies. This is now shown in a separate item. In the cash flow from financing activities, the dividend payments to

non-controlling interests were added to the dividend payments. The figures for the previous year were adjusted accordingly.

Segment information

The Export Services unit was restructured during the financial year, including the adaptation of the processes and management reporting. The operations of Oesterreichische Entwicklungsbank AG were moved from the Other Services segment to the Export Services segment. The current income from investments in other unconsolidated companies that are assigned to the Capital Market Services segment is now shown in this segment instead of in the Other Services segment. See also Note 6 – Segment information.

New standards and amendments to be applied for the first time in 2017

With regards to new or amended standards and interpretations, only those that are relevant for the business activities of OeKB Group are listed with explanations.

Standards and amendments to be applied for the first time in 2017		First-time application
IAS 7	Statement of Cash Flows – Disclosure Initiative	1 Jan 2017
IAS 12	Income Taxes – recognition of deferred tax assets for unrealised losses	1 Jan 2017
Amendments to IFRS 2014-2016	Annual improvements (2014–2016) – Amendments to IFRS 12	1 Jan 2017

IAS 7 Disclosure initiative for the cash flow statement

This change improves the information provided about changes in the company's debt. The company discloses information about the changes in such debt and about equity transactions whose inflows and outflows are shown on the cash flow statement under the cash flow from financing activities. Associated financial assets are also included in the disclosures (such as assets from hedging transactions).

Inflows and outflows, changes stemming from the purchase or sale of companies, currency-based changes, changes in the fair values, and other changes must be reported.

The information is presented in the form of a reconciliation from the initial amount in the balance sheet to the final amount in the balance sheet.

OeKB Group presents the changes between the initial and final amounts of the relevant equity items in a reconciliation (see Note 28).

The two other standards have no effect on the consolidated financial statements of OeKB Group because there are no relevant transactions.

New standards and interpretations that are not yet being applied

A number of new standards and amendments to standards are to be applied in the first financial year beginning after 31 December 2017, though earlier application is possible. The Group did not apply the following new or amended standards earlier than required when preparing these consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 specifies the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts for the purchase and sale of non-financial items. The standard must be applied retrospectively to financial years beginning on or after 1 January 2018 and replaces the provisions of IAS 39.

OeKB Group has applied IFRS 9 Financial Instruments retrospectively starting on 1 January 2018. The effect of all changes (changes relating to recognition and measurement and impairment based on the ECL) on the equity attributable to the owners of the parent (entirely in the retained earnings) as at 1 January 2018 is expected to be between minus € 6.0 and minus € 8.0 million. This changes the consolidated equity ratios (CET1 and T1) from 82.6% to around 81.8%. Because of the small extent of the effects, the regulatory option to recognise the effects from the switch from IAS 39 to IFRS 9 in the other comprehensive income distributed over a period of five years is not being used.

The new standard for financial instruments is broken down into three main topics that are described below, including their impact on the consolidated financial statements of OeKB Group.

Classification and measurement of financial instruments

Derivative financial instruments and equity instruments

Derivative financial instruments are still recognised at their fair values, and changes in value are recognised through profit or loss.

Equity instruments (such as stocks and shares in limited companies) are also still recognised at their fair values. If they are not held for trading purposes, there is an option to recognise the results from fair value measurement through profit or loss on the income statement or in other comprehensive income. OeKB decided to continue recognising the result from fair value measurement in other comprehensive income.

For this reason, the change to IFRS 9 is not expected to have any effects on this class.

Debt instruments

IFRS 9 contains a new classification and measurement approach for debt instruments that depends on the business model and the expected cash flows.

It distinguishes between three business models:

- **Hold to collect**
Under this business model, financial instruments are held to maturity to generate interest and principal repayment. In OeKB Group, this model covers all loans and advances to banks and customers that fall under the Export Financing Scheme, loans to employees, and the other financial assets.
- **Hold to collect and sale**
Under this model, financial instruments are both held to generate interest and principal repayment and also regularly sold to generate profits. OeKB Group has assigned the (investment) funds that are used to promote

developing countries and the special purpose fund launched specifically for OeKB to this model. All of these funds are generally held on a long-term basis, but purchases and sales can be made when appropriate. An investment fund for which purchase and sale transactions can be conducted on a daily basis is also used in connection with USD liquidity management under the EFS.

▪ **Other business model**

This is a group of other financial instruments that do not fall under the ‘hold to collect’ or ‘hold to collect and sale’ models. They contain no material financing component and are not intended for trading. The goal of these financial instruments is not to generate interest or to achieve profits from price fluctuations. They are solely needed for ongoing business operations and serve no other relevant purpose. The following positions are assigned to this model in OeKB Group:

- Cash deposits at Oesterreichische Nationalbank – item ‘Cash and balances at central banks’
- Loro, nostro, and giro accounts (current accounts) – contained in the items ‘Loans and advances to banks’ and ‘Loans and advances to customers’
- Internal settlement accounts (such as in relation to the Federal Ministry of Finance) – contained in the item ‘Other assets’
- Payment office claims – contained in the item ‘Loans and advances to banks’
- Collateral – contained in the item ‘Loans and advances to banks’.

The **recognition and measurement** of financial instruments is also based on these three business models.

Under the ‘hold to collect’ model, the terms of the individual financial instrument must be assessed to determine whether they contain solely payment of principal and interest (SPPI). If the SPPI criterion is met, the contracts are recognised at amortised cost. Otherwise, they are recognised at fair value. In cases where recognition at amortised cost would lead to an accounting mismatch, an option for fair value recognition can be exercised.

The financial instruments issued by OeKB Group only contain payment of principal and interest. Our analysis of all contract terms for financial instruments revealed that they meet the SPPI criteria. Therefore, these are to be recognised at amortised cost in line with the previous recognition policy. The fair value option is exercised for the contracts hedged by derivative financial instruments, as was the case in the past. This does not change under IFRS 9. This means that the only change that results from this business model is a change in the recognition of financial instruments (securities) that were previously recognised at fair value through profit or loss based on the business model (management of the portfolio at market values). These financial instruments will be recognised at amortised cost in future. The effect of the change in the recognition and measurement rules is expected to be between minus € 6.0 and minus € 7.5 million in the item ‘Other financial assets’ and will reduce the retained earnings attributable to the owners of the parent. Because the change in the recognition of these financial instruments on the balance sheet from at fair value through profit or loss to at amortised cost was not yet completed on the reporting date, a range is indicated for the effect on the basis of the impact analyses that have been conducted.

Under the ‘hold to collect and sale’ model, financial instruments are generally recognised at fair value. The SPPI criterion is also taken into account here. When this criterion is met, the changes in value are recognised in other comprehensive income. If the SPPI criterion is not met, the changes in value are recognised at fair value through profit or loss. Because the (investment) funds of OeKB Group do not meet the SPPI criterion, these are recognised at fair value through profit or loss as before. This means that IFRS 9 will not result in any changes in this area.

The financial instruments that fall under the other business model are to be recognised at fair value through profit or loss. Because the net book value of these positions corresponds largely to the fair value because of their short-term nature and the low credit risk, none of these financial instruments are expected to have an impact on the income statement.

Financial liabilities

As far as financial liabilities are concerned, IFRS 9 only contains one relevant change from IAS 39. For the liabilities measured at fair value, the part of the measurement that pertains to the own credit risk is no longer to be recognised through profit or loss on the income statement, but in other comprehensive income.

Because all results from the fair value measurement of financial instruments that fall under the Export Financing Scheme are reconciled in the EFS interest rate stabilisation provision item, this approach would lead to an accounting mismatch. For this reason, the exception allowed under IFRS 9.5.7.7 and IFRS 9.5.7.8 is used and the entire result from fair value measurement is still recognised through profit or loss on the income statement.

Recognition of impairment on financial assets

With the switch to IFRS 9, the previously used calculation of impairment in the case of objective evidence (incurred loss model) according to IAS 39 is no longer used. Now, a general impairment is recognised upon the first-time recognition of the financial assets on the basis of the expected credit loss model. Under this model, every debt instrument that is not recognised at fair value through profit or loss on the income statement is subject to an impairment charge according to the ECL model.

The amount of the impairment is determined using a dual approach that leads to one of the following calculation methods:

- **12-month expected credit loss (12M ECL):** When the credit risk has not increased significantly since acquisition or when the credit risk is generally low (low credit risk exemption).
- **Lifetime expected credit loss (LT ECL):** When the credit risk has increased significantly since addition or the financial instrument is already impaired on the reporting date or was already impaired upon acquisition (POCI: purchased or originated credit impaired).

Transfer logic

All financial instruments for which an expected credit loss must be calculated must be broken down into three levels:

- Level 1: low credit risk
- Level 2: significantly elevated credit risk
- Level 3: default

The following transfer logic was chosen for this, with the level assignment (staging) always taking place before taking collateral into account:

Given that OeKB is exempt from the CRR and CRD in the Export Financing Scheme, which accounts for the majority of the financial instruments, because of its status as a special institution (see above) and because no losses have ever been incurred in this scheme, the low credit risk exemption is used. OeKB Group does not expect any significant increases in default risk in general when the financial instrument in question has a low credit risk on the reporting date as indicated by an investment grade rating.

The significance criterion for assignment to level 2 is a change in the lifetime probability of default, with the change in the default risk being neutralised through expiration in the comparison.

All financial instruments that were already impaired upon acquisition (POCI) are assigned to level 3.

For level 1 financial instruments, the impairment corresponds to the 12-month expected credit loss while it corresponds to the lifetime expected credit loss for level 2 and 3 financial instruments.

Expected credit loss

The expected credit loss is calculated in a similar manner as employed in the risk management system of OeKB Group, though some changes must be made to comply with the IFRS standard.

- **Probability of default (PD)**

Unlike ICAAP, IFRS 9 requires point-in-time PDs (PIT PDs) for the entire maturity spectrum. To this end, portfolio-dependent factors are determined for the adjustment of the through-the-cycle PDs (TTC PDs) using econometric models that employ forward looking information (FLI). This maps the cumulated multi-year TTC PDs to PIT PDs, with a Bayesian approach being employed to ensure that the value range of very-long-term PDs is between 0 and 1. Portfolio-specific models that allow a multi-year projection of the portfolio PDs (usually for three years) by way of relevant macroeconomic indicators are created for the FLI adjustments. After the end of the concrete forecasting period, it is assumed that the PDs converge with the TTC PDs over the long term.

- **Loss given default (LGD)**

Because of its business model, OeKB Group does not have sufficient data to derive a statistically significant LGD model, either for a 12-month LGD or for a lifetime LGD. For this reason, OeKB Group uses the following approach based on its ICAAP: The LGD for debt instruments with political and economic guarantees from the Republic of Austria is assumed to be 0% while the LGD for other debt instruments is generally assumed to be 65%. No collateral is taken into account by way of LGD aside from the guarantees pursuant to the AusfFG. Collateral relating to the export financing guarantee scheme is taken into account in the PD (multiple default model).

- **Exposure at default (EAD)**

The majority of the transactions involve contractually agreed cash flows. This means that the future EADs are largely modelled based on the contractual terms. Credit conversion factors are estimated for framework agreements so that the expected credit loss corresponds to the actually expected defaults as closely as possible.

- **ECL results based on the data as at 31 December 2017**

OeKB Group formed risk portfolios on the basis of the analysis in the implementation project. Because of the specific business model of OeKB Group and the extensive guarantees from the Republic of Austria, the ECL results will not be of any material significance. The calculation of the ECL as at 31 December 2017 is as follows:

- 12M ECL € 0.2 million (of which € 0.1 million through profit or loss in the EFS interest rate stabilisation provision)
- LT ECL € 0.4 million (of which € 0.0 million through profit or loss in the EFS interest rate stabilisation provision)

This means that OeKB Group expects an effect of € 0.5 million from the switch to the ECL calculation.

Recognition of hedging relationships

The primary objective of the new regulations is to orient hedge accounting more closely towards the economic risk management of an enterprise. As before, companies must document the respective risk management strategy including the risk management objectives at the beginning of the hedging relationship, which means that the relationship between the underlying transaction and hedging instrument must meet the requirements of the risk management strategy in future. If the hedge ratio changes during a hedging relationship but the risk management objective for the hedging relationship does not, the hedge ratio must be adjusted (the hedging relationship must be rebalanced), and the hedging relationship may not be discontinued.

Unlike under IAS 39, it will not be possible to discontinue a hedging relationship at any time without reason under IFRS 9. A hedging relationship must be maintained for accounting purposes so long as the risk management objective documented for this hedging relationship has not changed and the other prerequisites for hedge accounting are met. In addition, IFRS 9 permits individual risk components to be viewed in isolation for non-financial underlying transactions in certain situations.

The requirements for proving the effectiveness of hedging relationships have changed. Under IAS 39, hedging relationships can only be recognised using hedge accounting when their effectiveness was demonstrable retrospectively and prospectively and was within a range of 80% to 125%. Under IFRS 9, the retrospective proof and the effectiveness range do not apply. Instead, enterprises must prove that there is an economic relationship between the hedged item and hedging instrument that leads to value changes that offset each other based on a (common) reference value or the hedged risk, but are not bound to quantitative limits in this. This proof can also be purely qualitative. However, the effects of credit risk must not dominate the value changes that result from the economic relationship.

OeKB Group does not use hedge accounting at this time, but the new provisions of IFRS 9 will make it easier to apply the hedge accounting rules in future. For this reason, the option is being exercised to not apply the new hedge accounting rules until the provisions for macro hedge accounting are finalised. This area will have no effects on the financial statements of OeKB Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 contains a comprehensive set of provisions for determining whether, in what amount, and at what point in time revenues will be realised. It replaces existing guidelines for recognising revenue, including IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes.

In OeKB Group, the service period generally corresponds to the billing period. The OeKB processing fee (fee and commission income from export financing operations) is collected at the beginning of the contract term for a small number of export guarantee contracts pursuant to the AusfFG. This fee is recognised on an accrual basis.

OeKB Group is required to apply IFRS 15 starting on 1 January 2018, though the application of the new standard will have no effect on the consolidated financial statements of OeKB Group.

IFRS 16 Leasing

IFRS 16 introduces a uniform calculation model under which leasing agreements are to be recognised on the balance sheet of the lessee. A lessee recognises as leasing agreement as a right-of-use asset as well as a liability that represents its obligation to make lease payments. There are exceptions for short-term leases and leases covering low-value goods. The accounting rules for the lessor are comparable with the current standard, which means that the lessor still recognises leasing arrangements as finance or operating leases.

IFRS 16 replaces the existing guidelines for leasing arrangements including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

The standard is mandatory for financial years beginning on or after 1 January 2019. Early application is permissible for entities that apply IFRS 15 Revenue from Contracts with Customers at the time they apply IFRS 16 for the first time or before this point in time. The Group will not apply IFRS 16 early.

OeKB Group has concluded contracts that fall under IFRS 16 in connection with office space (rental agreements), vehicles, and photocopiers, though the majority of the contracts for photocopiers are below the materiality threshold. In accordance with the transition provisions, OeKB Group is considering only applying the provisions of IFRS 16 to new agreements or to changes to existing agreements after the first-time application of the standard.

The Group has begun evaluating the effects that the application of IFRS 16 could have on its consolidated financial statements, but cannot quantify these effects at this time. No decision has yet been made as to which transition method will be applied.

The following new or amended standards are not expected to have a material impact on the consolidated financial statements.

Amended standards and interpretations		EU adoption	Effective date
Amendment to IAS 40	Transfer of investment properties	open	1 Jan 2018
Amendment to IFRS 2	Classification and measurement of share-based payment	open	1 Jan 2018
Amendment to IFRS 4	Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts	applied	1 Jan 2018
Amendment to IFRS 15	Clarifications pertaining to IFRS 15	applied	1 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	open	1 Jan 2018
Amendment to IFRS 2014-2016	Annual improvements (2014-2016) – Amendments to IFRS 1 and IAS 28	applied	1 Jan 2018
Amendment to IFRS 9	Financial assets with negative breakage costs	open	1 Jan 2019
Amendment to IAS 28	Non-current interests in associated companies or joint ventures	open	1 Jan 2019
IFRIC 23	Uncertainties regarding income tax treatment	open	1 Jan 2019
Amendment to IFRS 2015-2017	Annual improvements (2015-2017) – Amendment to IFRS 3, IFRS 11, IAS 12 and IAS 23	open	1 Jan 2019
IFRS 17	Insurance contracts	open	1 Jan 2021
IFRS 14	Regulatory deferred items	open	open
Amendment to IFRS 10 and IAS 28	Sale or deposit of assets between an investor and an associated company or joint venture	open	open

Uncertainty in judgements and assumptions

The preparation of consolidated financial statements in accordance with the IFRS requires the Executive Board to make judgements and assumptions about future developments that can have a material impact on the reported value of assets and liabilities, the disclosure of other obligations at the balance sheet date, and the reporting of earnings and expenses during the financial year.

The following assumptions entail a more than insignificant risk of substantial changes in asset values and liabilities in the coming financial year:

- The parameters that are used for fair value measurement are based in part on forward-looking assumptions that may fluctuate. Note 5, 18, 37
- Assumptions are made about the discount rate, retirement age, life expectancy, staff turnover, and future remuneration growth for the measurement of the existing pension and termination benefit obligations. Note 24
- The recognised amount of deferred tax assets is based on the assumption that sufficient taxable revenue will be generated in future. Note 25
- Assessment are made regularly as to whether obligations that are not reported on the balance sheet arising from guarantees and other commitments must be reported on the balance sheet. Note 32

The estimates and assumptions upon which they are based are assessed on a regular basis and conform with the respective standards. The estimates are based on past experience and other factors such as plans, likely developments stemming from current conditions, and projections of future events as at the reporting date. The actual values can deviate from the assumptions and estimates when the actual conditions develop differently than was expected on the reporting date. Changes are taken into account when they become evident at a later date, and the projections are adapted accordingly.

Note 2 Scope of consolidation

The following shows all companies that are included in the financial statements of OeKB Group. In addition to the parent company Oesterreichische Kontrollbank AG, the following companies are fully consolidated: Oesterreichische Entwicklungsbank AG, Vienna (OeEB), OeKB CSD GmbH, Vienna (OeKB CSD), and „Österreichischer Exportfonds“ GmbH, Vienna (Exportfonds). There were no changes in the scope of consolidation compared with 2016.

Two companies were not consolidated (2016: 2) because they do not have a material influence on the asset, financial, or earnings position of the Group. The combined total assets of these two entities represent 0.02% of the Group's consolidated total assets, and their combined profit for the year represents less than 0.10% of the Group's consolidated profit for the year. A company in which OeKB holds a share of 20% was not included in the equity-accounted investments because its results do not have a material effect on the item 'Share of profit or loss of equity-accounted investments, net of tax' or on the item 'Equity-accounted investments'.

Number of companies consolidated or held at cost

	31 Dec 2017	31 Dec 2016
Fully consolidated companies	3	3
Equity-accounted investments	2	2
Investments in unconsolidated subsidiaries (recognised at fair value, 2016 recognised at amortised cost)	2	2
Investments in other unconsolidated companies (recognised at fair value, 2016 recognised at amortised cost)	11	10
Total	18	17

Companies wholly or partly owned by OeKB

Company name and registered office	Banking Act Category	Segment structure ¹	Type of investment		Share-holding	Financial information				
	Credit Institution/ Other Company		Directly held	In-directly held	in %	Reporting date of latest annual accounts	Balance sheet total as defined in the UGB, € '000'	Equity as defined in sec. 224(3) of the UGB, € '000'	Profit for the year, € '000'	
Fully consolidated companies										
Oesterreichische Entwicklungsbank AG, Vienna	CI	E	x		100.00%	31 Dec 2017	737,186	33,603	6,694	
OeKB CSD GmbH, Vienna	CI	C	x		100.00%	31 Dec 2017	31,399	25,503	4,328	
"Österreichischer Exportfonds" GmbH, Vienna	CI	E	x		100.00%	31 Dec 2017	1,145,168	14,704	1,299	
Equity-accounted joint ventures										
OeKB EH Beteiligungs- und Management AG, Vienna	OC	O	x		51.00%	31 Dec 2017	93,209	93,144	9,773	
Acredia Versicherung AG, Vienna	OC	O		x	51.00%	31 Dec 2017	144,972	89,907	8,732	
Acredia Services GmbH, Vienna	OC	O		x	51.00%	31 Dec 2017	13,225	12,062	2,198	
PRISMA Risk Services D.O.O., Belgrade	OC	O		x	51.00%	31 Dec 2017	523	335	14	
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	C	x		50.00%	31 Dec 2017	39,671	11,712	510	
Unconsolidated subsidiaries, recognised at fair value										
OeKB Business Services GmbH, Vienna	OC	O	x		100.00%	31 Dec 2017	1,275	1,197	41	
OeKB Zentraleuropa Holding GmbH, Vienna	OC	O	x		100.00%	31 Dec 2017	4,541	4,541	-	
Investments in other unconsolidated companies, recognised at fair value										
AGCS Gas Clearing and Settlement AG, Vienna	OC	C	x		20.00%	31 Dec 2016	17,283	4,233	1,172	
APCS Power Clearing and Settlement AG, Vienna	OC	C	x		17.00%	31 Dec 2016	40,720	3,702	1,037	
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	C	x		18.50%	31 Dec 2016	3,852	2,715	1,915	
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	C	x		12.60%	31 Dec 2016	445,992	5,860	814	
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	C	x		8.06%	31 Dec 2016	5,648	2,765	347	
CEESEG Aktiengesellschaft, Vienna	OC	C	x		6.60%	31 Dec 2016	380,186	374,173	42,973	
"Garage Am Hof" Gesellschaft m.b.H., Vienna	OC	O	x		2.00%	31 Dec 2016	5,380	4,425	1,167	
Einlagensicherung Austria GmbH, Vienna	OC	O	x		1.00%	²	²	²	²	
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	O	x		0.10%	31 Dec 2016	927	77	-	
European Financing Partners S.A., Luxembourg	OC	E	x		7.63%	31 Dec 2016	147,691	149	(3)	
Interact Climate Change Facility S.A., Luxembourg	OC	E	x		7.69%	31 Dec 2016	226,707	127	-	

¹ E = Export Services, C = Capital Market Services, O = Other Services ² Newly established on 22 Dec 2017
No interests in investments other than subsidiaries and no interests in subsidiaries are listed on an exchange.

Note 3 Consolidation principles

The consolidation of the Group accounts involves capital consolidation, consolidation according to the equity method, debt consolidation, expense and income consolidation, and the elimination of intercompany profits. The fully consolidated companies and the equity-accounted companies all prepare their annual financial statements as at 31 December 2017.

The Group elected to exercise the option under IFRS 1 on the transition date of 1 January 2004, which means that the book values from first-time consolidation pursuant to UGB were used. This means that capital consolidation takes place according to the book value method. Under this method, the cost of the acquired ownership interest is offset against the Group's share of the subsidiary's net assets at the time that control passes to the Group. As in previous periods, the provisions of IFRS 3 on business combinations were not yet applied in the reporting period as no relevant transactions occurred. Intercompany receivables and payables, intercompany expenses and income, and intercompany profits are eliminated unless they are immaterial.

Joint ventures are recognised according to the equity method. They are shown as 'Equity-accounted investments'. In general, IFRS-compliant financial statements are used for the equity measurement. The annual results are obtained from the latest available annual separate financial statements and sub-groups' consolidated financial statements, and the changes in equity are thus recognised in the year in which they occur. Dividends paid are eliminated. Profits for the year are shown in the consolidated statement of comprehensive income under 'Share of profit or loss of equity-accounted investments, net of tax'. Shares in other comprehensive income are shown under 'Equity-accounted investments – Share of net other comprehensive income'.

Note 4 Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the reference exchange rates of the European Central Bank at the balance sheet date (31 December 2017).

Indicative exchange rates at 31 December 2017

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.5346	AUD	0.8872	GBP	9.8403	NOK	4.5464	TRY
1.5039	CAD	9.3720	HKD	4.1770	PLN	1.1993	USD
1.1702	CHF	7.4400	HRK	4.6585	RON	14.8054	ZAR
25.5350	CZK	310.3300	HUF	69.3920	RUB		
7.4449	DKK	135.0100	JPY	9.8438	SEK		

Indicative exchange rates at 31 December 2016

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.4596	AUD	0.8562	GBP	9.0863	NOK	3.7072	TRY
1.4188	CAD	8.1751	HKD	4.4103	PLN	1.0541	USD
1.0739	CHF	7.5597	HRK	4.5390	RON	14.4570	ZAR
27.0210	CZK	309.8300	HUF	64.3000	RUB		
7.4344	DKK	123.4000	JPY	9.5525	SEK		

Note 5 Determining fair value

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

The valuation team regularly reviews the significant non-observable input factors and the remeasurement gains and losses. Where information from third parties (such as quotations from brokers or from pricing services) is used to determine fair values, the respective valuation team reviews the inputs obtained from the third parties, supporting the conclusion that such measurements meet the IFRS requirements including the level in the fair value hierarchy to which these measurements are to be classified.

Significant valuation results are reported to the Audit Committee.

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

- Level 1: Quoted prices (unadjusted) on active markets for identical assets and liabilities.
- Level 2: Valuation parameters other than quoted prices considered in Level 1 that can be observed for the asset or the debt directly (i.e. a price) or indirectly (i.e. a value derived from prices).
- Level 3: Valuation parameters for assets and liabilities that are not based on observable market data.

For items repayable on demand, the fair value equals the book value; this applies to the cash and balances at central banks, financial assets, and financial liabilities.

Other financial assets are recognised at the fair value determined on the basis of quoted market prices or, in the case of the special purpose fund units, on the basis of the net asset values calculated in accordance with the Investment Fund Act (InvFG). The special purpose fund was launched solely for OeKB and is managed by OeKB as overall fund manager on the basis of a look-through approach. The fund portfolio consists primarily of financial instruments whose fair values are based on quoted prices. For this reason, the calculated value of the special purpose fund corresponds to its fair value. These financial instruments are assigned to Level 1 in the IFRS 13 fair value hierarchy.

The relevant market prices and interest rates observed at the balance sheet date and obtained from widely accepted external sources are used as far as possible as an initial parameter for determining the fair value of loans and advances to banks and customers, deposits from banks and customers, debt securities in issue, and derivative financial instruments designated as hedging instruments. The present value of the discounted contractual payment flows is calculated using this data. Financial instruments that are measured in this manner are assigned to Level 2 in the IFRS 13 fair value hierarchy.

- The items 'Loans and advances to banks' and 'Loans and advances to customers' consist primarily of loans for which guarantees have been issued by the Republic of Austria pursuant to the AusfFG (see also Note 1). Because of the guarantees, the claims are subject to uniform conditions depending on the time at which they were concluded. These uniform interest rates, which are published on the OeKB web site, are derived from the OeKB's credit spreads. The credit spreads of the OeKB are in turn dependent on the credit spreads of the Republic of Austria due to the creditor guarantee pursuant to § 1(2a) AFFG. In the valuation of these assets, the contractually agreed cash flows are therefore discounted using a yield curve that is observable on the market and adjusted by the credit spreads of the Austrian government (see also Note 1).

- A yield curve observable on the market is used to discount the contractually agreed cash flows when determining the fair values of deposits from banks and customers and of debt securities in issue. For this, the credit spreads observable for OeKB on the market at the valuation date are taken into account.

Derivative financial instruments held solely for hedging purposes are measured using a standard model. This model is based on the discounted cash flow method. Under this model, the fair value is determined by discounting the contractually agreed payment flows by the current swap curve including adjustment of the credit valuation (CVA and DVA). A credit valuation adjustment (CVA) is a price estimate of the default risk of the counterparty in a financial transaction. A debt valuation adjustment (DVA) estimates the risk of an entity's own default.

In determining the CVA/DVA, OeKB Group uses the Basel method for regulatory capital from credit losses, which is based on the path-dependent multiplication of the following variables and their subsequent aggregation:

- Exposure at default: Fair values at specific future points in time; calculated using a Monte Carlo simulation.
- Probability of default: Default probabilities at these points in time are calculated from the counterparty's CDS spreads or the company's own CDS spreads.
- Loss given default: Estimate of the expected recovery in the case of counterparty default or own default.

The CVA value adjustment at the reporting date was € 0.3 million (2016: € 1.6 million), the DVA value adjustment was € 0.1 million (2016: € 0.6 million).

The fair value of the guarantees pursuant to § 1(2b) AFFG (see also Note 1) is based on all future interest and principal cash flows of the debt securities in issue with rate guarantees (ultimate obligations = after derivative financial instruments), which are issued in the currency of the financing and translated into euros at the rate guaranteed by the AFFG (taking the AFFG rate guarantee into account) as well as at the forward FX rate (without taking the AFFG rate guarantee into account). The difference between the euro amounts taking the AFFG rate guarantee into account and the euro amounts without taking the AFFG guarantee into account is calculated on a daily basis and represents the potential rate difference that is covered by the guarantee of the Republic of Austria (future decisions for the application of existing exchange rates to new liabilities are handled as new agreements). The fair value of the guarantee is calculated by discounting the previously calculated time series of the potential rate differences taking the refinancing spreads of the Republic of Austria into account and is recognised in the item 'Guarantees pursuant to § 1(2b) AFFG'. As a hedging instrument, the guarantees function as currency-based derivative financial instruments. For the purposes of simplification, no CVA/DVA is taken into account in the fair value measurement because the rating of OeKB tracks the rating of the Republic of Austria, which effectively eliminates any CVA/DVA effects.

Financial instruments falling neither under Level 1 nor Level 2 must be assigned to a separate category (Level 3) within which the fair value is determined using special quantitative and qualitative information. OeKB Group recognises its investments in other unconsolidated companies at their fair values. The fair value of CEESEG AG was determined using the discounted cash flow method. The parameters used to determine the fair value and the sensitivity can be found in Note 18.

Responsibility for measuring financial instruments at fair value is separate from the trading units.

Reclassifications between levels in the fair value hierarchy are recognised at the end of the reporting period in which the change occurred. The investments in other unconsolidated companies were only restructured during the financial year. They were recognised at cost, as in previous years. They were measured at their fair values and reclassified to the category of available for sale due to improved information for determining the fair values (see Note 37). No reclassifications took place during the previous year.

Note 6 Segment information

The activities of OeKB Group are presented by business segment in the following. The delineation of these three segments – Export Services, Capital Market Services, and Other Services – is based on the business model, the internal control structure, and the additional internal financial reporting to the Executive Board as the chief operating decision-making body. The definition of these segments is regularly reviewed to allocate resources to the segments and judge their performance. Key figures are operating profit (in all segments), net interest income in Export Services, net fee and commission income in Capital Market Services, and profit after tax in the Other Services segment.

The Export Services unit was restructured during the financial year, including the adaptation of the processes and the additional management reporting. The operations of Oesterreichische Entwicklungsbank AG were moved from the Other Services segment to the Export Services segment. The Export Services segment covers now the Export Financing Scheme of OeKB, the operations of the „Österreichischer Exportfonds“ GmbH and the Oesterreichische Entwicklungsbank AG, and the administration of guarantees of the Republic of Austria by OeKB as authorised agent pursuant to the Export Guarantees Act. Due to the legal basis for the EFS, the regional focus of OeKB Group's business activities lies in Austria. If foreign banks fulfil the EFS criteria, they are eligible to participate in the scheme. To be eligible for financing, the goods deliveries or services in question must result in a direct or indirect improvement to Austria's current account. For a regional breakdown, see Note 40.

The Capital Market Services segment covers all services of Oesterreichische Kontrollbank AG for the capital market (financial data, point of contact for the fund capital gains tax reporting service, notification office pursuant to the KMG, office for the issue of government bonds) and clearing services for the energy market as well as the operations of the interests in OeKB CSD GmbH and CCP.A. Starting in 2017, the current income from the investments in other unconsolidated companies is also assigned to the segment (moved from the Other Services segment) when the activities of the companies in question also fall under this segment.

The Other Services segment consists of the information and research services of OeKB, the proprietary trading portfolio, and the income from the investments in other unconsolidated companies that cannot be assigned to a different segment. The segment also contains the private credit insurance activities of OeKB Group.

We are presenting the adjusted figures for the previous year and the reported figures for the previous year below for a better understanding of the changes made during the financial year.

As in the previous year, in the Export Services segment was again an important customer of OeKB Group. This important customer accounted for € 33.8 million (2016: € 135.0 million) in interest and similar income. The year-on-year change is primarily the result of breakage costs due to early loan repayments by customers.

Segment performance in 2017

Results by business segment in 2017

€ thousand	Export Services	Capital Market Services	Other Services	Total
Interest and similar income	179,447	(116)	4,768	184,100
Interest and similar expenses	(104,896)	0	348	(104,548)
Net interest income	74,551	(116)	5,116	79,551
Current income from investments in other unconsolidated companies	-	2,699	284	2,983
Share of profit or loss of equity-accounted investments, net of tax	-	255	4,042	4,297
Net credit risk provisions	-	-	-	-
Fee and commission income	20,268	33,728	726	54,722
Fee and commission expenses	(11,063)	(1,493)	(100)	(12,656)
Net fee and commission income	9,205	32,235	626	42,066
Administrative expenses	(46,985)	(25,740)	(7,462)	(80,187)
Other operating income	(1,126)	806	5,749	5,429
Operating profit	35,644	10,139	8,356	54,140
Net gain or loss on financial instruments	(414)	(3)	(2,104)	(2,521)
Profit before tax	35,230	10,136	6,253	51,619
Income tax	(8,741)	(2,455)	(545)	(11,741)
Profit of the reportable segments	26,489	7,681	5,708	39,878
<i>Attributable to non-controlling interests</i>	-	-	-	-
<i>Profit for the year attributable to owners of the parent</i>	<i>26,489</i>	<i>7,681</i>	<i>5,708</i>	<i>39,878</i>
Segment assets	24,968,585	58,837	977,349	26,004,771
Segment liabilities	24,879,910	49,068	274,928	25,203,907

Reconciliation of the information on reportable Group segments for 2017

	€ thousand
Profit of the reportable segments	39,878
Reconciliation amounts	
Share of profit or loss of equity-accounted investments, net of tax	(105)
Actuarial gains/losses on defined benefit plans	119
Tax effects stemming from actuarial gains/losses	(30)
Profit for the year according to the income statement	39,863

The presentation of the following information in the segment information differs from the income statement due to the operational perspective:

Net interest income: Losses from negative interest rates are shown in the interest and similar income and budget underruns from negative interest rates are shown in the interest and similar expenses.

Share of profit or loss of equity-accounted investments, net of tax: The share of other comprehensive income of equity-accounted investments is shown in the profit for the year.

Administrative expenses: Actuarial gains and losses pursuant to IAS 19 are presented as an element of staff costs within administrative expenses.

Income taxes: The tax effects from items that will not be reclassified into the income statement in future are also included in the income taxes of reportable segments.

Results by business segment in 2016 (adjusted) *

€ thousand	Export Services *	Capital Market Services *	Other Services *	Total
Interest and similar income	228,869	(94)	5,250	234,025
Interest and similar expenses	(152,677)	0	347	(152,330)
Net interest income *	76,191	(94)	5,597	81,694
Current income from investments in other unconsolidated companies *	-	3,192	220	3,412
Share of profit or loss of equity-accounted investments, net of tax	-	(66)	5,946	5,880
Net credit risk provisions	-	-	-	-
Fee and commission income	21,270	31,741	637	53,647
Fee and commission expenses	(11,109)	(1,546)	(10)	(12,665)
Net fee and commission income	10,161	30,195	626	40,982
Administrative expenses	(44,291)	(26,491)	(15,592)	(86,372)
Other operating income	(895)	(73)	7,387	6,419
Operating profit	41,166	6,663	4,184	52,014
Net gain or loss on financial instruments	3	8	(1,972)	(1,961)
Profit before tax	41,169	6,671	2,213	50,054
Income tax	(9,659)	(1,697)	1,516	(9,839)
Profit of the reportable segments	31,510	4,975	3,729	40,214
<i>Attributable to non-controlling interests</i>	<i>285</i>	<i>-</i>	<i>-</i>	285
<i>Profit for the year attributable to owners of the parent</i>	<i>31,225</i>	<i>4,975</i>	<i>3,729</i>	39,928
Segment assets *	26,057,713	31,197	341,359	26,430,269
Segment liabilities *	25,370,544	4,477	339,971	25,714,993

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Reconciliation of the information on reportable Group segments for 2016

	€ thousand
Profit of the reportable segments	40,214
Reconciliation amounts	
Share of profit or loss of equity-accounted investments, net of tax	88
Actuarial gains/losses on defined benefit plans	4,231
Tax effects stemming from actuarial gains/losses	(1,058)
Profit for the year according to the income statement	43,475

Amounts charged for intersegmental services represent services rendered, which are provided at cost. No reconciliation of the amounts for the reportable segments to the amounts recorded in the consolidated balance sheet and consolidated statement of comprehensive income is necessary because the consolidation items are assigned directly to the segments.

Results by business segment in 2016 (adjusted) * In the segment structure of the previous year

€ thousand	Export Services	Capital Market Services	Other Services	Total
Interest and similar income	202,102	(94)	26,016	234,025
Interest and similar expenses	(151,877)	0	(453)	(152,330)
Net interest income *	50,225	(94)	31,564	81,694
Current income from investments in other unconsolidated companies *	-	-	3,412	3,412
Share of profit or loss of equity-accounted investments, net of tax	-	(66)	5,946	5,880
Net credit risk provisions	-	-	-	-
Fee and commission income	15,305	31,741	6,602	53,647
Fee and commission expenses	(1,492)	(1,546)	(9,627)	(12,665)
Net fee and commission income	13,812	30,195	(3,025)	40,982
Administrative expenses	(39,697)	(26,491)	(20,186)	(86,372)
Other operating income	(962)	(73)	7,454	6,419
Operating profit	23,379	3,470	25,165	52,014
Net gain or loss on financial instruments	(72)	8	(1,897)	(1,961)
Profit before tax	23,307	3,478	23,268	50,054
Income tax	(5,831)	(886)	(3,122)	(9,839)
Profit of the reportable segments	17,476	2,592	20,146	40,214
<i>Attributable to non-controlling interests</i>	<i>285</i>	<i>-</i>	<i>-</i>	<i>285</i>
<i>Profit for the year attributable to owners of the parent</i>	<i>17,191</i>	<i>2,592</i>	<i>20,146</i>	<i>39,928</i>
Segment assets *	25,250,750	31,197	1,148,322	26,430,269
Segment liabilities *	25,182,181	4,477	528,334	25,714,993

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Reconciliation of the information on reportable Group segments for 2016

	€ thousand
Profit of the reportable segments	40,214
Reconciliation amounts	
Share of profit or loss of equity-accounted investments, net of tax	88
Actuarial gains/losses on defined benefit plans	4,231
Tax effects stemming from actuarial gains/losses	(1,058)
Profit for the year according to the income statement	43,475

Notes on the consolidated statement of comprehensive income of OeKB Group

Note 7 Consolidated statement of comprehensive income

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

Gains and losses are influenced by fair value changes recognised through profit or loss, by impairment losses, reversal of impairment through profit or loss, exchange rate fluctuation, and derecognition.

Note 8 Net interest income

€ thousand	Amortised cost 2017	Fair value option 2017	FVTPL 2017	Total 2017	Amortised cost 2016	Fair value option 2016	FVTPL 2016	Total 2016
Money market instruments	4,567	-	-	4,567	4,332	-	-	4,332
Credit operations	164,135	2,317	-	166,452	269,151	11,094	-	280,245
Securities	-	-	10,851	10,851	-	-	10,361	10,361
Debt securities in issue	-	109,883	-	109,883	-	105,430	-	105,430
Allocation to or use of the EFS interest rate stabili- sation provision relating to charged interest	20,022	283	-	20,305	(49,387)	(2,036)	-	(51,423)
Interest and similar income	188,724	112,483	10,851	312,058	224,096	114,488	10,361	348,945
Money market instruments	(6,037)	-	-	(6,037)	(6,241)	-	-	(6,241)
Credit operations	(8,377)	(2,152)	-	(10,529)	(3,746)	(16)	-	(3,762)
Securities	-	-	(4,015)	(4,015)	-	-	(2,162)	(2,162)
Debt securities in issue	(79,418)	(42,169)	-	(121,587)	(94,451)	(94,123)	-	(188,574)
Guarantee fees relating to debt securities in issue for guarantees pursuant to § 1(2) AFFG (see also Note 1)	(25,800)	(64,539)	-	(90,339)	(21,054)	(45,458)	-	(66,512)
Interest and similar expenses	(119,632)	(108,860)	(4,015)	(232,507)	(125,492)	(139,597)	(2,162)	(267,251)
Net interest income	69,092	3,623	6,836	79,551	98,604	(25,109)	8,199	81,694

The net interest income for the financial year includes the budget underruns from negative interest rates in the interest and similar income and the losses from negative interest rates in the interest and similar expenses. In the previous year, the budget underruns from negative interest rates were reported in the interest and similar expenses and the losses from negative interest rates in the interest and similar income. The Notes were adapted accordingly. See also Note 1 – Changes in recognition and measurement methods.

Note 9 Net credit risk provisions

No credit risk provisions were formed in financial year 2017, as was the case in 2016.

Note 10 Net fee and commission income

Net fee and commission income

€ thousand	2017	2016
Income from credit operations	4,940	5,104
Expenses from credit operations	(10,876)	(10,976)
Credit operations	(5,936)	(5,872)
Income from securities services	30,403	28,838
Expenses from securities services	(1,643)	(1,126)
Securities services	28,760	27,712
Income from export guarantees	13,799	14,968
Expenses from export guarantees	-	-
Export guarantees	13,799	14,968
Income from energy clearing	2,688	2,628
Expenses from energy clearing	-	-
Energy clearing	2,688	2,628
Income from other services	2,891	2,110
Expenses from other services	(137)	(563)
Other services	2,754	1,547
Net fee and commission income	42,066	40,982
<i>Of which income</i>	<i>54,722</i>	<i>53,647</i>
<i>Of which expenses</i>	<i>(12,656)</i>	<i>(12,665)</i>

The fee and commission income from credit operations results primarily from the activities of the development bank and the servicing of the development aid loans of the Republic of Austria. Fee and commission expenses from credit operations result primarily from the guarantee fees paid to the Republic of Austria pursuant to the AusFFG in connection with the operations of the development bank. The Republic of Austria assumes the default risk for these transactions under these guarantees. The income and expenses stem entirely from financial instruments that are measured at amortised cost.

The net fee and commission income from securities services results from the services rendered by OeKB Group for the Austrian capital market. These services pertain primarily to securities account management and the acquisition of securities transactions as well as the servicing of government bond auctions, the management of the technical infrastructure for legally required reporting relating to securities, the assignment of ISIN codes for Austrian securities, and the securities data service for master and maturity data.

The export guarantee activities represent services provided by OeKB on behalf of the Republic of Austria (see also Note 1). The processing fees charged by OeKB are based on the guarantee fees collected for the Republic of Austria. The processing fee is recognised on an accrual basis.

OeKB offers energy clearing services in connection with credit rating services, financial clearing, and risk management as a central and independent provider.

The net fee and commission income from the Other Services operations are primarily the result of collected account management fees and the remuneration for the fiduciary services relating to the development aid measures of the Republic of Austria (see also Note 34).

Note 11 Administrative expenses

€ thousand	2017	2016
Salaries	(36,832)	(39,720)
Social security costs	(8,698)	(9,164)
Pension and other employee benefit costs	(6,032)	(6,673)
Staff costs	(51,563)	(55,557)
Other administrative expenses	(23,137)	(21,350)
Depreciation, amortisation and impairment of property, equipment, and intangible assets	(5,369)	(5,234)
Administrative expenses	(80,068)	(82,142)

The decline in salaries resulted mostly from a one-off effect in the amount of € 3.4 million in the previous year stemming from a generation management measure. The increase in other administrative expenses resulted from higher project expenses relating to the restructuring of the Export Services segment and to the establishment of a group-wide digital financial architecture (BCBS 239 and IFRS 9).

Expenses for the auditor and affiliated companies

€ thousand	2017	2016
Audit of the consolidated and separate annual financial statements	(390)	(443)
Audit-related activities	(137)	(353)
Expenses for the auditor	(527)	(796)
Tax consulting	(54)	(96)
Other consulting	(358)	(81)
Expenses for companies affiliated with the auditor	(412)	(177)

The audit-related activities pertain to expenses from the issuance activities of OeKB. The increase in other consulting expenses resulted from the project for the implementation of IFRS 9.

Note 12 Other operating income

The item 'Other operating income' relates largely to service fees received by OeKB for providing outsourced services (such as accounting and financial control, information technology, human resources, internal auditing, and other services) and income from the rental of business space. The other operating expenses relate mainly to the bank stability tax paid to the Austrian fiscal authorities.

Note 13 Net gain or loss on financial instruments

Net gain or loss from the fair value measurement of financial instruments in 2017

€ thousand	Financial instruments assigned to the EFS				Financial instruments not assigned to the EFS			Total 2017
	Fair value option	FVTPL	Hedging transactions	Total	FVTPL	Amortised cost	Total	
Change in the fair value of the								
Loans and advances to banks	5,077			5,077			-	5,077
Loans and advances to customers				-		(1)	(1)	(1)
Other financial assets		(49,251)		(49,251)	(2,020)		(2,020)	(51,271)
Derivative financial instruments			(353,808)	(353,808)			-	(353,808)
Guarantees pursuant to § 1(2b) AFFG			348,923	348,923			-	348,923
Debt securities in issue	(35,370)			(35,370)			-	(35,370)
Change in the fair value	(30,293)	(49,251)	(4,885)	(84,429)	(2,020)	(1)	(2,021)	(86,450)
Transfer of the net gain or loss on financial instruments assigned to the EFS to the EFS interest rate stabilisation provision	30,293	49,250	4,886	84,429	-	-	-	84,429
Net gain or loss from fair value measurement	-	-	-	-	(2,020)	(1)	(2,021)	(2,021)
Net gain or loss from foreign exchange differences				198			(698)	(500)
Net gain or loss from fair value measurement				-			(2,021)	(2,021)
Net gain or loss on financial instruments				198		-	(2,719)	(2,521)

The share of the changes in the fair value of loans and advances to banks that stems from changes in the default risk came to € 2.2 million in the period and to minus € 9.5 million in total.

The share of the changes in the fair value of debt securities in issue that stems from changes in the default risk came to € 49.1 million in the period and to minus € 15.9 million in total.

Net gain or loss from foreign exchange differences on financial instruments in 2017

€ thousand	Financial instruments assigned to the EFS	Financial instruments not assigned to the EFS	Total 2017
Gains from foreign exchange differences	1,958,263	91,578	2,049,841
Losses from foreign exchange differences	(21,725)	(92,276)	(114,002)
Subtotal	1,936,537	(698)	1,935,839
Foreign exchange differences on guarantees pursuant to § 1(2b) AFFG	(1,936,339)	-	(1,936,339)
Net gain or loss from foreign exchange differences	198	(698)	(500)

The result from foreign exchange differences arose predominantly from the changes in the USD and CHF exchange rates. Because the exchange rates are hedged with guarantees pursuant to § 1(2b) AFFG, they are largely offset through the foreign exchange differences.

Net gain or loss from the fair value measurement of financial instruments in 2016

€ thousand	Financial instruments assigned to the EFS				Financial instruments not assigned to the EFS			Total 2016
	Fair value option	FVTPL	Hedging transactions	Total	FVTPL	Amortised cost	Total	
Change in the fair value of the								
Loans and advances to banks	(59,578)			(59,578)			-	(59,578)
Loans and advances to customers				-		(1)	(1)	(1)
Other financial assets		56,499		56,499	(2,095)		(2,095)	54,405
Derivative financial instruments			82,501	82,501			-	82,501
Guarantees pursuant to § 1(2b) AFFG *			160,872	160,872			-	160,872
Debt securities in issue	98,675			98,675			-	98,675
Change in the fair value	39,097	56,499	243,373	338,970	(2,095)	(1)	(2,095)	336,874
Transfer of the net gain or loss on financial instruments assigned to the EFS to the EFS interest rate stabilisation provision	(39,097)	(56,499)	(243,373)	(338,970)	-	-	-	(338,970)
Net gain or loss from fair value measurement	-	-	-	-	(2,095)	(1)	(2,095)	(2,095)
Net gain or loss from foreign exchange differences				(77)			212	135
Net gain or loss from fair value measurement				-			(2,095)	(2,095)
Net gain or loss on financial instruments				(77)			(1,884)	(1,961)

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Net gain or loss from foreign exchange differences on financial instruments in 2016

€ thousand	Financial instruments assigned to the EFS	Financial instruments not assigned to the EFS	Total 2016
Gains from foreign exchange differences	38,900	113,446	152,347
Losses from foreign exchange differences	(394,068)	(113,234)	(507,302)
Subtotal	(355,167)	212	(354,956)
Foreign exchange differences on guarantees pursuant to § 1(2b) AFGG	355,090	-	355,090
Net gain or loss from foreign exchange differences	(77)	212	135

Note 14 Income taxes

Income taxes are recognised and calculated in accordance with IAS 12. Current income tax assets and liabilities are determined on the basis of the local tax rates. Deferred taxes are calculated using the liability concept. Under this approach, the book values of the assets and liabilities in the IFRS balance sheet are compared with the respective values that are relevant for the taxation of the respective Group company. Differences in these values lead to temporary differences that are recognised as deferred tax assets or liabilities (see also Note 25).

Tax recognised in profit or loss

€ thousand	2017	2016
Current year	(10,221)	(16,806)
Adjustment for previous years	94	5
Total current tax expenses	(10,127)	(16,801)
Change in recognised deductible temporary differences	(1,644)	5,904
Net deferred taxes/tax income	(1,644)	5,904
Income tax	(11,771)	(10,897)

Tax recognised in other comprehensive income

€ thousand	2017	2016
Actuarial gains/losses on defined benefit plans	30	(1,058)
Net gain or loss from the fair value measurement of investments in other unconsolidated companies (available for sale)	(6,225)	-
Total	(6,195)	(1,058)

Change in deferred taxes

€ thousand	2017	2016
Change in deferred taxes on the income statement	(1,644)	5,904
Change in deferred taxes in other comprehensive income	(6,195)	(1,058)
Total	(7,839)	4,846

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

The taxation at the standard local rates is reconciled with the reported actual income taxes in the following table. OeKB Group believes that its provisions for taxes are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and previous experience.

Effective tax rate reconciliation

€ thousand	2017		2016	
Profit before tax	51,634	100.0%	54,373	100.0%
Tax expenses at the domestic tax rate of the company	(12,908)	-25.0%	(13,593)	-25.0%
Non-deductible expenses	(429)	-0.8%	(188)	-0.4%
Tax-exempt income	1,794	3.5%	2,806	3.4%
Change in recognised deductible temporary differences	(115)	-0.2%	83	0.5%
Ineligible input taxes	(19)	0.0%	-	-
Income tax payments for previous years	(94)	-0.2%	(5)	0.0%
Total	(11,771)	-22.8%	(10,897)	-21.3%

Notes on the consolidated balance sheet of OeKB Group

Note 15 Cash and balances at central banks

This item consists of cash on hand and claims against central banks (deposits) that are payable on demand. This means unlimited availability without prior notice or availability with a period of notice of no more than one business day or 24 hours. The required minimum reserves are also reported in this item.

Note 16 Loans and advances to banks and customers

Loans and advances to banks and customers that are originated by the Group are recognised at their amortised cost before deduction of impairment losses. Individual allowances for impairment losses are recognised for identifiable del credere risks.

Impairment losses are not deducted from the corresponding loans and advances but are disclosed in the balance sheet as a separate item. Because of the business model of OeKB, a large portion of the assets is contained in the items 'Loans and advances to banks' and 'Loans and advances to customers'. The majority of these assets, which can be attributed to the EFS, feature guarantees from the Republic of Austria pursuant to the AusFFG, which means that no credit risk provisions need to be formed (see also Note 1 and 17).

The fair value option is exercised in cases where hedging transactions are concluded to protect against interest rate and currency risks to avoid an accounting mismatch. They are thus measured at fair value through profit or loss.

Interest income is recognised in the item 'Interest and similar income' on the income statement while losses from negative interest rates are recognised in the item 'Interest and similar expenses'.

The breakdown by rating category is presented in Note 40.

Loans and advances to banks

€ thousand	Repayable on demand		Other maturities		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Domestic banks	7,380	5,694	14,576,877	12,975,016	14,584,257	12,980,710
Foreign banks	199,819	19,550	1,408,804	1,483,232	1,608,623	1,502,782
Loans and advances to banks	207,200	25,244	15,985,681	14,458,248	16,192,881	14,483,492
<i>Of which at amortised cost</i>					15,494,455	14,394,447
<i>Of which at fair value option</i>					698,426	89,045

Newly originated loans and advances to banks in the financial year were hedged against interest rate and currency risk. Because of this, the share of loans and advances to banks for which the fair value option has been exercised rose in annual comparison.

Loans and advances to customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
States or government-affiliated organisations	1,539	2,326	215,357	243,278	216,895	245,603
Other	1,102,538	1,117,188	217,553	209,855	1,320,091	1,327,043
Loans and advances to customers	1,104,077	1,119,514	432,909	453,132	1,536,986	1,572,646
<i>Of which at amortised cost</i>					1,536,986	1,572,646
<i>Of which at fair value option</i>					-	-

Note 17 Risk provisions

The provisions for risks from credit operations cover impairment losses (for finance loans) and provisions (for guaranteed loans) for incurred losses. OeKB Group employs a rating assessment system and an internal rating process for the purposes of credit risk management. Counterparties are classified into 22 internal credit rating categories based on an internal rating and mapping system that draws both on external ratings from internationally recognised rating agencies (Standard & Poor's, Moody's) and on internal ratings. Credit ratings are monitored on an ongoing basis. As a result, all loans and advances to banks and customers, the other financial assets, and the off-balance-sheet transactions can be broken down entirely by rating and collateralisation. The majority of loans and advances to banks and customers is assigned to the EFS described in Note 1. No losses have been incurred in this business model since its inception.

OeKB Group forms loan loss provisions when there is objective evidence on the reporting date that an individual financial asset or group of financial assets is impaired. Objective evidence of the impairment of a financial asset or group of financial assets includes observable data on the following events that is gathered by OeKB Group:

- Substantial financial difficulties of the issuer or debtor;
- A breach of contract such as a default or late interest or principal payments;
- Concessions granted to the borrower for economic or legal reasons relating to financial difficulties that would otherwise not have been granted;
- The increased probability that the borrower will become insolvent or will be subject to other restructuring measures;
- The disappearance of an active market for the financial assets caused by financial difficulties;
- Observable data that point to a measurable decrease in the expected future cash flows from a group of financial assets since their first-time recognition, even if the reduction cannot yet be assigned to the individual assets of the group.

There was no evidence on the reporting date that there are impaired financial assets or groups of financial assets. There was also no such evidence of impairment on the previous reporting date.

Note 18 Other financial assets

This item includes all fixed-income and variable-income securities and the investments in unconsolidated subsidiaries and other companies.

The bonds and other fixed-income securities as well as equity shares and other variable-income securities are recognised at fair value through profit or loss in accordance with the business model. The business model of the investment portfolio calls for assuming long-term positions in bonds and investment funds. The portfolio is managed on the basis of market values. OeKB Group measures these securities at fair value. Changes in the fair value are recognised in the item 'Net gain or loss on financial instruments' on the income statement. Current income is recognised in the item 'Interest and similar income'. Any losses from negative interest rates are recognised in the item 'Interest and similar expenses'. OeKB Group has no trading portfolio.

It was possible to collect improved information for the investments in other unconsolidated companies which now allows the calculation of a reliable fair value. OeKB Group measures these shareholdings as available for sale. Changes in the fair value are recognised in the item 'Net gain or loss on the fair value measurement of investments in other unconsolidated companies (available for sale)' in other comprehensive income. Current income is recognised in the item 'Current income from investments in other unconsolidated companies' on the income statement.

Other financial assets

€ thousand	31 Dec 2017	31 Dec 2016
Treasury bills and similar securities	1,620,716	1,715,728
Fixed-income securities from public-sector issuers	1,522	-
Bonds	918,848	887,994
Bonds and other fixed-income securities	2,541,086	2,603,721
<i>Of which listed bonds</i>	<i>2,541,086</i>	<i>2,603,721</i>
Equity shares	-	-
Investment certificates	460,793	426,078
Equity shares and other variable-income securities	460,793	426,078
<i>Of which listed equity shares and other variable-income securities</i>	<i>168</i>	<i>182</i>
Investments in unconsolidated subsidiaries	5,738	1,536
Investments in other unconsolidated companies	28,712	8,015
Subtotal	34,450	9,551
Total other financial assets	3,036,328	3,039,350
<i>Of which at fair value through profit or loss</i>	<i>3,001,878</i>	<i>3,029,799</i>
<i>Of which acquisition costs</i>	<i>-</i>	<i>9,551</i>
<i>Of which fair value in other comprehensive income</i>	<i>34,450</i>	<i>-</i>

Of the bonds and other fixed-income securities, € 38.4 million will come due in the following year (2016: € 145.5 million).

The investments in other unconsolidated companies include CEESEG Aktiengesellschaft (CEESEG) at € 25,652 thousand. CEESEG is a holding company with shares in Wiener Börse AG, Vienna, (the Vienna Stock Exchange) and Burza cenných papírů Praha, a.s., Prague (the Prague Stock Exchange). The recognised value of CEESEG is based on a valuation conducted on 31 December 2017 using the discounted cash flow method. The most important assumptions in the valuation were:

	Vienna Stock Exchange	Prague Stock Exchange
Free cash flows	4 years	4 years
WACC	8.40%	8.82%

Sensitivity analyses

€ thousand	Vienna Stock Exchange	Prague Stock Exchange
Change in WACC (WACC increases)	1.00%	1.00%
Change in the total value (fair value) of CEESEG		(44,004)
Effect on the fair value of OeKB Group in CEESEG		(2,904)

Note 19 Acquisition of non-controlling interests

With effect of 31 December 2017, OeKB acquired the remaining 30% of the export fund from the Austrian Federal Economic Chamber (WKÖ), and now holds 100% of the company.

Acquisition of non-controlling interests

€ thousand	2017
Net assets at the time of acquisition	14,817
Non-controlling interest	30%
Net book value of the non-controlling interests	4,446
Purchase price paid for the non-controlling interests	3,670
Increase in the equity of the owners of the parent	776

The purchase of the shares increased the retained earnings in the equity of the owners of the parent by € 0.8 million.

Note 20 Equity-accounted investments

Changes in equity-accounted investments

€ thousand	2017	2016
OeKB EH Beteiligungs- und Management AG, Vienna	60,986	62,142
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	5,856	5,601
Equity-accounted investments	66,843	67,743

Net profit or loss of equity-accounted investments

Income statement

€ thousand	2017	2016
OeKB EH Beteiligungs- und Management AG, Vienna	3,937	6,034
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	255	(66)
Share of profit or loss of equity-accounted investments, net of tax	4,193	5,968

Other comprehensive income

€ thousand	2017	2016
OeKB EH Beteiligungs- und Management AG, Vienna	105	(88)
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	0	0
Equity-accounted investments - Share of other comprehensive income	106	(88)

Net profit

€ thousand	2017	2016
OeKB EH Beteiligungs- und Management AG, Vienna	4,042	5,946
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	255	(66)
Net profit for the period	4,298	5,880

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

**OeKB EH Beteiligungs- und Management AG,
Vienna, Austria**

Other Services segment	2017	2016
Shareholding	51%	51%
Share of voting rights	51%	51%

OeKB EH Beteiligungs- und Management AG is an unlisted holding company. It is the sole owner of Acredia Versicherung AG. Acredia markets its products under the brands 'PRISMA Die Kreditversicherung.' and 'OeKB Versicherung'. It offers a complete range of credit insurance to Austrian businesses.

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

Insurance contracts are accounted for according to IFRS 4 taking into account the provisions of the Insurance Supervision Act (VAG). In accordance with IFRS 4, the claims equalisation reserve under the VAG (after deduction of deferred taxes) is reported in IFRS equity.

€ thousand	2017	2016
Earned premiums	24,368	25,194
Actuarial result	7,220	12,014
Profit before tax	9,282	14,733
<i>Of which depreciation and amortisation</i>	565	571
<i>Of which interest income</i>	786	1,022
<i>Of which interest expense</i>	-	-
Profit for the year	7,722	11,832
Other comprehensive income	205	(172)
Total comprehensive income for the year	7,927	11,660
Current assets	60,064	70,469
<i>Of which cash and cash equivalents</i>	23,864	33,411
Non-current assets	115,158	114,553
Current liabilities	13,076	20,416
Non-current liabilities	42,564	42,759
Equity	119,582	121,847
Proportionate share of equity at the beginning of the period	62,142	62,096
Proportionate share of total comprehensive income for the period	4,042	5,946
Dividend payments received	(5,198)	(5,900)
Proportionate share of equity at the end of the period	60,986	62,142

CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna, Austria

Capital Market Services segment	2017	2016
Shareholding	50%	50%
Share of voting rights	50%	50%

CCP Austria is operated as a joint venture with Wiener Börse AG, Vienna, and is recognised in the consolidated financial statements according to the equity method.

CCP.A is not a listed company. It acts as the clearing agent for the Vienna Stock Exchange and as the central counterparty for all trades concluded on the Vienna Stock Exchange. CCP Austria was licensed pursuant to Art. 14(1) of Regulation (EU) No. 648/2012 (European Market Infrastructure Regulation, EMIR) in 2014.

€ thousand	2017	2016
Revenue	3,803	3,278
Operating profit	529	(130)
Profit before tax	544	(131)
<i>Of which depreciation and amortisation</i>	<i>(215)</i>	<i>(2)</i>
<i>Of which interest income</i>	<i>52</i>	<i>-</i>
<i>Of which interest expense</i>	<i>(37)</i>	<i>-</i>
Profit/loss for the year	510	(131)
Other comprehensive income	-	-
Total comprehensive income for the year	510	(131)
Current assets	39,029	34,730
<i>Of which cash and cash equivalents</i>	<i>38,460</i>	<i>33,986</i>
Non-current assets	643	-
Current liabilities	27,959	23,528
Non-current liabilities	-	-
Equity	11,713	11,202
Proportionate share of equity at the beginning of the period	5,601	5,667
Proportionate share of total comprehensive income for the period	255	(66)
Dividend payments received	-	-
Proportionate share of equity at the end of the period	5,856	5,601

Note 21 Property, equipment, and intangible assets

Property and equipment comprises land and buildings used by the Group and fixtures, fittings, and equipment. Property and buildings used by the Group are those which are used primarily for the Group's own business operations. The value of the property itself was € 4.4 million (2016: € 4.4 million).

Intangible assets consist solely of purchased software.

Property, equipment, and intangible assets are recognised at cost less scheduled depreciation and amortisation. The following useful life is assumed:

Useful life

	Years
Buildings	40
Fixtures, fittings, and equipment	3 to 10
IT hardware	3 to 5
Software	3 to 5

Depreciation, amortisation, and write-ups are periodically reviewed.

Non-current assets in 2017 - Cost

€ thousand	Cost of acquisition and production at 1 Jan 2017	Additions	Of which interest	Transfers	Disposals	Cost of acquisition and production at 31 Dec 2017
Land and buildings	73,977	-	-	-	-	73,977
Fixtures, fittings, and equipment	13,833	1,265	-	-	1,777	13,322
Assets under construction	-	-	-	-	-	-
Property and equipment	87,810	1,265	-	-	1,777	87,299
Software	5,970	540	-	-	-	6,510
Advanced payments on software	-	198	-	-	-	198
Intangible assets	5,970	738	-	-	-	6,708
Total	93,781	2,003	-	-	1,777	94,007

Non-current assets in 2017 - Accumulated depreciation and amortisation

€ thousand	Accumulated depreciation and amortisation 1 Jan 2017	Current-year depreciation/ amortisation up to 31 Dec 2017	Write-ups	Transfers	Disposals	Accumulated depreciation and amortisation 31 Dec 2017
Land and buildings	60,064	3,350	-	-	-	63,415
Fixtures, fittings, and equipment	9,215	1,346	-	-	1,776	8,784
Assets under construction	-	-	-	-	-	-
Property and equipment	69,279	4,696	-	-	1,776	72,199
Software	4,236	673	-	-	-	4,908
Advanced payments on software	-	-	-	-	-	-
Intangible assets	4,236	673	-	-	-	4,908
Total	73,515	5,369	-	-	1,776	77,108

Net book value of property, equipment, and intangibles

€ thousand	Net book value at 1 Jan 2017	Net book value at 31 Dec 2017
Non-current intangible assets	13,913	10,563
Property and equipment	4,619	4,537
Low-value assets	-	-
Property and equipment	18,532	15,100
Interests in investments other than subsidiaries	1,735	1,602
Interests in subsidiaries	-	198
Intangible assets	1,735	1,800
Total	20,266	16,900

Non-current assets in 2016 - Cost

€ thousand	Cost of acquisition and production at 1 Jan 2016	Additions	Of which interest	Transfers	Disposals	Cost of acquisition and production at 31 Dec 2016
Land and buildings	73,977	-	-	-	-	73,977
Fixtures, fittings, and equipment	19,515	1,418	-	600	7,700	13,833
Assets under construction	-	600	-	(600)	-	-
Property and equipment	93,492	2,018	-	-	7,700	87,810
Software	5,524	447	-	-	-	5,971
Advanced payments on software	-	-	-	-	-	-
Intangible assets	5,524	447	-	-	-	5,971
Total	99,016	2,465	-	-	7,700	93,781

Non-current assets in 2016 - Accumulated depreciation and amortisation

€ thousand	Accumulated depreciation and amortisation 1 Jan 2016	Current-year depreciation/ amortisation up to 31 Dec 2016	Write-ups	Transfers	Disposals	Accumulated depreciation and amortisation 31 Dec 2016
Land and buildings	56,712	3,352	-	-	-	60,064
Fixtures, fittings, and equipment	15,584	1,302	-	-	7,671	9,215
Assets under construction	-	-	-	-	-	-
Property and equipment	72,296	4,654	-	-	7,671	69,279
Software	3,655	581	-	-	-	4,236
Advanced payments on software	-	-	-	-	-	-
Intangible assets	3,655	581	-	-	-	4,236
Total	75,951	5,235	-	-	7,671	73,515

Net book value of property, equipment, and intangibles

€ thousand	Net book value at 1 Jan 2016	Net book value at 31 Dec 2016
Non-current intangible assets	17,265	13,913
Property and equipment	3,931	4,619
Low-value assets	-	-
Property and equipment	21,196	18,532
Interests in investments other than subsidiaries	1,869	1,735
Interests in subsidiaries	-	-
Intangible assets	1,869	1,735
Total	23,065	20,266

Note 22 Deposits from banks and customers

Deposits from banks and customers are measured at amortised cost in accordance with the business model.

Deposits from banks

€ thousand	Repayable on demand		Other maturities		Total	
	31 Dec 2017	31 Dec 2016 *	31 Dec 2017	31 Dec 2016 *	31 Dec 2017	31 Dec 2016 *
Domestic banks	128,008	75,122	-	0	128,008	75,122
Foreign banks	31,947	30,483	265,132	803,869	297,080	834,353
Total	159,955	105,606	265,132	803,869	425,088	909,475

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Deposits from customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
States or government-affiliated organisations	676,349	724,059	1,064	1,244	677,413	725,303
Others	48,653	88,957	27,899	23,331	76,553	112,288
Total	725,002	813,017	28,963	24,575	753,965	837,592

Note 23 Debt securities in issue

Debt securities in issue are generally measured at amortised cost in accordance with the business model. Debt securities in issue are recognised in the amount of the consideration actually received. Premiums, discounts, or other differences between the proceeds and the repayment amount are realised over the term of the instrument according to the effective interest method and recognised in the financial result (at amortised cost). Debt securities in issue are in most cases hedged against interest rate and currency risks upon origination. The fair value option is exercised for hedged debt securities in issue to avoid an accounting mismatch, and the net profit or loss from the fair value measurement is recognised on the income statement in the same manner as the hedging instruments.

The majority of the debt securities in issue at the reporting date feature guarantees pursuant to § 1(2a) and (2b) AFGG (as in the previous year).

Debt securities in issue

€ thousand	Net book value		Of which listed	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Bonds issued	17,886,200	18,684,843	17,886,200	18,684,843
Other debt securities in issue	3,754,215	2,576,358	-	-
Total	21,640,415	21,261,202	17,886,200	18,684,843
<i>Of which at fair value option</i>	<i>16,594,202</i>	<i>15,963,327</i>		
<i>Of which at amortised cost</i>	<i>5,046,213</i>	<i>5,297,874</i>		

The amount repayable on maturity for debt securities in issue that are measured at fair value option was € 16,543.8 million (2016: € 15,930.5 million).

Of the debt securities in issue, € 6,607.3 million will come due in the following year (2016: € 5,174.0 million).

Note 24 Provisions

Changes in provisions

€ thousand	Start of period	Use	Release	Addition	End of the period
Non-current employee benefit provisions	131,365	(6,373)	-	3,482	128,474
Other current provisions	17,356	(9,096)	(352)	9,126	17,034
Total provisions 2017	148,722	(15,469)	(352)	12,608	145,508
Total provisions 2016	145,155	(16,758)	(4)	20,328	148,722

Non-current employee benefit provisions

The provisions for pensions and similar obligations (termination benefits) represent post-employment benefits falling within the scope of IAS 19.

The obligations under defined-benefit plans are measured using the projected unit credit method. Under this method, dynamic parameters are taken into account in calculating the expected benefit payments after the payable event occurs; these payments are spread over the entire average remaining years of service of the beneficiary employees. The method differentiates between interest costs (which is the amount by which the obligation increases over a given year because benefits have moved closer to payment) and service cost (benefits newly accrued by employees in the year through their employment). The service cost and interest cost are recognised in staff costs and therefore in the operating profit. By contrast, actuarial gains and losses are recognised in other comprehensive income under items that will not be reclassified into the income statement.

The calculation of the defined-benefit obligation involves actuarial assumptions regarding discount rates, salary growth rates, and pension trends as well as employee turnover, which are determined in accordance with the economic conditions. The respective discount rates are selected based on the yields of high-quality corporate bonds of an appropriate maturity and currency. The present value of the defined-benefit obligation (DBO) is recognised at its value at the balance sheet date. There are no plan assets (i.e. assets held by a fund against which to offset the DBO).

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

OeKB Group offers most of its eligible employees the opportunity to participate in defined-contribution plans. OeKB Group is obligated to transfer a set percentage of the annual salaries to the pension institution (pension fund). Defined-contribution plans do not involve any obligations beyond the payment of contributions to dedicated pension institutions. The contributions are recognised in staff costs for the period.

For a small number of senior managers, the Group still maintains defined-benefit plans that are generally based on length of service and on salary level. These defined-benefit pension plans are funded entirely through provisions.

The provisions for termination benefits relate to statutory and contractual obligations to pay the employee a specified amount on termination if certain conditions are met.

The current version of the computation tables by Pagler & Pagler for employees are used as the biometric basis for the calculations.

Changes in non-current employee benefit provisions

€ thousand	Pension	Termination benefits	Total 2017	Total 2016
Present value of defined-benefit obligations (DBO) = employee benefit provisions at 1 January	106,136	25,229	131,365	130,103
Service cost	384	734	1,118	1,170
Interest cost	1,813	432	2,245	3,031
Payments	(4,375)	(1,998)	(6,373)	(7,172)
Actuarial gain/loss	1,348	(1,229)	119	4,231
<i>Of which actuarial gain/loss arising from changes in parameters</i>	<i>1,217</i>	<i>(545)</i>	<i>672</i>	<i>5,890</i>
<i>Of which actuarial gain/loss arising from experience adjustments</i>	<i>131</i>	<i>(684)</i>	<i>(553)</i>	<i>(1,655)</i>
DBO at 31 December	105,306	23,168	128,474	131,365
Employee benefit provisions at 31 December	105,306	23,168	128,474	131,365

Principal assumptions

In %	2017	2016
Discount rate	1.80%	1.75%
Salary trend	1.25%	1.25%
Pension trend	1.50%	1.50%
Rate of salary increases taking the changes in the collective bargaining agreement and periodic and extraordinary increases into account	2.75%	2.75%

Retirement age according to the ASVG transitional provisions pursuant to the Budget Implementation Act 2003

	2017	2016
Women	65 years	59 years 9 month
Men	65 years	64 years 9 month

Historical information on defined-benefit obligations

€ thousand	2012	2013	2014	2015	2016
Pension provisions	88,051	91,781	104,160	103,841	106,136
Termination benefit provisions	24,503	23,869	26,939	26,262	25,229
Non-current employee benefit provisions	112,554	115,650	131,099	130,103	131,365

The pension obligations for most of the staff have been transferred to a pension fund under a defined-contribution plan. In connection with this plan, contributions of € 1.0 million were paid to the pension fund in 2017 (2016: € 0.9 million).

Staff costs also included the contributions of € 0.2 million to the termination benefit fund (2016: € 0.2 million).

The following table presents the sensitivity of the obligations to key actuarial assumptions. It shows the respective absolute amount of the provision recognised at 31 December 2017 when a single assumption is varied at a time. The other assumptions are unchanged in each case.

Sensitivity analyses – Changes in expenses (-)/earnings (+)

€ thousand	Pensions	Termination benefits	Total 2017	Total 2016
Increase in the discount rate by 0.50%	6,687	1,156	7,843	7,772
Decrease in the discount rate by 0.50%	(7,465)	(1,247)	(8,712)	(8,617)
Increase in expected salary growth by 0.50%	(781)	(1,228)	(2,009)	(1,640)
Decrease in expected salary growth by 0.50%	738	1,151	1,889	1,554
Increase in the pension trend by 0.50%	(6,388)	-	(6,388)	(6,700)
Decrease in the pension trend by 0.50%	5,848	-	5,848	6,118

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

Maturity profile of the non-current employee benefit provisions

€ thousand	Pensions		Termination benefits	
	DBO 31 Dec 2017	DBO 31 Dec 2016	DBO 31 Dec 2017	DBO 31 Dec 2016
1 year	5,190	5,129	527	2,288
2 to 3 years	10,105	10,178	2,133	2,003
4 to 5 years	9,725	9,872	3,232	2,522
Over 5 years	80,286	80,958	17,276	18,416
Total	105,306	106,136	23,168	25,229
Duration	13.7 years	13.6 years	10.5 years	8.9 years

The increase in the duration for the termination benefits is the result of the early termination of employees in connection with generation management measures and the raising of the retirement age for women to 65 years.

Other current provisions

Other current provisions are formed when:

- OeKB Group has a legal or real obligation to a third party as a result of a past event,
- the obligation is likely to lead to an outflow of resources, and
- the amount of the obligation can be reliably estimated.

Provisions are formed in the amount representing the best estimate of the expenditure required to settle the obligation. If the present value of the obligation determined on the basis of a market interest rate differs materially from its nominal amount, the present value of the obligation is used.

€ thousand	2017	2016
Staff-related provisions (bonuses, holiday entitlements, time credit)	12,324	13,433
Legal and consulting expenses, financial auditing	697	1,018
IT projects	166	435
Other provisions	3,847	2,470
Total	17,034	17,356

The provisions will largely come due in the first half of the subsequent year.

Note 25 Tax assets and tax liabilities

Tax assets and liabilities each include deferred tax assets and deferred tax liabilities arising from temporary differences between the IFRS carrying amounts and the corresponding tax base in Group companies (see also Note 14).

OeKB Group has no (unused) loss carryforwards.

Deferred taxes arose on the following items:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2017	31 Dec 2016 (adjusted) *	31 Dec 2017	31 Dec 2016 (adjusted) *
Loans and advances to banks	-	-	2,032	851
Other financial assets	-	-	70,363	71,969
Derivative financial instruments	138,913	179,906	133,472	262,892
Guarantees pursuant to § 1(2b) AFFG	-	-	1,023,935	1,420,789
Property, equipment and intangible assets	47	66	-	-
Debt securities in issue	970,140	1,441,120	-	-
Provisions	16,637	17,138	-	-
EFS interest rate stabilisation provision	160,482	182,527	-	-
Total	1,286,219	1,820,757	1,229,802	1,756,501
Tax settlement	(1,229,802)	(1,765,501)	(1,229,802)	(1,756,501)
Tax claims (liabilities), net	56,418	64,256	-	-

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

€ thousand	2017	2016
Change	(7,839)	4,846
<i>Of which in the income statement</i>	<i>(1,644)</i>	<i>5,904</i>
<i>Of which in the net other comprehensive income</i>	<i>(6,195)</i>	<i>(1,058)</i>

Unrecognised deferred taxes payable

As in the previous year, there were no deferred taxes payable for temporary differences relating to shares in subsidiaries and joint ventures on 31 December 2017.

Note 26 EFS interest rate stabilisation provision

The EFS interest rate stabilisation provision is formed for the Export Financing Scheme. The provision is based on the actual obligation regarding the use of surpluses from the Export Financing Scheme. This obligation arises from the rules for the fixing of interest rates in the Export Financing Scheme, which specify fixed margins for OeKB, and from a directive from the Austrian Ministry of Finance on the use of surpluses from the scheme (see also Note 1).

The additions to and utilisation of the EFS interest rate stabilisation provision result from the net interest income from the Export Financing Scheme less OeKB's fixed margin for the operation of the scheme and less the costs directly related to the refinancing of the scheme. The net effects from the measurement of the derivative financial instruments, guarantees pursuant to § 1(2b) AFFG, and the receivables and payables of the EFS are also included in this item. In accordance with the associated decisions, the provision is used to stabilise the terms of export financing loans.

Change in the EFS interest rate stabilisation provision

€ thousand	2017	2016
At the beginning of the period	1,743,311	1,352,918
Release/allocation from the net interest income	(20,305)	51,423
Release/allocation from the net gain or loss on financial instruments	(84,429)	338,970
Change in the EFS interest rate stabilisation provision	(104,734)	390,393
At the end of the period	1,638,577	1,743,311

Note 27 Capital management

Equity disclosures

The subscribed capital of € 130.0 million (2016: € 130.0 million) is divided into 880,000 no-par value shares. These registered ordinary shares with restricted transferability are represented by global certificates registered in the name of each individual shareholder.

The capital reserves remained unchanged at € 3.3 million. The capital reserve is restricted pursuant to § 229(4) UGB.

The retained earnings attributable to owners of the parent increased by € 20.6 million to € 667.5 million (2016: € 646.9 million). The retained earnings contain an amount of € 10.6 million (2016: € 10.6 million) as a legal reserve pursuant to § 229(4) UGB.

The IAS 19 reserve is the result of actuarial gains and losses on defined-benefit pension plans and was unchanged in annual comparison at minus € 18.7 million. The available-for-sale reserve results from the fair value measurement of investments in other unconsolidated companies and came to € 18.7 million.

The Executive Board will propose to the 72nd Annual General Meeting on 29 May 2018 that the profit available for distribution reported in Oesterreichische Kontrollbank AG's financial statements for the year 2017 in the amount of € 33.0 million be used to pay a dividend of € 22.75 per share plus a bonus of € 14.43 per share. In total, the proposed dividend will be € 32.7 million. This represents approximately 25% of the participating share capital for 2017. After payment of the compensation to the Supervisory Board members, the remaining balance is to be carried forward.

The dividend payment for the 2016 financial year, which was made in May 2017, amounted to € 22.75 per share or a total of € 20.0 million. The return on assets pursuant to § 64(1) 19 BWG attributable to the owners of the parent was 0.2% in 2017 (2016: 0.2%).

Capital management

Pursuant to § 3(1)7 BWG, Regulation (EU) No. 575/2013 and § 39(3) and (4) BWG do not apply to transactions of Oesterreichische Kontrollbank Aktiengesellschaft related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. Pursuant to § 3(2)1 of the BWG, the following legal provisions also do not apply: Part 6 of Regulation (EU) No. 575/2013 and §§ 27a, 39(2b)7 in conjunction with 39(4), 39(3), and 74(6)3a in conjunction with § 74(1) of the BWG.

The bank group pursuant to § 30 BWG consists of Oesterreichische Kontrollbank AG, "Österreichischer Exportfonds" GmbH, OeKB CSD GmbH, and Oesterreichische Entwicklungsbank AG. The strategy of OeKB Group aims to maintain a stable capital base over the long term. There were no material changes in capital management. The Group satisfied the capital requirements of the national supervisory authority at all times during the reporting period.

The minimum regulatory capital requirement for credit risk is determined in accordance with the provisions of Regulation (EU) No. 575/2013. The capital required to be held for operational risk is determined according to the Basic Indicator Approach. The bank group does not hold a trading book. At Group level, the risks are aggregated in accordance with the concept of economic capital. Through the analysis of risk-bearing capacity, the economic capital required is compared with the economic capital available, and both metrics are monitored.

OeKB is the parent institution of the OeKB bank group for the purposes of § 30 BWG. OeKB Group's regulatory capital determined in accordance with Regulation (EU) No. 575/2013 showed the following composition and development:

€ thousand	2017	2016
Risk-weighted assets (standardised approach to credit risk)	595,350	602,750
Total risk exposure amount (total regulatory capital requirement/8%)	917,888	927,425
Minimum regulatory capital requirement for		
Credit risk	47,628	48,220
Foreign exchange risk	5,437	5,416
Operational risk (Basic Indicator Approach)	20,366	20,558
Total regulatory capital requirement	73,431	74,194
Consolidated regulatory capital pursuant to Part 2 of the CRR		
Paid-up share capital	130,000	130,000
Reserves *	629,829	588,439
Amounts to be added from a minority interest under Article 84 in conjunction with Art. 480 CRR	0	1,725
Less deductions		
Intangible assets	(1,800)	(1,714)
Common equity tier 1 capital	758,029	718,450
Amounts to be added from a minority interest under Article 85 in conjunction with Art. 480 CRR	0	21
Additional tier 1 capital	0	21
Less deductions pursuant to Art. 472(4) CRR		
Intangible assets	0	(21)
Tier 1 capital	758,029	718,450
Amounts to be added from a minority interest under Art. 87 in conjunction with Art. 480 CRR	0	28
Tier 2 capital	0	28
Available regulatory capital pursuant to Part 2 of the CRR	758,029	718,478
Surplus regulatory capital	684,598	644,284
Consolidated capital adequacy ratio (regulatory capital as a percentage of total risk-weighted assets)	82.6%	77.5%
Consolidated tier 1 ratio	82.6%	77.5%
Cover ratio (regulatory capital as a percentage of the capital requirement)	1032.3%	968.4%

* Pursuant to Art. 26(2) of the CRR, earnings for the year are included in common equity tier 1 only after the official adoption of the final annual financial results. The dedicated reserve for technical assistance (see § 3[1]7 BWG) is deducted from the reserves.

This results in the following ratios pursuant to Art. 92(1) lit. a to c of Regulation (EU) No. 575/2013 at the reporting date, which are compared with the minimum ratios for the Group:

Minimum ratios pursuant to Article 92 of Regulation (EU) No. 575/2013

In %	2017		2016	
	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	5.751	82.584	5.125	77.500
Tier 1 ratio	7.251	82.584	6.625	77.500
Total capital ratio	9.251	82.584	8.625	77.500

Calculation of the actual ratio

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

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

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

Minimum ratio for OeKB

In %	2017	2016
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013	4.500	4.500
Capital conservation buffer pursuant to § 23 BWG in conjunction with § 103q line 11 BWG	1.250	0.625
Anti-cyclical capital buffer pursuant to § 23a BWG in conjunction with § 103q line 11 BWG	0.001	0.000
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including buffer requirements	5.751	5.125
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including buffer requirements	7.251	6.625
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including buffer requirements	9.251	8.625

The required ratios result from Art. 92(1) of Regulation (EU) No. 575/2013, the additional capital buffer requirements of the BWG, and the capital buffer regulation of the FMA.

Other disclosures and risk report

Note 28 Information regarding the consolidated statement of cash flows

The consolidated statement of cash flows shows the state and development of the cash and cash equivalents of OeKB Group. The reported cash position consists largely of cash and balances at central banks and corresponds to the item of the same designation on the balance sheet. The Group has additional liquidity reserves (see Note 41), but these are not included in the definition of cash and cash equivalents. This additional liquidity buffer is formed in the EFS and is only used in stress scenarios. The reported cash and cash equivalents are denominated exclusively in euros.

The cash flow from operating activities include the changes in loans and advances to banks and customers, the changes in deposits from banks and customers, and the changes in debt securities in issue. We changed the recognition of these items compared with the previous year (see Note 1 – Changes in recognition and measurement methods). In net cash from operating activities, all income and expense components are adjusted for non-cash items, especially depreciation, amortisation, and impairment; changes in provisions; deferred taxes; and unrealised currency translation gains and losses; as well as all other items the cash effects of which represent cash flows from investing or financing activities. Foreign currency losses and gains are incurred primarily in connection with the issue of long- and short-term debt securities for the EFS. The exchange rate risks are mostly covered by the guarantees pursuant to § 1(2b) AFFG. OeKB Group thus does not bear any exchange rate risk from the Export Financing Scheme. Fluctuations in exchange rates have little or no impact on cash and cash equivalents held or due in foreign currency.

The cash flow from investing activities reflects changes in the other financial assets in the investment portfolio, in the property, equipment, and intangible assets.

The cash flow from financing activities reflects changes in equity transactions with the owners.

Reconciliation of the changes in equity to the cash flows from financing activities

€ thousand	Notes	Retained earnings	Non-controlling interests	Net cash from financing activities
As at 1 January 2017 (adjusted)		646,912	4,585	
Acquisition of non-controlling interests	19	776	(4,446)	(3,670)
Dividends paid	19, 27	(20,020)	(140)	(20,160)
Total change in cash flows from financing activities		(19,244)	(4,585)	(23,830)
Profit for the year		39,863	-	
As at 31 December 2017		667,531	-	

The most important developments during the financial year are presented in the following.

The cash flow from operating activities in the amount of € 30.7 million changed by € 584.1 million compared with the previous year (adjusted). The change resulted primarily from the development of loans and advances to banks and customers, the changes in the deposits from banks and customers, and the changes in the debt securities in issue. The payments for the purchase of loans and advances to banks and customers exceeded the repayments from redemptions by € 1,674.9 million. The previous year was impacted substantially by early loan repayments. The proceeds from the repayment of loans and advances to banks and customers exceeded payments for the purchase of such assets by € 3,261.2 million. Corresponding to the loans and advances to banks and customers, proceeds from deposits from

banks and customers and debt securities in issue rose by € 1,725.7 million. The needs for funding decreased by € 2,718.2 million in the previous year due to early loan repayments.

The cash flow from investing activities in the amount of € 3.9 million changed by € 408.4 million compared with the previous year (adjusted). Payments exceeded proceeds by € 402.1 million in the previous year, primarily due to the further expansion of the liquidity buffer in the EFS.

Note 29 Analysis of remaining maturities

The remaining maturity is the period from the balance sheet date to the contractual maturity date of the asset or liability; in the case of instalments, the remaining maturity is determined separately for each instalment.

Remaining maturities at 31 December 2017

€ thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Loans and advances to banks	207,200	411,680	4,863,211	7,151,022	3,559,768	16,192,881
Loans and advances to customers	2,771	450,299	709,504	140,779	233,633	1,536,986
Other financial assets	492,749	37,035	23,252	1,108,086	1,375,206	3,036,328
Total	702,720	899,014	5,595,967	8,399,887	5,168,607	20,766,195
Deposits from banks	159,956	215,118	5,000	20,000	25,014	425,088
Deposits from customers	696,857	1,577	507	49,908	5,116	753,965
Debt securities in issue	-	3,305,651	3,301,649	10,795,290	4,237,825	21,640,415
Total	856,813	3,522,346	3,307,156	10,865,198	4,267,955	22,819,468

Remaining maturities at 31 December 2016

€ thousand	Repayable on demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Loans and advances to banks	13,004	737,793	4,949,463	5,461,991	3,321,241	14,483,492
Loans and advances to customers	51	434,922	730,510	221,142	186,021	1,572,646
Other financial assets	424,194	18,939	150,534	790,576	1,655,107	3,039,350
Total	437,249	1,191,654	5,830,507	6,473,709	5,162,369	19,095,488
Deposits from banks *	61,826	774,595	-	44,594	28,460	909,475
Deposits from customers	801,648	114	396	16,693	18,741	837,592
Debt securities in issue	-	2,012,346	3,161,690	12,995,065	3,092,101	21,261,202
Total	863,474	2,787,055	3,162,086	13,056,352	3,139,302	23,008,269

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Note 30 Subordinated assets

The balance sheet contains no subordinated assets.

Note 31 Assets pledged as collateral

€ thousand	2017	2016
Collateral for credit risks in derivative financial instruments		
Collateral pledged	137,750	312,600
Collateral received	214,830	730,530

The change in the pledged and received collateral is the result of the gradual switch to a central settlement facility (LCH – London Clearing House) for the clearing of derivative financial instruments.

Note 32 Contingent liabilities and other off-balance sheet commitments

The contingent liabilities not reported on the balance sheet in the amount of € 84.1 million (2016: € 89.6 million) pertain to guarantees issued by OeEB that are in turn backed by guarantees from the Republic of Austria pursuant to the AusFG. At the balance sheet date, OeKB Group had total undrawn credit commitments of € 3,072.4 million (2016: € 3,529.7 million).

Note 33 Other off-balance sheet commitments

Pursuant to § 93 BWG, OeKB, OeKB CSD and Exportfonds are required to guarantee a proportionate amount of deposits under the deposit insurance system operated by the Vienna-based Einlagensicherung der Banken and Bankiers GmbH.

Note 34 Fiduciary assets and liabilities

Not reported on the balance sheet

Off-balance sheet fiduciary transactions amounted to € 119.9 million (2016: € 111.6 million). The fiduciary transactions for the Republic of Austria pertain mostly to the operations of the development bank that were entered into under the advisory programme and the 'Holdings financed by federal funds' according to § 3 of the contract pursuant to § 9(1) AusFG, as well as to the fiduciary account of the federal government.

Reported on the balance sheet

€ thousand	31 Dec 2017	31 Dec 2016
Loans and advances to banks	5,575	6,923
Fiduciary assets	5,575	6,923
Deposits from customers	5,575	6,923
Fiduciary liabilities	5,575	6,923

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

Supplementary disclosures pursuant to § 43 and § 64 BWG

€ thousand	31 Dec 2017		31 Dec 2016	
	Assets	Liabilities	Assets	Liabilities
Denominated in foreign currency	1,988,660	16,393,889	1,628,053	15,643,644
Issued or originated outside Austria	2,443,261	18,234,903	2,364,723	16,535,874

Note 36 Hedging instruments

General

Derivative financial instruments and the guarantees pursuant to § 1(2b) AFFG are used to hedge market risks. These hedging instruments primarily protect future cash flows against changes in interest rates and foreign exchange rates. The derivatives involved are mostly OTC interest rate swaps and OTC cross-currency interest rate swaps, which are employed as hedging instruments for loans and advances to banks, other financial assets, and debt securities in issue. As a hedging instrument, the guarantees pursuant to the AFFG function as currency-based derivative financial instruments.

Hedged financial instruments are measured at fair value through profit or loss to prevent an accounting mismatch. The value fluctuations of the hedging instruments and the hedged financial instruments are recognised directly in the item 'Net gain or loss on financial instruments' in the consolidated statement of comprehensive income. Derivative financial instruments are not used for speculative purposes.

Derivative financial instruments

The fair value of derivative financial instruments is calculated using generally accepted methods. Derivatives are recognised at the trade date. Derivative financial instruments are recognised at their present values in a separate asset and liability item.

Credit exposures arising from fluctuations in value are secured with collateral. As required by the EMIR (Regulation [EU] No. 648/2012), the clearing of interest rate swaps has been shifted to a central counterparty (LCH – London Clearing House) since the fourth quarter of 2016, which is steadily reducing the collateral requirement.

Derivative financial instruments 2017

€ thousand	Nominal amount	Fair values	
		Positive	Negative
Interest rate derivatives			
Interest rate swaps	16,464,555	133,406	268,382
Currency derivatives			
Currency swaps	16,036,674	400,481	287,269
Total	32,501,229	533,887	555,651

Derivative financial instruments 2016

€ thousand	Nominal amount	Fair values	
		Positive	Negative
Interest rate derivatives			
Interest rate swaps	17,960,615	147,119	314,165
Currency derivatives			
Currency swaps	16,342,689	904,547	405,457
Total	34,303,304	1,051,666	719,622

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

Information on global netting arrangements

OeKB concludes derivative financial instruments in accordance with the global netting arrangements (framework contract) of the International Swaps and Derivatives Association (ISDA). The amounts owed under such an agreement are generally settled and paid on an individual transaction basis. In certain cases, for example if a credit event occurs, all outstanding transactions under the agreement are terminated, the termination value is determined, and a single net amount is paid to settle all transactions.

The ISDA agreements do not fulfil the criteria for netting on the balance sheet. This is due to the fact that OeKB has no legal claim to the netting of the covered amounts because the right to netting is enforceable only in the case of certain future events such as a credit event.

The following table shows the book values of the derivative financial instruments covered by the reported agreements.

Global netting agreements 2017

€ thousand	Derivative financial instruments on the balance sheet	Gross and net amounts of derivative financial instruments that are not netted	Net amount
Derivative financial instruments with positive fair value			
Interest rate derivatives			
Interest rate swaps	133.406	(105.469)	27.937
Currency derivatives			
Currency swaps	400.481	(275.042)	125.439
Total	533.887	(380.511)	153.376
Derivative financial instruments with negative fair value			
Interest rate derivatives			
Interest rate swaps	268.382	(135.164)	133.218
Currency derivatives			
Currency swaps	287.269	(245.347)	41.923
Total	555.651	(380.511)	175.140

Global netting agreements 2016

€ thousand	Derivative financial instruments on the balance sheet	Gross and net amounts of derivative financial instruments that are not netted	Net amount
Derivative financial instruments with positive fair value			
Interest rate derivatives			
Interest rate swaps	147.119	(103.732)	43.387
Currency derivatives			
Currency swaps	904.547	(266.899)	637.648
Total	1.051.666	(370.631)	681.035
Derivative financial instruments with negative fair value			
Interest rate derivatives			
Interest rate swaps	314.165	(187.898)	126.267
Currency derivatives			
Currency swaps	405.457	(182.733)	222.724
Total	719.622	(370.631)	348.991

Guarantees pursuant to § 1(2b) AFFG

Guarantees of the Republic of Austria pursuant to § 1(2b) AFFG (Federal Law Gazette No. 216/1981 as amended) that serve as hedges against exchange rate risks in the EFS (see Note 1) are measured at fair value and are reported in a separate asset item.

Changes in guarantees pursuant to § 1(2b) AFGG

€ thousand	31 Dec 2017	31 Dec 2016
Fair value at the beginning of the period	5,683,157	5,167,195
Change resulting from foreign exchange differences	(1,936,339)	355,090
Change resulting from fair value measurement	348,923	160,872
Net profit for the period	(1,587,416)	515,962
Fair value at the end of the period	4,095,741	5,683,157

The change from foreign exchange differences results primarily from the exchange rate of the euro to the US dollar and Swiss franc (see the indicative exchange rates on the reporting dates – Note 4). CHF positions were also reduced during the financial year.

Note 37 Financial instruments by categories and fair values

The table below presents the financial assets and liabilities pursuant to IAS 39.

Financial instruments in 2017 by IAS 39 category

€ thousand	Notes	Loans and receivables	At amortised cost	Available for sale	FVTPL	Fair value option	Total
Assets							
Loans and advances to banks	16	15,494,455	-	-	-	698,426	16,192,881
Loans and advances to customers	16	1,536,986	-	-	-	-	1,536,986
Other financial assets	18	-	-	34,450	3,001,878	-	3,036,328
Derivative financial instruments	36	-	-	-	-	533,887	533,887
Guarantees pursuant to § 1(2b) AFGG	36	-	-	-	-	4,095,741	4,095,741
Total		17,031,441	-	34,450	3,001,878	5,328,054	25,395,824
Liabilities							
Deposits from banks	22	-	425,088	-	-	-	425,088
Deposits from customers	22	-	753,965	-	-	-	753,965
Debt securities in issue	23	-	5,046,213	-	-	16,594,202	21,640,415
Derivative financial instruments	36	-	-	-	-	555,651	555,651
Total		-	6,225,266	-	-	17,149,853	23,375,120

Financial instruments in 2016 by IAS 39 category

€ thousand	Notes	Loans and receivables	At amortised cost	Available for sale	FVTPL	Fair value option	Total
Assets							
Loans and advances to banks	16	14,394,447	-	-	-	89,045	14,483,492
Loans and advances to customers	16	1,572,646	-	-	-	-	1,572,646
Other financial assets	18	-	9,551 *	-	3,029,799	-	3,039,350
Derivative financial instruments	36	-	-	-	-	1,051,666	1,051,666
Guarantees pursuant to § 1(2b) AFFG	36	-	-	-	-	5,683,157	5,683,157
Total		15,967,093	9,551	-	3,029,799	6,823,868	25,830,311
Liabilities							
Deposits from banks	22	-	909,475	-	-	-	909,475
Deposits from customers	22	-	837,592	-	-	-	837,592
Debt securities in issue	23	-	5,297,874	-	-	15,963,327	21,261,201
Derivative financial instruments	36	-	-	-	-	719,622	719,622
Total		-	7,044,941	-	-	16,682,949	23,727,890

* The item 'Other financial assets' shows the shares in other unconsolidated companies at cost in 2016.

The following table shows the fair values and the fair value hierarchy of the financial assets and liabilities.

Fair value hierarchy 2017

€ thousand	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Loans and advances to banks	16	698,426	698,426	-	698,426	-
Other financial assets	18	3,036,328	3,036,328	3,001,878	-	34,450
Derivative financial instruments	36	533,887	533,887	-	533,887	-
Guarantees pursuant to § 1(2b) AFGG	36	4,095,741	4,095,741	-	4,095,741	-
Financial assets not measured at fair value						
Cash and balances at central banks	15, 28	424,206	424,206	-	424,206	-
Loans and advances to banks	16	15,494,455	15,771,438	-	15,771,438	-
Loans and advances to customers	16	1,536,986	1,582,092	-	1,582,092	-
Other financial assets	18	-	-	-	-	-
Financial liabilities measured at fair value						
Debt securities in issue	23	16,594,202	16,594,202	-	16,594,202	-
Derivative financial instruments	36	555,651	555,651	-	555,651	-
Financial liabilities not measured at fair value						
Deposits from banks	22	425,088	426,788	-	426,788	-
Deposits from customers	22	753,965	754,507	-	754,507	-
Debt securities in issue	23	5,046,213	5,658,604	-	5,658,604	-

Fair value hierarchy 2016

€ thousand	Notes	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Loans and advances to banks	16	89,045	89,045	-	89,045	-
Other financial assets	18	3,029,799	3,029,799	3,029,799	-	-
Derivative financial instruments	36	1,051,666	1,051,666	-	1,051,666	-
Guarantees pursuant to § 1(2b) AFGG	36	5,683,157	5,683,157	-	5,683,157	-
Financial assets not measured at fair value						
Cash and balances at central banks	15, 28	413,360	413,360	-	413,360	-
Loans and advances to banks	16	14,394,447	14,794,056	-	14,794,056	-
Loans and advances to customers	16	1,572,646	1,641,764	-	1,641,764	-
Other financial assets	18	9,551	9,551	-	9,551	-
Financial liabilities measured at fair value						
Debt securities in issue	23	15,963,327	15,963,327	-	15,963,327	-
Derivative financial instruments	36	719,622	719,622	-	719,622	-
Financial liabilities not measured at fair value						
Deposits from banks	22	909,475	913,255	-	913,255	-
Deposits from customers	22	837,592	837,882	-	837,882	-
Debt securities in issue	23	5,297,874	6,071,961	-	6,071,961	-

Sensitivity analysis

Due to the fact that it refinances the Export Financing Scheme through the capital market, OeKB Group is highly dependent on the capital market and also to access to the required funds in other currencies. The most important refinancing currencies for OeKB Group are the euro, the US dollar, and the Swiss franc. The following sensitivity analysis shows the possible development in the event of a 10% change in the euro exchange rate.

The calculations show that the foreign exchange risk is very low because of the guarantee pursuant to § 1(2b) AFGG.

US dollar FX sensitivity 2017

€ thousand	Carrying amount 31 Dec 2017	Included USD positions (in EUR)	USD/EUR -10%	Value after rate change
Assets				
Loans and advances to banks	16,192,881	1,145,550	(114,555)	1,030,995
Loans and advances to customers	1,536,986	147,154	(14,715)	132,439
Other financial assets	3,036,328	90,803	(9,080)	81,723
Derivative financial instruments	533,887	362,987	(217,881)	145,106
Guarantees pursuant to § 1(2b) AFFG	4,095,741	-	(12,564)	(12,564)
Liabilities and equity				
Deposits from banks	425,088	26,872	(2,687)	24,185
Deposits from other customers	753,965	60	(6)	54
Debt securities in issue	21,640,415	13,585,773	(1,358,577)	12,227,196
Derivative financial instruments	555,651	336,461	993,458	1,329,919
EFS interest rate stabilisation provision	1,638,577	-	(916)	(916)
Equity	800,864	-	(67)	(67)
Income statement				
Foreign exchange differences from debt securities in issue and derivative financial instruments			147,238	
Foreign exchange differences from guarantees pursuant to § 1(2b) AFFG			(12,564)	
Foreign exchange differences from other assets/liabilities			(135,657)	
Subtotal foreign exchange differences			(983)	
Carryover of measurement result from EFS interest rate stabilisation provision			916	
Subtotal measurement of debt securities in issue and derivative financial instruments			916	
Net gain or loss on financial instruments			(67)	

US dollar FX sensitivity 2016

€ thousand	Carrying amount 31 Dec 2016	Included USD positions (in EUR)	USD/EUR -10%	Value after rate change
Assets				
Loans and advances to banks	14,483,492	981,844	(98,185)	883,659
Loans and advances to customers	1,572,646	155,176	(15,518)	139,658
Other financial assets	3,039,350	69,367	(6,937)	62,430
Derivative financial instruments	1,051,666	909,380	(909,380)	-
Guarantees pursuant to § 1(2b) AFFG	5,683,157	-	(51)	(51)
Liabilities and equity				
Deposits from banks	909,475	49,608	(4,961)	44,647
Deposits from other customers	837,592	-	-	-
Debt securities in issue	21,261,202	14,915,286	(1,491,529)	13,423,757
Derivative financial instruments	719,622	270,812	466,341	737,153
EFS interest rate stabilisation provision	1,743,311	-	2	2
Equity	766,142	-	76	76
Income statement				
Foreign exchange differences from debt securities in issue and derivative financial instruments			115,807	
Foreign exchange differences from guarantees pursuant to § 1(2b) AFFG			(51)	
Foreign exchange differences from other assets/liabilities			(115,678)	
Subtotal foreign exchange differences			78	
Carryover of measurement result from EFS interest rate stabilisation provision			(2)	
Subtotal measurement of debt securities in issue and derivative financial instruments			(2)	
Net gain or loss on financial instruments			76	

Swiss franc FX sensitivity 2017

€ thousand	Carrying amount 31 Dec 2017	Included CHF positions (in EUR)	CHF/EUR -10%	Value after rate change
Assets				
Loans and advances to banks	16,192,881	8,404	(840)	7,564
Loans and advances to customers	1,536,986	-	-	-
Other financial assets	3,036,328	-	-	-
Derivative financial instruments	533,887	444,691	1,006,707	1,451,399
Guarantees pursuant to § 1(2b) AFG	4,095,741	-	(1,487,892)	(1,487,892)
Liabilities and equity				
Deposits from banks	425,088	3,097	(310)	2,787
Deposits from other customers	753,965	995	(100)	896
Debt securities in issue	21,640,415	3,954,737	(395,474)	3,559,263
Derivative financial instruments	555,651	107,917	(86,138)	21,780
EFS interest rate stabilisation provision	1,638,577	-	(5)	(5)
Equity	800,864	-	(0)	(0)
Income statement				
Foreign exchange differences from debt securities in issue and derivative financial instruments			1,488,318	
Foreign exchange differences from guarantees pursuant to § 1(2b) AFG			(1,487,892)	
Foreign exchange differences from other assets/liabilities			(431)	
Subtotal foreign exchange differences			(5)	
Carryover of measurement result from EFS interest rate stabilisation provision			5	
Subtotal measurement of debt securities in issue and derivative financial instruments			5	
Net gain or loss on financial instruments			0	

Swiss franc FX sensitivity 2016

€ thousand	Carrying amount 31 Dec 2016	Included CHF positions (in EUR)	CHF/EUR -10%	Value after rate change
Assets				
Loans and advances to banks	14,483,492	8,011	(801)	7,210
Loans and advances to customers	1,572,646	-	-	-
Other financial assets	3,039,350	-	-	-
Derivative financial instruments	1,051,666	887,313	960,961	1,848,274
Guarantees pursuant to § 1(2b) AFGG	5,683,157	-	(1,665,869)	(1,665,869)
Liabilities and equity				
Deposits from banks	909,475	1,666	(167)	1,499
Deposits from other customers	837,592	1	-	1
Debt securities in issue	21,261,202	4,395	(439,520)	(435,125)
Derivative financial instruments	719,622	265,985	(265,985)	-
EFS interest rate stabilisation provision	1,743,311	-	(37)	(37)
Equity	766,142	-	-	-
Income statement				
Foreign exchange differences from debt securities in issue and derivative financial instruments			1,666,466	
Foreign exchange differences from guarantees pursuant to § 1(2b) AFGG			(1,665,869)	
Foreign exchange differences from other assets/liabilities			(634)	
Subtotal foreign exchange differences			(37)	
Carryover of measurement result from EFS interest rate stabilisation provision			37	
Subtotal measurement of debt securities in issue and derivative financial instruments			37	
Net gain or loss on financial instruments			0	

Note 38 Risk management

OeKB is a special-purpose bank for capital market services, energy market services, and the Austrian export industry. It engages in no retail or deposit-taking business. The two credit institution subsidiaries “Österreichischer Exportfonds” GmbH and Oesterreichische Entwicklungsbank AG supplement the export services of OeKB, and the credit institution subsidiary OeKB CSD GmbH the capital market services. In significant business segments, the OeKB bank group (corresponds to OeKB Group) acts as a contractor to the Republic of Austria.

To ensure the stability and profitability of the Bank in the interest of all stakeholders (especially customers, owners, and the Republic of Austria), risk management and risk controlling are key processes within the business strategy. The OeKB bank group maintains comprehensive and appropriate risk management systems as required by its risk profile and business model.

The most important risk management measures in 2017 included the qualification of business risk as a material risk by the Executive Board in coordination with the Risk Committee of the Supervisory Board. The implementation of the EBA Guideline on interest rate risk in the banking book (IRRBB) was finalised and integrated into standard reporting. Further focuses were placed on internal governance at the level of the bank group and the refinement of group-wide standards, as well as on data governance (BCBS 239) and data availability and on the creation of a comprehensive IT strategy. The focus in 2018 will be placed on ORM topics in a broader sense (ICT risks, outsourcing) and on central reporting, as well as on refinements in the areas of stress testing and interest rate risks.

Key aspects of the risk policy

Each risk exposure that is accepted must conform with the risk policy and strategy defined by the Executive Board of OeKB Group. The policy and strategy are reviewed annually and are intended to ensure a stable return on equity on the basis of a conservative approach to business and operational risks.

The risk policy and strategy set out the risk management principles, the key features of the risk management organisation, the risk appetite, and the principles for the measurement, control, and limitation of the defined risk categories. In this manner, the Executive Board of OeKB ensures the uniform management of risks throughout the bank group.

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

Special features of OeKB – legal environment and its effects on risk management

The Export Financing Scheme represents the great majority of assets on the balance sheet (see also Note 1).

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

Exemptions from regulatory requirements are highly important for OeKB's business model. OeKB is exempt from the liquidity regulations (LCR, NSFR) as well as European and national provisions for the banking union (such as the BRRD). Further exemptions exist regarding export guarantees (i.e. the EFS), in particular the exemption from the European Union's CRR (Regulation [EU] No. 575/2013). These exemptions also apply to the fully consolidated subsidiaries, "Österreichischer Exportfonds" GmbH and Oesterreichische Entwicklungsbank AG. Similar exemptions apply to the fully consolidated subsidiary OeKB CSD GmbH, which applied for a licence according to the CSD regulations in 2017. Together with OeKB, these subsidiaries form a bank group.

OeKB as the parent bank runs the Internal Capital Adequacy Assessment Process (ICAAP) pursuant to § 39a(1) BWG on a consolidated basis as the Group ICAAP; accordingly, no individual ICAAPs are performed at an institutional level.

Because of the special importance of the Export Financing Scheme and based on the management principles of OeKB, the EFS is treated as a separate investment risk entity (part of credit risk) in the Group ICAAP. For this purpose, a separate risk coverage calculation is performed for the EFS. The EFS poses no risks for the OeKB Group so long as it can bear its own risks. Any risk exceeding the Export Financing Scheme's risk coverage capital would become part of the Group's credit risk. For details, see ICAAP EFS and its integration in the Group ICAAP in Note 40.

Organisation

Given OeKB Group's key business activities and its specific business and risk structure, the Bank has adopted a clear functional organisation for its risk management process with well defined roles. In line with proportionality rules, there is no separation between risk origination and risk oversight in the Executive Board.

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

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

Chief Risk Officer: The implementation of the measures decided by the Risk Management Committee is overseen by the Chief Risk Officer, supported by the Financial Risk Manager, the Operational Risk Manager, and the Chief Information Security Officer (CISO). The CISO reports directly to the full Board and, once a year, to the Risk Committee of the Supervisory Board.

Risk Controlling department: The Risk Controlling department is responsible for the measurement and assessment of financial risks, operating-level financial risk controlling including monitoring the internal limits, and the practical implementation of the Internal Capital Adequacy Assessment Process.

Operational risk management: The standards for the management of operational risk are implemented in OeKB's business operations by the Organisation, Construction, Environmental Issues, and Security department (OBUS) with the exception of information security matters, which are the responsibility of the Chief Information Security Officer. The activities relating to operational risk management and information security and those coming under the remit of the Internal Control System Officer are subject to ongoing coordination.

Asset and Liability Management Committee: The responsibilities of the ALCO consist primarily of setting the EFS lending rates and defining the EFS products and assessing the liquidity and managing the market risk in the EFS in accordance with the prevailing market conditions.

Internal Audit: The organisational units involved in the risk management process and the procedures that are applied are regularly reviewed by the Internal Audit department (3rd line of defence).

Supervisory Board: The Supervisory Board oversees all risk management arrangements at OeKB and receives quarterly reports on OeKB's risk situation. These risk reports present a detailed view of OeKB Group's risk situation. The Supervisory Board also maintains a Risk Committee pursuant to § 39d BWG, which convened for one meeting in 2017. The Audit Committee of the Supervisory Board also monitors the effectiveness of the internal control system.

Reporting and other risk-mitigating units and measures

OeKB has implemented a comprehensive and risk-oriented reporting scheme to ensure that the senior management responsible for managing and monitoring financial and operational risks are informed adequately and in good time. This reporting includes the quarterly risk reports by the Executive Board to the Supervisory Board and annual coordination and consultation within the Risk Committee of the Supervisory Board pursuant to § 39d BWG.

Risk management is supplemented by the internal control system (ICS), which ensures compliance with guidelines and risk-mitigation measures. An Internal Control System Officer was nominated to ensure that the ICS complies with the legal requirements and to implement and continuously refine the ICS guideline enacted by the Executive Board. Largely automated general IT controls and audits conducted by the Internal Audit department ensure its effectiveness.

To minimise legal risks, a Legal Compliance Officer reports directly to the Executive Board and provides a comprehensive view of the effects of different legal matters on OeKB. This officer is also responsible for compliance in accordance with the Securities Supervision Act (WAG). OeKB has also set up an organisational structure and appointed an officer to implement the anti-money-laundering and counter-terrorism measures set forth in the Austrian Banking Act.

As part of the operational risk management strategy, organisational structures have been defined for various emergency and crisis scenarios.

Risk management framework, policies, and guidelines

In addition to maintaining a suitable risk management organisation, the OeKB bank group has a comprehensive system of internal guidelines that enables the Executive Board to manage Group-level risks and risks at the level of OeKB as an individual company.

This framework has a cascading structure. The policies and guidelines adopted by the Executive Board form the uppermost level. The downstream organisational units that are responsible for risk management create more detailed, concrete guidelines as needed on the basis of these executive policies and guidelines. The work instructions, standard operating procedures, and method and process documentation that are derived from the adopted guidelines and policies form the bottom level and are generally under the responsibility of the department heads. The policies and guidelines apply to the entire bank group or to the individual company depending on their individual purposes and content.

Risk appetite and approaches to risk control

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

The process accounts for the going concern approach and the gone concern approach as required by the supervisory authorities. The key difference between the two approaches lies in the definition of the economic capital available to cover risk and the choice of the confidence level for the risk (99.9% for the going concern approach and 99.98% for the gone concern approach).

Another measure for expressing risk appetite is based on liquidity risk as insolvency risk. This is the short-term risk of not being able to meet present or future payment obligations fully as they come due. A minimum survival period of at least one month and a target survival period of at least two months have been set for OeKB Group.

Note 39 Internal Capital Adequacy Assessment Process (ICAAP)

OeKB runs the Internal Capital Adequacy Assessment Process exclusively at the Group level. This is done according to the two steering perspectives specified in Note 38, going concern and gone concern.

There is no steering of individual business divisions or segments within OeKB, as this is of limited relevance. The steering of bank subsidiaries is based on risk budgets, and a separate ICAAP is carried out for the EFS (see Note 40).

The risk coverage calculation is performed quarterly by the Risk Controlling department – which as a risk oversight function is independent from risk origination – and is reported both to the Risk Management Committee and the Supervisory Board. The results of liquidity and market risk analyses are also dealt with by the ALCO. The most important systems for risk measurement and risk monitoring are SAP, QRM, Bloomberg, and proprietary systems.

Risk measurement principles

The key variable in the measurement and management of risk is economic capital. Risk is defined by OeKB as the danger that the actual outcome will be less favourable than the expected outcome (unexpected loss). The economic capital is calculated on the basis of a one-year horizon at the confidence levels defined in the steering principles.

The risk coverage calculation especially takes all defined material risk categories into account, namely credit risk, market risk, operational risk, and business risk. Credit risks are measured using the credit value at risk (CVaR) approach and market risks using the VaR approach. Business risk is determined on the basis of a statistical analysis of empirical target deviations in the operating profit.

Liquidity risk is measured and managed primarily on the basis of the survival period. The survival period is determined on the basis of cash flow and funding projections (using idiosyncratic and systemic stress assumptions) that are compared with the liquidity buffer (see Note 41).

Risk coverage calculation and limitation

In the risk coverage calculation, the economic capital requirement is compared with the risk coverage capital (internal or business capital). This is done in consideration of different coverage objectives and approaches (going concern and gone concern), see also Note 38.

Based on the results of the risk coverage calculation and the recommendations by the Risk Management Committee, the Executive Board defines the limits for market and credit risk for OeKB Group as a whole as well as risk budgets for the bank subsidiaries. Compliance with these limits and risk budgets is monitored by the Risk Controlling department and reported to the Risk Management Committee and the Executive Board on a quarterly basis. Additional operational limits are also in place in key areas. These also cover the monitoring of risk concentrations.

In the risk coverage calculation, concentrations of risk between risk types are taken into consideration by determining the aggregate risk as the sum of the type-specific risk capital amounts and thus assuming a perfectly positive correlation.

The measurement of operational risk is based on the Basic Indicator Approach expanded by a distribution for scaling to the respective confidence level of the specific approach.

The following table shows the high risk-bearing capability of OeKB Group in the going concern and gone concern approach. The increase in the economic capital can primarily be attributed to a reduction in the hedging positions in the investment portfolio.

Risk coverage calculation for OeKB Group

€ thousand	31 Dec 2017		31 Dec 2016	
	Economic capital	Available risk coverage capital	Economic capital	Available risk coverage capital
Going Concern	78,704	713,082	60,231	660,978
Gone Concern	104,125	870,532	82,714	818,428

The economic capital calculations are supplemented with stress tests. This involves both univariate tests for key risk drivers and multivariate market-specific tests. To assess the sustainability of the risk-bearing capacity under adverse market conditions, input parameters such as volatilities, correlations, and probabilities of default are subject to stress on the basis of a macroeconomic scenario and then evaluated on the basis of this risk-bearing capacity.

Comparison of risk pursuant to ICAAP with minimum regulatory capital requirements pursuant to Art. 92 of Regulation (EU) No. 575/2013

€ thousand	Value at Risk pursuant to ICAAP (confidence level 99.98%)		Regulatory capital requirement purs. to Reg. (EU) No. 575/2013 (see Note 27)	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Credit risk	36,019	33,153	47,628	48,220
Commodity and foreign exchange risk	33,010	1,203	5,437	5,416
Other market risk in the banking book	4,224	18,261	-	-
Other risks	4,958	3,939	-	-
Operational risk	25,914	26,159	20,366	20,558

The risk changes in the items 'Commodity and foreign exchange risk' and 'Other market risk in the banking book' are primarily the result of changes in the investment portfolio. These reflect both an increase in risk directly in the special purpose fund of OeKB due to the reduction of FX and stock hedges on the one hand and a reduction in interest rate risk (including diversification effects) on the other.

For details concerning the individual risk types considered in the Group's ICAAP, see Note 40.

Note 40 Risk types in detail

Market risk

Market risk is the risk of losses due to changes in market parameters. OeKB distinguished between specific and general interest rate risk, foreign exchange risk, and equity price risk. As no trading book is maintained, OeKB's market risks relate only to banking book positions.

Risks are assessed in the Group ICAAP by using the value at risk concept to estimate maximum potential losses within a single year. According to the steering principles, the calculation is carried out at the two confidence levels of 99.9% and 99.98%. The economic capital determined in this manner is then taken into account in the risk coverage calculation.

The largest amount of economic capital stems from the OeKB's investment portfolio (see Note 18, Other financial assets), 9.6% (2016: 9.4%) of which consisted of investment funds and 90.4% (2016: 90.6%) of which was made up of bonds held by the Group. Of these bonds, € 2,254.8 million (2016: € 2,298.1 million) serve as a liquidity buffer in the Export Financing Scheme; the buffer's interest rate risk is hedged by derivative financial instruments. The value at risk of the rest of the investment portfolio is determined monthly. At 31 December 2017, the VaR amounted to € 31.3 million (2016: € 12.2 million) for a holding period of one year at a 99.9% confidence level. In the risk management of the investment portfolio, the in-house portfolio management is supported by an external overlay manager.

Exchange rate risks arise above all in connection with raising long-term and short-term funds for the Export Financing Scheme. These risks are largely covered by an exchange rate guarantee of the Republic of Austria under the Export Financing Guarantees Act (see also Note 1). An EFS interest rate stabilisation provision is maintained for interest rate risks under the Export Financing Scheme, which are measured using earnings at risk (see also Note 1). It forms the dedicated capital available to cover the risks determined in the risk coverage calculation for the Export Financing Scheme (see EFS ICAAP and its integration into the Group ICAAP below for more details).

With the exception of export promotion business in accordance with the Export Guarantees Act and the Export Financing Guarantees Act, the effects of extreme market scenarios are calculated using stress tests. These tests comprise both the determination of the value at risk under stress conditions (such as credit migration and correlations) and multivariate stress tests based on specific historical scenarios (such as Black Monday, 11 September, and the 2007/08 financial crisis). The effects of interest rate shifts and twists as defined by the EBA Guidelines on interest rate risk in the banking book are also calculated in present-value and net-result terms on a quarterly basis.

Gap analysis

The following tables show the gap analysis for OeKB Group. The comparison with the table for the previous year shows that OeKB has not made any substantial changes to its gap strategy.

Gap analysis at 31 December 2017

€ thousand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Carrying amount
Cash and balances at central banks	424,206	-	-	-	-	424,206
Loans and advances to banks	8,138,526	1,527,590	467,199	3,634,520	2,425,045	16,192,881
Loans and advances to customers	1,376,554	146,106	570	4,285	9,471	1,536,986
Bonds and other fixed-income securities	289,301	62,000	11,000	912,900	1,265,885	2,541,086
Total	10,228,587	1,735,697	478,768	4,551,705	3,700,401	20,695,158
Deposits from banks	(400,088)	(25,000)	-	-	-	(425,088)
Deposits from customers	(728,729)	(25,000)	-	(236)	-	(753,965)
Debt securities in issue	(4,964,823)	(1,880,013)	(833,546)	(9,782,000)	(4,180,034)	(21,640,415)
Total	(6,093,639)	(1,930,013)	(833,546)	(9,782,236)	(4,180,034)	(22,819,468)
Gap before derivative financial instruments	4,134,947	(194,316)	(354,777)	(5,230,531)	(479,633)	
Effect of derivative financial instruments	(7,068,301)	1,113,140	(364,269)	5,103,590	1,215,839	
Total	(2,933,354)	918,824	(719,046)	(126,940)	736,207	

Gap analysis at 31 December 2016

€ thousand	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Carrying amount
Cash and balances at central banks	413,360	-	-	-	-	413,360
Loans and advances to banks	7,998,155	875,730	305,059	3,077,885	2,226,662	14,483,492
Loans and advances to customers	1,416,151	94,929	34,457	15,950	11,159	1,572,646
Bonds and other fixed-income securities	333,336	19,000	108,500	659,750	1,483,135	2,603,721
Total	10,161,003	989,659	448,016	3,753,585	3,720,956	19,073,220
Deposits from banks *	(884,475)	(25,000)	-	-	-	(909,475)
Deposits from customers	(832,066)	(5,000)	-	(525)	-	(837,592)
Debt securities in issue	(3,945,216)	(2,487,652)	-	(11,809,191)	(3,019,142)	(21,261,202)
Total	(5,661,758)	(2,517,652)	-	(11,809,717)	(3,019,142)	(23,008,269)
Gap before derivative financial instruments	4,499,245	(1,527,993)	448,016	(8,056,131)	701,814	
Effect of derivative financial instruments	(6,544,142)	1,207,705	(139,719)	6,041,534	(565,378)	
Total	(2,001,116)	(320,288)	308,297	(2,014,597)	136,436	

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

Credit risk

OeKB differentiates between the following types of credit risk: counterparty risk/default risk, investment risk, and concentration risk. Credit risks are assessed using the credit value at risk (CVaR). This is the difference between absolute VaR at a given confidence level (for example 99.98% in the gone concern approach) and the expected loss associated with the respective default.

The creditworthiness of counterparties is assessed using a clear rating and mapping system. This rating is based on a detailed 22-part internal master scale that differentiates between sovereign and other counterparties in the very good rating segment in assessing the probability of default.

The distribution of assets in OeKB Group's banking book across rating categories was as shown in the table below. Guaranteed assets are assigned to the rating category of the guarantor in the amount of the guarantee.

Credit portfolio by rating category 2017

€ thousand	Rating category 1 (AAA/AA)	Rating category 2 (A)	Rating category 3 (BBB)	Rating category 4 (BB)	Rating category 5 (B)	Rating category 6 (CCC or lower)	Carrying amount
Cash and balances at central banks	424,206	-	-	-	-	-	424,206
Loans and advances to banks	15,791,124	231,866	169,743	7	-	141	16,192,881
Loans and advances to customers	1,490,232	42,830	2,411	28	-	1,485	1,536,986
Loan loss provisions	-	-	-	-	-	-	-
Other financial assets	2,686,167	51,917	296,844	1,368	-	32	3,036,328
Derivative financial instruments	78,928	374,384	80,575	-	-	-	533,887
Guarantees pursuant to § 1(2b) AFG	4,095,741	-	-	-	-	-	4,095,741

Credit facilities and commitments to lend amounted to € 3,075,769 thousand at the reporting date.

Credit portfolio by rating category 2016

€ thousand	Rating category 1 (AAA/AA)	Rating category 2 (A)	Rating category 3 (BBB)	Rating category 4 (BB)	Rating category 5 (B)	Rating category 6 (CCC or lower)	Carrying amount
Cash and balances at central banks	413,360	-	-	-	-	-	413,360
Loans and advances to banks	14,018,835	260,116	204,013	12	-	515	14,483,492
Loans and advances to customers	1,515,104	37,291	15,522	-	338	4,391	1,572,646
Loan loss provisions	-	-	-	-	-	-	-
Other financial assets	2,693,402	43,191	301,599	-	1,127	31	3,039,350
Derivative financial instruments	301,965	661,922	87,778	-	-	-	1,051,666
Guarantees pursuant to § 1(2b) AFFG	5,683,157	-	-	-	-	-	5,683,157

Credit facilities and commitments to lend amounted to € 3,539,113 thousand at the reporting date.

OeKB Group's credit exposure consists primarily of financial instruments in the Export Financing Scheme (loans and advances to banks and customers). These loans are extended according to strict principles and high collateral requirements (mainly by guarantees of the Republic of Austria).

Because of these guarantees, the increase in lending volume in 2017 entails almost exclusively commitments with top credit ratings.

To secure credit risks in connection with derivative financial instruments, collateral agreements are concluded with all counterparties. Credit derivatives are not used.

Credit risk concentrations

Significant credit risk concentrations are found primarily in the EFS and mainly concern banks, the Republic of Austria, and further collateral providers. These concentrations are inherent to the business model and scope for diversification in this regard is limited.

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

Portfolio breakdown by country after recognition of collateral

€ thousand	Loans and advances to banks		Loans and advances to customers		Carrying amount per country	
	2017	2016	2017	2016	2017	2016
Austria	14,849,706	13,292,536	1,535,507	1,570,848	16,385,213	14,863,384
Germany	343,057	248,470	5	8	343,062	248,478
Finland	264,512	231,932	-	-	264,512	243,674
France	207,937	143,947	-	-	207,937	231,932
Italy	206,082	133,310	-	-	206,082	143,947
Great Britain	69,671	243,674	-	-	69,671	-
Other countries	251,915	189,624	1,474	1,790	253,389	324,723
Total	16,192,881	14,483,492	1,536,986	1,572,646	17,729,867	16,056,138

Guarantees from national governments and international organisations have been issued for 98.6% (2016: 95.0%) of the loans and advances to banks and customers shown in the table above.

In addition to the regulatory requirements, the Executive Board has set volume limits at the transaction type, portfolio, and counterparty levels for the Bank's business operations. Through a limit system implemented in the IT system SAP, compliance with defined credit limits and with the large-loan limits set by the Supervisory Board is verified daily.

EFS ICAAP and its integration in the Group ICAAP

In line with OeKB's steering principles, OeKB performs a separate risk coverage calculation for the EFS. Risks within the EFS that are not covered by the guarantees from the Republic of Austria are evaluated and compared with the EFS interest rate stabilisation provision pursuant to the UGB, which serves as risk coverage capital for the EFS.

The EFS is taken into account as investment risk within OeKB Group's Internal Capital Adequacy Assessment Process (ICAAP). Any risk exceeding the risk coverage capital of the EFS thus becomes part of the OeKB's credit risk and is included in the calculation of risk coverage for OeKB Group.

In accordance with the primary steering principle, market risks are measured using earnings at risk and credit risks using CVaR. The extensive collateral and guarantees provided by the Austrian government result in a high level of risk concentration vis-a-vis the Republic of Austria, which is not measured due to the high quality of the collateral. Like the calculation of market risk, the calculation of credit risk also uses Monte Carlo Simulation techniques that allow intra-concentration risks in the economic capital to be taken into account. The quality of the collateral is taken into account in accordance with the issuer credit rating and the correlation to the borrower. Other relevant risk types are CVA risk in connection with derivative financial instruments and refinancing risks. Since liquidity risks outside the EFS are minor, refinancing risk is accounted for in full in the EFS ICAAP. In line with the defined risk appetite, the risk is calculated at the same confidence levels as in the Group ICAAP, i.e. 99.9% and 99.98%.

The aggregate risk is compared with the risk coverage capital in the risk coverage calculation to assess the EFS's ability to bear its associated risks. The funds available to cover risk essentially correspond to the EFS interest rate stabilisation provision pursuant to the UGB. These funds result from surpluses generated in the EFS, which are to be retained in the EFS in accordance with the decree of the Ministry of Finance from 1968 (non-interest liability). As the tax office only treats the EFS interest rate stabilisation provision as a 'deductible debt item' if the funds are used to lower the

effective refinancing interest rate, a tax provision is added to the economic capital for credit risk when calculating the risk-bearing capacity.

Any risk exceeding the risk coverage capital of the EFS thus becomes part of the OeKB's credit risk and is included in the calculation of risk coverage for OeKB Group. Thanks to the risk-averse management of the EFS, this has not occurred since the inception of the risk coverage calculation in 2007.

Business risk

OeKB Group understands business risk to primarily mean a deterioration of profits caused by unexpected changes in business volume or margins; this risk implicitly includes business model risk and strategic risks arising from business policy decisions and changes in economic or legal conditions as well as reputation risks as negative consequences of stakeholder perceptions.

Business risk is initially determined on a quantitative basis and then subject to expert review so that concrete limits can be set annually by the Risk Management Committee. As this risk category is a profit risk, it is accounted for in the risk coverage calculation by being deducted from the risk coverage capital (free capital for risk coverage see Note 39).

Aside from quantitative inclusion in the ICAAP, OeKB is aware of the relevance of these risks in particular in its role as a special-purpose bank, due to the high importance of the Export Financing Scheme, and in light of the associated legal exceptions. The active monitoring of legislative changes, stakeholder dialogue, adherence to a conservative risk policy, and a proactive reputation policy (including a code of conduct) are central factors in mitigating these risks.

Operational risk

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

Standards, rules, and processes are derived from the risk policy and documented in manuals. This also includes emergency management manuals, contingency plans, and crisis scenarios, all of which are reviewed annually. The effectiveness of plans and concepts is checked using tests and exercises. The ongoing maintenance and evaluation of the central loss incident database, in which near losses are also documented, helps to ensure the continuous optimisation of operational risks.

Given the high importance of information security, the Group has a separate Information Security Officer. Legal risks are mitigated through ongoing monitoring by the business segments, through the activities of the bank's Legal Officer, and through coordination by a Legal Compliance Officer.

Operational risk is dictated by the corporate culture and the behaviour of each individual more strongly than market risk and credit risk. With this in mind, the Executive Board has established a code of conduct with binding rules, which provides clear value concepts and rules concerning corruption prevention, a whistle-blower system, and a complaints system, among other aspects.

The economic capital requirement is determined by scaling the regulatory capital requirement according to the Basic Indicator Approach to the respective confidence level.

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

Other risks

Model risks and risks from risk types that are not separately measured are taken into account in the risk coverage calculation by the application of percentage surcharges to the determined economic capital.

OeKB Group faces various risk concentrations. Two of the most significant concentrations are the business field concentration as a special-purpose bank and the dependence on the guarantees provided by the Republic of Austria in connection with the EFS. These concentrations are inherent to the business model and scope for diversification in this regard is limited.

Inter-concentration risks that arise from interdependences between different risk types are factored into the Group ICAAP as well as into the EFS ICAAP by aggregating the economic capital values for each risk type (credit risk, market risk, etc.). Multivariate stress tests are also performed to evaluate these risks.

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

Note 41 Liquidity risk management (ILAAP)

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

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

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

The goal of OeKB's liquidity strategy is to ensure sufficient access to required liquidity on acceptable terms even in difficult market situations. OeKB's excellent standing for decades on the international financial markets coupled with the high diversification of its funding instruments, markets, and maturities, and most importantly of all the Austrian government guarantee protecting the lenders pursuant to § 1(2a) AFFG combine to facilitate market access for the Group even when markets are under special stress. The processes used to measure and manage liquidity risk are documented in the liquidity risk management manual.

As the overwhelming need for liquidity results from the Export Financing Scheme, the refinancing risk is factored into the risk coverage calculation for the EFS.

The central tool for the measurement of liquidity risk in the narrower sense is a monthly liquidity gap analysis. This is done using one-day time buckets for the next twelve-month period and is based on cash flow and funding projections – under both idiosyncratic and systemic stress assumptions – that are set against the liquidity buffer (consisting primarily of securities eligible for rediscounting by the ECB). Market liquidity risk is taken into account through corresponding haircuts for liquid assets.

The average survival period determined by this methodology was over six months in 2017. OeKB defines the survival period as that period for which the current liquidity buffer is sufficient under an assumed combination of simultaneous idiosyncratic and systemic stresses to meet all payment obligations without having to raise additional capital on the financial markets (although the full faith and credit of the Republic of Austria supports such borrowing by OeKB). In a stress period, the survival period is thus the time available to take any strategic corrective action necessary. A liquidity contingency plan is in place for crisis situations.

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

Liquidity buffer of OeKB Group

€ thousand	Fair value 2017	Fair value 2016
Cash and balances at central banks	424,206	413,360
Less minimum reserves	(39,782)	(44,530)
Cash and balances at central banks	384,424	368,830
Securities deposited at the central bank	5,831,052	4,182,707
Treasury bills and similar securities eligible for rediscounting	957,355	1,087,902
Bonds from other issuers eligible for rediscounting	14,698	18,754
Total	7,187,529	5,658,193

Nearly all treasury bills that are eligible for rediscounting by the ECB are pledged as collateral to ensure access to the multi-currency Swiss repo market. These are immediately available as realisable liquidity together with the securities deposited at the central bank, taking the corresponding discounts into account.

The following table shows the maturity structure of the financial liabilities. The interest and principal cash flows are assigned to the individual maturity bands based on the contractual maturities. The utilisation of unused credit facilities is accounted for on the basis of the contractually agreed payout dates. The cash flows from derivative financial instruments are included in the analysis as a net inflow or outflow based on the contractually agreed amounts.

Financial liabilities - as at 31 December 2017

€ thousand	Contractual cash flows	Up to 1 month	1 month to 1 year	1 to 5 years	More than 5 years	Carrying amount
Deposits from banks	(427,245)	(318,575)	(5,391)	(23,061)	(80,218)	(425,088)
Deposits from customers	(773,156)	(196,833)	(3,270)	(543,111)	(29,942)	(753,965)
Debt securities in issue	(22,547,368)	(1,283,794)	(5,473,826)	(11,093,235)	(4,696,512)	(21,640,415)
Derivative financial instruments	(526,647)	9,337	(133,943)	(354,886)	(47,155)	555,651
Unused limit	1,520,201	62,610	575,636	863,408	18,547	
Total	(22,754,215)	(1,727,256)	(5,040,795)	(11,150,885)	(4,835,280)	

Financial liabilities - as at 31 December 2016

€ thousand	Contractual cash flows	Up to 1 month	1 month to 1 year	1 to 5 years	More than 5 years	Carrying amount
Deposits from banks *	(915,357)	(792,819)	(580)	(48,205)	(73,754)	(909,475)
Deposits from customers	(838,980)	(302,704)	(2,476)	(506,617)	(27,182)	(837,592)
Debt securities in issue	(22,427,377)	(1,242,962)	(4,211,768)	(13,333,519)	(3,639,128)	(21,261,202)
Derivative financial instruments	(707,402)	(6,895)	(280,066)	(383,231)	(37,211)	(719,622)
Unused limit	2,221,700	504,111	786,264	931,326	-	
Total	(22,667,416)	(1,841,269)	(3,708,626)	(13,340,246)	(3,777,275)	

* Changed presentation (see Note 1 - Changes in recognition and measurement methods).

The liquidity buffer as at 31 December 2017 therefore exceeds the financial liabilities that come due within one year.

Daily liquidity is ensured on the basis of the needs and coverage calculation, and long-term liquidity is assessed on the basis of the gap analysis.

Gap according to the gap analysis

€ thousand	Up to 2 years		2 to 5 years		5 to 10 years		More than 10 years	
	2017	2016	2017	2016	2017	2016	2017	2016
Liquidity gap	(2,661,607)	(2,093,520)	(862,693)	(4,534,551)	2,321,675	3,761,570	(587,596)	(332,218)

OeKB does not manage its liquidity according to the liquidity coverage ratio (LCR) or net stable funding ratio (NSFR). Pursuant to § 3(2)1 of the BWG, the following legal provisions do not apply: Part 6 of Regulation (EU) No. 575/2013 and §§ 27a, 39(2b)7 in conjunction with 39(4), 39(3), and 74(6)3a in conjunction with § 74(1) of the BWG.

Note 42 Staff disclosures

During the financial year, the Group had an average of 402 full-time equivalents (2016: 406).

Note 43 Officer's compensation and loans

The following table gives details of the aggregate compensation of the Executive Board and Supervisory Board members. The remuneration of the Executive Board includes salaries, a variable component based on the success of the company, benefits in kind, and payments for defined-contribution benefits after the end of the employment relationship. A change was made to the composition of the Executive Board on 31 July 2016.

Remuneration of the members of the Executive Board

€ thousand	2017	2016
Current benefits	(854)	(992)
Benefits due after the end of the employment relationship	(126)	(1,629)
Other non-current benefits	(668)	(665)
Benefits relating to the end of the employment relationship	(101)	(202)
Total	(1,749)	(3,488)

Remuneration of former members of the Executive and Supervisory Board

€ thousand	2017	2016
Former members of the Executive Board	(1,197)	(1,025)
Former members of the Supervisory Board	(191)	(198)

The figure for benefits due after the end of the employment relationship for the previous year results primarily from the reduction in the discount rate for employee benefit provisions from 2.40% to 1.75%. After the change in the Executive Board in the 2016 financial year, no active member of the Executive Board has entitlements under defined-benefit plans.

OeKB Group does not offer share-based payment.

The members of the Executive Board and Supervisory Board received no loans or guarantees from OeKB Group during the financial year, as was the case in the previous year.

Note 44 Other related party transactions

As a specialised institution for export services and capital market services, OeKB engages in many transactions with its shareholders such as acting as the main bank under the EFS and as an issuer of securities. In addition to shareholders (see following table), OeKB Group also defines companies that are controlled by the Group but not consolidated and companies that are recognised in the consolidated financial statements according to the equity method as related parties. Individuals who are considered related parties include the members of the Executive Board and Supervisory Board (see Note 45) of Oesterreichische Kontrollbank AG. All of the following transactions are conducted at arm's length terms.

The majority of loans and advances to banks (financial instruments under the EFS) pertain to transactions with shareholders of OeKB. The share of interest and similar income generated by transactions with shareholders in 2017 came to € 62.9 million or 20.2% (2016: € 185.0 million or 53.0%). This interest and similar income included breakage costs from the early repayment of loans in the amount of € 10.0 million (2016: € 84.1 million).

The other financial assets are bonds that were publicly issued by the shareholders of OeKB. The fee and commission income from the investments in other unconsolidated companies results primarily from services relating to energy clearing.

Transactions between Oesterreichische Kontrollbank AG and fully consolidated subsidiaries are not disclosed in the consolidated financial statements because they are eliminated in the consolidation process.

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

Related party transactions 2017

€ thousand	Owners of OeKB Group	Investments in unconsolidated subsidiaries and other interests	Equity-accounted investments
Other financial assets	25,927	-	-
Loans and advances to banks	11,642,678	-	-
Assets	11,668,605	-	-
Deposits from banks	57,521	-	-
Deposits from customers	-	17,460	28,387
Liabilities	57,521	17,460	28,387
Nominal amount of loan commitments, financial guarantees and other commitments	2,476,743	-	20,000
Interest and similar income	62,908	-	-
Interest and similar expenses	6,031	-	-
Income from investments	-	2,983	5,198
Fee and commission income	403	2,516	93
Other operating income	1,281	362	3,079

No transactions were conducted with the members of the Executive Board or Supervisory Board, as was the case in the previous year.

Related party transactions 2016

€ thousand	Owners of OeKB Group	Investments in unconsolidated subsidiaries and other interests	Equity-accounted investments
Other financial assets	29,117	-	-
Loans and advances to banks	10,818,778	-	-
Assets	10,847,895	-	-
Deposits from banks	16,213	-	-
Deposits from customers	-	17,549	40,211
Liabilities	16,213	17,549	40,211
Nominal amount of loan commitments, financial guarantees and other commitments	2,696,007	-	20,000
Interest and similar income	185,002	-	-
Interest and similar expenses	-	1	3
Income from investments	-	3,412	5,880
Fee and commission income	7,776	3,323	330
Other operating income	1,150	-	3,341

The following table shows the shareholder structure of OeKB, which did not change in annual comparison.

Ownership structure of Oesterreichische Kontrollbank AG at 31 December 2017

Shareholders	Number of shares held	Shareholding in %
CABET-Holding-GmbH, Vienna (UniCredit Bank Austria Group)	217,800	24.750%
UniCredit Bank Austria AG, Vienna	142,032	16.140%
Erste Bank der oesterreichischen Sparkassen AG, Vienna	113,432	12.890%
Schoellerbank Aktiengesellschaft, Vienna	72,688	8.260%
AVZ GmbH, Vienna	72,600	8.250%
Raiffeisen Bank International AG, Vienna	71,456	8.120%
BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, Vienna	44,792	5.090%
Raiffeisen OeKB Beteiligungsgesellschaft mbH, Vienna	44,000	5.000%
Oberbank AG, Linz	34,224	3.889%
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	26,888	3.055%
BKS Bank AG, Klagenfurt	26,888	3.055%
Volksbank Wien AG, Vienna	13,200	1.500%
Total shares	880,000	100.000%

Note 45 Board members and officials

Members of the Executive Board

Name	Term of office	
	from	to
Helmut Bernkopf	1 Aug 2016	31 Jul 2019
Angelika Sommer-Hemetsberger	1 Jan 2014	31 Dec 2018

Members of the Supervisory Board

Position	Name	Term of office	
		from	to
Chairman	Erich Hampel	1 Jan 2010	AGM 2021
First Vice Chairman	Walter Rothensteiner	2 Aug 1995	AGM 2021
Second Vice Chairman	Stefan Dörfler	18 May 2017	AGM 2022
Member	Harald Brückl	18 May 2017	AGM 2018
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Claudia Höller	18 May 2017	AGM 2018
Member	Peter Lennkh	18 May 2017	AGM 2022
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Jozef Sikela	12 May 2015	AGM 2020
Member	Herta Stockbauer	21 May 2014	AGM 2019
Member	Herbert Tempsch	29 May 2013	AGM 2018
Member	Susanne Wendler	18 May 2017	AGM 2022
Member	Robert Wieselmayer	19 May 2016	AGM 2021
Member	Robert Zadrzil	19 May 2009	AGM 2021
Member	Franz Zwickl	20 May 1999	AGM 2021
Member	Rainer Borns	19 May 2016	18 May 2017
Member	Heinrich Schaller	19 May 2016	18 May 2017
Member	Karl Sevelda	24 Sep 2013	18 May 2017
Second Vice Chairman	Thomas Uher	12 May 2015	18 May 2017

AGM = Annual General Meeting

Employee representatives

Position	Name	Term of office	
		from	to
Chairman of the Staff Council	Martin Krull	14 Mar 2002	13 Mar 2018
Vice Chairwoman	Erna Scheriau	1 Apr 2001	13 Mar 2018
Member	Alexandra Griebel	14 Mar 2010	13 Mar 2018
Member	Elisabeth Halys	1 Jul 2013	13 Mar 2018
Member	Ulrike Ritthaler	14 Mar 2014	13 Mar 2018
Member	Christoph Seper	14 Mar 2014	13 Mar 2018
Member	Markus Tichy	1 Jul 2011	13 Mar 2018

Audit Committee

<u>Position</u>	<u>Name</u>
Chairman	Walther Rothensteiner
Member	Erich Hampel
Member	Martin Krull

Risk Committee

<u>Position</u>	<u>Name</u>
Chairman	Walther Rothensteiner
Member	Erich Hampel
Member	Martin Krull

Working Committee

<u>Position</u>	<u>Name</u>
Chairman	Erich Hampel
Member	Walther Rothensteiner
Member	Martin Krull

Nomination Committee

<u>Position</u>	<u>Name</u>
Chairman	Erich Hampel
Member	Walther Rothensteiner
Member	Martin Krull

Compensation Committee

<u>Position</u>	<u>Name</u>
Chairman	Erich Hampel
Member	Walther Rothensteiner
Member	Stefan Dörfler
Member	Martin Krull
Member	Erna Scheriau

Government commissioners

under § 76 of the Austrian Banking Act

<u>Position</u>	<u>Name</u>	<u>Term of office since</u>
Commissioner	Harald Waiglein	1 Jul 2012
Deputy Commissioner	Johann Kinast	1 Mar 2006

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

Government commissioners

under § 27 of the Articles of Association (supervision of bond cover pool)

<u>Position</u>	<u>Name</u>	<u>Term of office</u>
Commissioner	Beate Schaffer	since 1 Nov 2013
Deputy Commissioner	Karl Flatz	since 1 Dec 2017
Deputy Commissioner	Edith Wanger	1 Jun 1997 until 30 Nov 2017

Note 46 Action for damages

The company was not aware of any actions for damages on the reporting date.

Note 47 Events after the balance sheet date

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

Note 48 Date of approval for publication

These financial statements will be submitted to the Supervisory Board for approval on 21 March 2018. Additional disclosures in accordance with Part 8 of Regulation (EU) No. 575/2013 (Disclosure Report, in German only) are provided on the OeKB website (www.oekb.at).

Vienna, 6 March 2018

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

Auditor's Report

Report on the Consolidated Financial Statements

Audit Opinion

We have audited the consolidated financial statements of

**Oesterreichische Kontrollbank Aktiengesellschaft,
Vienna, Austria**

and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and Section 59a BWG (Austrian Banking Act).

Basis for our Opinion

We conducted our audit in accordance with the EU Regulation 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 audited Group in accordance with Austrian Generally Accepted Accounting Principles and 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 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, however, we do not provide a separate opinion thereon.

Loans and advances to banks and to customers of the Export Financing Scheme

Refer to Note 1 General Objectives [Chapter: Legal basis of the Export Financing Guarantees and the Export Financing Scheme as well as features of the Export Financing Scheme].

Risk for the Financial Statements

As of 31 December 2017 loans and advances to banks and to customers of the Export Financing Scheme (EFS) amount to 17.729,9 Mio EUR, or 68 % of total assets.

The OeKB Export Financing Scheme is to fund export credits extended by Austrian and foreign banks participating in the scheme (with OeKB refinancing bank lending to the customer) preconditioned the Austrian and foreign banks comply with the credit rating criteria of OeKB (“house bank status”) and above all the legal requirements for assuming liability by the Republic of Austria in terms of the transactions as well as the requirements for administration and processing (collateral management) are fulfilled.

Essential criteria for recognition and valuation of loans and advances to banks and to customers of the EFS is consequently the verification of legal as well as contractual criteria by OeKB’s management. Therefore management established processes and internal controls heavily dependent on complex IT systems. Failures increase administration risk and can also impact valuation of loans and advances to banks and to customers of the EFS within the consolidated financial statements of OeKB Group.

Our Response

We analyzed the processes in the respective operating departments verifying the existence of the legal and contractual requirements in order to ensure the adequate valuation of loans and advances to banks and to customers of the EFS within the consolidated financial statements of OeKB Group. 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 areas relevant for the audit of the financial statements we focused together with our IT specialists on:

- Governance framework for the IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required
- Certain aspects of the security of the IT systems including access and segregation of duties
- Securing the required legal as well as contractual criteria (mainly approvals and collaterals)
- Conformal recording and mapping of contractual terms and conditions.

Determination of Fair Values of Financial Instruments

Refer to Note 5 Determination of Fair Value and Note 37 Fair Values of Financial Instruments.

Risk for the Consolidated Financial Statements

As of 31 December 2017, financial assets measured and carried at fair value represented 8.364,4 Mio EUR; ie 32 % of total assets of the OeKB Group and financial liabilities measured and carried at fair value represented 17.149,9 Mio EUR; ie 66 % of total liabilities of the OeKB Group.

The fair value of financial instruments without stock exchange quotations is determined through the application of valuation techniques which often involve the exercise of judgement by the directors and the use of assumptions and estimates therefore representing a risk of misstatement for the consolidated financial statements.

Our Response

Our audit procedures included the assessment of relevant controls over the identification, measurement and management of valuation risk and evaluating the methodologies, inputs and assumptions and estimates used by the management of OeKB Group in determining fair values.

With the assistance of our own valuation specialists, we critically assessed the assumptions and models used and reperformed an independent valuation assessment (esp for debt securities in issue and derivative financial instruments), by reference to what we considered to be available alternative methods and sensitivities to key factors. For a sample of valuation inputs we compared that against independent sources and externally available market data and critically assessed the appropriateness of the models and inputs.

We also considered whether the consolidated financial statement disclosures appropriately reflect the OeKB Group's exposure to financial instrument valuation risk.

Responsibilities of Management Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to Section 245a UGB (Austrian Commercial Code) and Section 59a BWG (Austrian Banking Act) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

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

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

Moreover:

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

Report on Other Legal Requirements

Group Management Report

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

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

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

Opinion

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

Statement

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

Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 19 May 2016, we were elected as group auditors. We were appointed by the Supervisory Board on 17 Juni 2016. We have been the Group's auditors from the year ended 31 December 1995, without interruption.

We declare that our opinion expressed in the "Report on the Consolidated 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 ensured our independence throughout the course of the audit, from the audited Group.

Auditor in Charge

The auditor in charge is Mag. Wilhelm Kovsca.

Vienna, 6 March 2018

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by

MAG. WILHELM KOVSCA

Austrian Chartered Accountant

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

Supervisory Board report

In 2017 the Supervisory Board monitored the Executive management and approved their actions. The Executive Board briefed the Supervisory Board regularly, promptly and comprehensively on all relevant business matters and developments, in meetings, written reports and face to face. To help it fulfil its duties efficiently, the Supervisory Board has set up five committees assembled from its members.

The consolidated financial statements for 2017 and the group management report presented herein, as well as the 2017 separate financial statements and management report of Oesterreichische Kontrollbank AG, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna. As the audit did not give rise to any objections and the legal requirements were met in full, an unqualified audit certificate was issued.

The Supervisory Board and its Audit Committee have reviewed the reports presented by the Executive Board on the result of the audit for the financial year 2017, and the proposal for the distribution of profit. The final result of this review did not give rise to any objections.

In its meeting on 21 March 2018 the Supervisory Board approved the separate financial statements for 2017, which were thereby adopted, and declared its agreement with the Executive Board's proposal for the distribution of profit. The Supervisory Board has also approved the consolidated financial statements and group management report.

The Supervisory Board takes this opportunity to sincerely thank the members of the Executive Board and the employees of OeKB Group for their excellent work.

Vienna, March 2018

For the Supervisory Board of Oesterreichische Kontrollbank AG

ERICH HAMPEL

Chairman

Statement by the Executive Board

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group directors' report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the directors' report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 6 March 2018

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

Separate financial statements

Management report

Economic environment in 2017

The global economy gained considerable momentum in 2017. According to current International Monetary Fund (IMF) forecasts, global expansion rose from 3.2% in 2016 to 3.6% in the reporting period. This trend was driven by stronger impetus from key industrialised countries such as the USA (+2.2%) and the Eurozone members (+2.1%). Global trade also reflected the generally more dynamic market conditions. While the World Trade Organization (WTO) predicted expansion of 2.4% at the beginning of 2017, its most recent forecast for global trade growth was a solid 3.6%. The main reason for this upward revision is higher import demand in North America and Asia.

Improved economic conditions in the emerging and frontier markets

A look at the emerging and frontier markets shows that the economic output of these countries grew more rapidly in the reporting period than in 2016. According to IMF estimates, growth rose from 4.3% in 2016 to 4.6%. There were again significant differences from region to region. The aggregate GDP growth of the ASEAN 5 (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) came in at 5.2%. The BRIC countries also sent positive economic signals in 2017. Brazil and Russia climbed out of recession, and the growth slowdown that had been predicted for China for the reporting period was averted. India's economy again posted substantial growth at 6.7%, though it failed to match the previous year's level because of a far-reaching cash reform.

Positive developments in Central, Eastern, and Southeastern Europe

According to the Vienna Institute for International Economic Studies (WIIW), economic conditions in Central, Eastern, and Southeastern Europe improved overall in 2017. This can primarily be attributed to rising wages and household incomes, which in turn spurred private consumption. There was also a general uptrend in investments. In direct country comparison, Romania (+5.7%), Hungary (+4.0%), and Slovenia (+4.0%) were standouts with relatively good economic growth in the reporting period. By contrast, the economic recovery in crisis-plagued Ukraine still failed to really gather steam. While the economy did grow for the second year in a row in 2017 (+2.0%), the country is still suffering from a large number of risk factors.

Strong economic expansion in Austria

Domestic economic growth strengthened noticeably in 2017. The most recent forecast of the Austrian Institute of Economic Research (WIFO) points to GDP growth of 3.0%, driven by healthy corporate investment. The economy was also boosted by foreign trade, which profited from the improved global conditions. Financing activity also picked up, and the domestic market for corporate bonds grew substantially compared with 2016. The total issue volume came to € 14.4 billion, up from € 7.5 billion in 2016. Austrian government bonds continued to benefit from the country's reputation as a safe haven for investors. The yield on a 10-year government bond was 0.6% at the end of 2017 (2016: 0.4%).

Business development in 2017

The financing volume under the Export Financing Scheme rose again in 2017 in contrast to the previous years. This trend was facilitated by higher exports by Austrian companies, the attractive conditions, the new value creation rules, and the new Export Invest product in the Export Financing Scheme (EFV). The number of loans managed under the Export Financing Scheme increased to around 2,650 contracts (2016: around 2,550 contracts).

The export services unit was restructured during the financial year. To this end, the relevant processes were analysed, the requirements adapted, and the organisation then tailored to these parameters. An agreement was reached with the Austrian Federal Economic Chamber in December under which the remaining 30% of „Österreichischer Exportfonds“ GmbH would be taken over. The agreement came into force on 31 December 2017 and was entered in the trade register on 10 January 2018.

Income statement

Overall, the year 2017 brought a number of challenges in part due to the low interest rate level. A number of large-volume loans were repaid early, thus lowering the net interest income, and the interest income from the investment portfolio also retreated considerably (see also page 128 of the notes).

The volume of the Export Financing Scheme was dominated by early repayments over the past years. Loans under the Export Financing Scheme rose by € 1,628,956 thousand to € 17,810,869,615.17 in 2017 (2016: € 16,181,915 thousand). Net interest income declined to € 53,498,728.63 in annual comparison (2016: € 57,544 thousand). Furthermore, in the refinancing of the Export Financing Scheme, OeKB benefited from loss from negative interest.

Income from securities and investments came to € 14,449,402.26, € 1,122 thousand less than the previous year's result of € 15,571 thousand. This was largely the result of lower profit disbursements by CEESEG AG in the amount of € 2,042,730.90 (2016: € 2,460 thousand) and the OeKB EH Beteiligungs- und Management AG in the amount of € 5,198,000.00 (2016: € 5,900 thousand).

In the Capital Market Services segment, fee and commission income from our new fund tax data service rose considerably. In the Energy Market Services segment, the net fee and commission income remained stable. The income from fees for the administration of export guarantees on behalf of the Austrian government declined in annual comparison. OeKB's net fee and commission income in 2017 was € 25,418,534.33 (2016: € 24,866 thousand).

The net income from financial operations came in at minus € 38,692.78 in the reporting period (2016: minus € 18 thousand).

The other operating income of € 19,424,547.85 (2016: € 21,268 thousand) consists primarily of rental revenue, the input tax adjustment for previous years, and service fees and staff costs (for assigned staff) charged to subsidiaries.

Total operating income was € 112,752,520.29 (2016: € 119,231 thousand).

The administrative expenses (€ 62,566,505.94) declined in annual comparison (2016: € 71,524 thousand). Staff costs fell to € 44,867,713.98 (2016: € 54,442 thousand). This was primarily due to expenses related to generation management in the previous year (€ 3,471 thousand). The use and release of pension and termination benefit provisions also contributed significantly to the decrease in staff costs. The reduction in employee benefit provisions was the result of the slightly higher interest rate level in annual comparison and the associated change in the discount rate to 1.80% (2016: 1.75%) and resulted in income of € 2,957,763.00 (2016: expense of € 1,312 thousand). The other administrative expenses came to € 17,698,791.96 (2016: € 17,081 thousand), € 618 thousand higher than in the previous year. This additional expense was the result of a project to implement a company-wide financing architecture relating to supervisory requirements and of a project to restructure the export services unit.

The other operating expenses of € 2,675,918.92 rose slightly in annual comparison (2016: € 2,568 thousand) and consist mainly of expenses for the stability tax and rental costs for sublet business premises.

This puts the operating expenses at € 70,387,704.41, a year-on-year reduction (2016: € 79,123 thousand).

The operating profit in 2017 was € 42,364,815.88, which is an increase of 5.6% compared with the previous year (€ 40,108 thousand).

No individual allowances were made for impairment losses in the reporting period (2016: no individual allowances). Amortisation of securities held as current assets amounted to € 51,060.52 (2016: € 457 thousand).

Income from impairment reversals on loans and advances amounted to € 12,700,000.00 (2016: € 12,700 thousand) and stemmed entirely from impairment reversals pursuant to § 57 of the Austrian Banking Act (BWG) due to the fact that they are no longer eligible as regulatory capital under the Capital Requirements Regulation (CRR). The write-ups on securities totalled € 143,403.50 (2016: € 15,434 thousand). The profits realised on securities held as current assets came to € 252,095.00 (2016: € 102 thousand).

Taking all of these effects into account, the profit before tax was € 55,409,253.86 (2016: € 67,886 thousand). After income tax, profit for the year of € 43,954,149.21 was below the result of € 57,406 thousand of the previous year.

In financial year 2017, € 11,014,965.15 (2016: € 36,938 thousand) was allocated to other retained earnings to strengthen the capital base. However, under the CRR, this addition to regulatory capital does not qualify as common equity tier 1 capital until the adoption of the annual financial statements. The profit available for distribution was reported at € 32,950,000.00. The profit available for distribution in 2016 amounted to € 20,229 thousand.

Balance sheet

At 31 December 2017, liquid assets in the form of balances at central banks amounted to € 400,651,546.21 (2016: € 389,873 thousand). In liabilities, deposits from banks fell from € 303,142 thousand in 2016 to € 280,204,232.86 at the end of 2017.

Loans and advances to banks came to € 36,915,183.22 as of 31 December 2017, close to the level in the previous year (2016: € 39,878 thousand).

The volume of the investment portfolio (see also page 128 of the notes) fell to € 458,117,994.74 in 2017 (2016: € 471,709 thousand). The fair value on the reporting date was € 545,639,065.54 (2016: € 564,575 thousand).

OeKB's Export Financing Scheme accounted for 94.7% of the total balance sheet volume, increasing by € 1,588,783 thousand or 8.6% to € 19,994,706,366.91 in 2017. Major reason for this was the increase in loans and advances to banks. Accordingly, the volume of debt securities in issue was improved. The liquid assets portfolio that is used for the export financing operations and that consists primarily of bonds (see also page 135 in the notes) contracted by € 40,027 thousand to a nominal value of € 2,162,790,775.45 (2016: € 2,202,818 thousand).

The total assets at 31 December 2017 amounted to € 21,110,316,675.80 (2016: € 19,524,155 thousand).

Financial performance indicators

The cost-income ratio (operating expenses/operating income) fell to 62.4% (2016: 66.4%), in particular due to lower operating expenses.

The regulatory capital available under Regulation (EU) No. 575/2013 (CRR) rose by € 24,739 thousand to € 581,791,585.93 in 2017 (2016: € 557,053 thousand). Pursuant to the CRR, the allocations to the other retained earnings will not be recognised as regulatory capital until the adoption of the annual financial statements.

The tier 1 ratio (CRR tier 1/risk-weighted assets) came to 67.1% in 2017 (2016: 61.4%) due to decreased regulatory funds requirements, primarily in relation to less operational risk. Further information on the capital ratios can be found in the notes under 'Additional disclosures pursuant to the BWG'.

The return on equity (profit for the year/average equity) came in at 8.0% in 2017 (2016: 11.1%).

Research and development

No research and development is conducted due to the nature of OeKB's business activities.

Risk management system

Internal control system

The aim of the internal control system is to support the management in such a way that it is in a position to ensure ever better and more effective internal checks. This aim should not be limited solely to the accounting system, but should also include all important business processes so that the economic efficiency and effectiveness of business activities, the reliability of the business information (including non-financial reporting, e.g. corporate responsibility), and adherence to guidelines and regulations (compliance) can be guaranteed.

OeKB's internal control system (ICS) draws on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework, which has five components: the control environment, risk assessment, control activities, information and communication, and monitoring activities.

The most fundamental aspect of the control environment is the corporate culture in which management and employees operate. Central organisational principles are the avoidance of conflicts of interest through strict separation of risk origination and risk oversight, the transparent documentation of core processes and control activities, and rigorous segregation of duties and application of the principle of dual control. The Internal Audit/Group Internal Audit department independently and regularly verifies adherence to the internal regulations, including the accounting and financial control rules. The management of Internal Audit/Group Internal Audit reports directly to the Executive Board and Supervisory Board.

The goal of risk management at OeKB is to identify all risks and take measures to avert or mitigate these risks. This also includes the risk of material misstatement of transactions. The risk management system includes all processes that serve to identify, analyse, and evaluate risks. They are identified and monitored by management, with a focus on risks that are deemed to be material. The internal control activities performed by the responsible departments are evaluated regularly.

Control activities

OeKB has a governance system that sets out structures, processes, functions, and responsibilities within the bank. Care is taken to implement all control activities in such a way as to ensure that potential errors or discrepancies in financial reporting are avoided or discovered and corrected.

IT-based control activities are a key component of the internal control system. Thus, the compartmentalisation of sensitive responsibilities is supported by the restrictive assignment of access permissions in the computer systems (need-to-know basis). The SAP enterprise management system is used for accounting and financial reporting. The functioning and effectiveness of this accounting system is ensured by means including integrated, automated control mechanisms.

Information and communication

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

Monitoring

Financial statements intended for publication undergo a final review by management and staff of the Accounting & Financial Control department and by the Executive Board before being forwarded to the Audit Committee of the Supervisory Board. By monitoring compliance with all rules and regulations, OeKB aims to make all business processes as reliable as possible and ensure Group-wide conformity with policies and procedures. The staff members responsible manage identified risks and shortcomings in controls through prompt mitigative and preventative measures. The implementation of these measures is monitored. The Internal Audit/Group Internal Audit department evaluates compliance with the requirements in accordance with the annual audit plan.

Risk management

Risk management and risk controlling are key processes within the business strategy and are designed to ensure the long-term stability and profitability of the bank. Every risk assumed is accepted consciously and is consistent with the Executive Board's risk policy and strategy, which aims to ensure a stable return on equity through a conservative approach to all business and operational risks. The risk policy and strategy set forth the risk policy principles, the risk appetite, the framework of the risk management organisation, and the principles upon which the measurement and management of the defined risk categories are based.

OeKB acts as Austria's official export credit agency. This special position of the Bank and the associated responsibility for supporting the Austrian economy shape the Bank's business and risk policies.

The Export Financing Scheme represents the great majority of assets on the balance sheet, and is treated as a separate accounting entity. In this respect, OeKB is exempt from key laws such as the Capital Requirements Regulation or CRR.

Further major exemptions for OeKB apply in connection with liquidity regulations and the European and national provisions for the banking union (such as the Bank Recovery and Resolution Directive or BRRD). These exemptions also apply in large part to the banking subsidiaries „Österreichischer Exportfonds“ GmbH and Oesterreichische Entwicklungsbank AG. Similar exemptions also apply to the subsidiary OeKB CSD GmbH.

The Internal Capital Adequacy Assessment Process (ICAAP) implemented at OeKB Group ensures the maintenance of the defined bank-specific level of capital adequacy and forms an integral part of the management process as a controlling and steering instrument. Risk measurement is based on the concept of economic capital, which is compared with the risk coverage potential in the risk coverage calculation. This risk coverage calculation is multi-tiered, using both a 'going concern' approach (designed to ensure sufficient regulatory capital to continue doing business even in the case of severe losses) and a 'gone concern' approach (focusing on protecting creditors and the ability to repay deposits and other senior debt in the event of liquidation). The gone concern scenario uses a confidence level of 99.98%, which is consistent with the defined risk appetite. The going concern calculations are based on a confidence level of 99.9%. The confidence levels are the same as used in the previous year.

Organisation

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

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

Risk Management Committee: The function of the Risk Management Committee consists of strategic risk controlling and risk monitoring in accordance with the valid risk policy. The Risk Management Committee is the primary recipient of the risk reports, monitors and manages the risk profiles for the individual risk types, and decides what action to take based on the risk reports. The committee consists of the Executive Board, the Chief Risk Officer (CRO) and Deputy CRO, the Operational Risk Manager (ORM), the Financial Risk Manager (FRM), the Internal Control System Officer, the Legal Compliance Officer along with representatives from the Accounting & Financial Control department and the business segments.

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

Risk Controlling department: The Risk Controlling department is responsible for the measurement and assessment of financial risks, operating-level financial risk controlling including monitoring the internal limits, and the practical implementation of the Internal Capital Adequacy Assessment Process.

Operational risk management: The standards for the management of operational risk are implemented in OeKB's business operations by the Organisation, Construction, Environmental Issues and Security department (OBUS) with the exception of information security matters, which are the responsibility of the Chief Information Security Officer. The activities relating to operational risk management and information security and those coming under the remit of the Internal Control System Officer are subject to ongoing coordination.

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

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

Supervisory Board: The Supervisory Board oversees all risk management arrangements at OeKB and receives quarterly reports on OeKB's risk situation. These risk reports present a detailed view of OeKB's risk situation. The Supervisory Board also maintains a Risk Committee pursuant to § 39d BWG, which convened for one meeting in 2017. The Audit Committee of the Supervisory Board also monitors the effectiveness of the internal control system.

Market risk

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

Risks are assessed by using the value at risk concept to estimate maximum potential losses at given confidence levels. In addition, interest rate and exchange rate sensitivity ratios are determined, and the effects of extreme market movements are calculated through stress tests.

The largest amount of economic capital was from OeKB's investment portfolio, which consists of 89.0% bonds (2016: 88.1%) and 11.0% equity shares (2016: 9.6%). The remainder consists primarily of short-term investments made for the purposes of fund management. The value at risk (VaR) is determined monthly taking all hedge relationships into account. The VaR for the market risk from the investments at a confidence level of 99.98% and a holding period of one year was € 35.8 million at 31 December 2017 (2016: € 14.0 million). In the risk management of the investment portfolio, the in-house portfolio management is supported by an external overlay manager. The equities portion of the investment portfolio was hedged for the most part in the previous year.

Exchange rate risks exist above all in connection with raising long- and short-term funds for the Export Financing Scheme. These risks are largely secured by an exchange rate guarantee of the Republic of Austria under the Export Financing Guarantees Act. An interest rate stabilisation provision is maintained for interest rate risks under the Export Financing Scheme, which are measured using earnings at risk. It forms the dedicated capital available to cover the risks determined in the risk coverage calculation for the Export Financing Scheme.

Derivative financial instruments

Derivative financial instruments are used to assist in managing market risks. The derivatives involved are mostly interest rate swaps and cross-currency interest rate swaps that are traded over the counter (OTC) and that are used primarily as hedging instruments for debt securities issued.

The total volume of derivatives positions at 31 December 2017 was as follows (the shown fair values are present values):

€	Fair values 2017			Fair values 2016		
	Notional amount at 31 Dec 2017	Positive	Negative	Notional amount at 31 Dec 2016	Positive	Negative
Interest rate derivatives						
Interest rate swaps (OTC)	16,464,555,178.41	133,373,856.88	268,227,876.10	17,960,614,508.22	146,561,156.59	312,601,092.66
Currency derivatives						
Currency swaps (OTC)	16,036,674,103.83	400,383,449.41	287,104,640.72	16,342,689,417.08	904,547,299.07	405,456,895.20
Total	32,501,229,282.24	533,757,306.29	555,332,516.82	34,303,303,925.30	1,051,108,455.66	718,057,987.86

The substantial change in the positive fair values of the currency-related derivative financial instruments was primarily the result of the change in the exchange rates of the EUR to the USD and CHF compared with the previous year.

Liquidity risk

OeKB differentiates between three forms of liquidity risk:

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

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

Liquidity management and liquidity risk management are conducted jointly for OeKB's banking business and the Export Financing Scheme as an integral whole. As the liquidity requirements are dominated by those of the Export Financing Scheme, liquidity costs are not assigned to individual business segments at this time. The economic capital for the refinancing risk is allocated entirely to the Export Financing Scheme.

The adequacy of available liquidity is ensured by means of a survival period analysis. This risk measurement is based on cash flow and funding projections under combined idiosyncratic and systemic stress scenarios against which the liquidity buffer (especially securities eligible for rediscounting by the ECB) is compared. The specified minimum survival period under stress is set at one month. A liquidity contingency plan is in place for crisis situations. Long-term liquidity is assessed based on the gap analysis of the maturity profile of assets and liabilities.

Credit risk

Credit risk is the risk of unexpected losses as a result of the default of counterparties. The bank differentiates between the following types of credit risk: counterparty risk/default risk, investment risk, and concentration risk. Credit risks are assessed using the credit value at risk (CVaR). This is the difference between absolute VaR at a given confidence level (for example 99.98% in the gone concern approach) and the expected loss associated with the respective default.

Counterparties are classified into internal credit rating categories on the basis of external ratings from internationally recognised rating agencies and internal credit ratings. This rating is based on a detailed 22-part internal master scale that differentiates between sovereign and other counterparties in the very good rating segment and that uses clearly defined rating and mapping rules.

The credit exposure of OeKB consists largely of export credits. These credits are extended according to strict principles and high collateral requirements (mainly by guarantees of the Republic of Austria). To secure credit risks in connection with derivative transactions, collateral agreements are concluded with all counterparties. Credit derivatives are not used.

In the OeKB ICAAP, the Export Financing Scheme (EFS) is treated as investment risk for which risk coverage is calculated separately. For this, the risks in the EFS (especially credit, interest rate, refinancing, and CVA risk) are assessed and compared against the risk coverage potential (i.e. the interest rate stabilisation provision). When assessing credit risk, business partner concentrations are taken into consideration. The extensive collateral and guarantees provided by the Austrian government result in a high level of risk concentration, a fact that is inherent in the business model. If the risk exceeds the interest rate stabilisation provision, it is included in the OeKB ICAAP as credit risk.

Operational risk

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

Bank-wide standards, rules, and processes are derived from the risk policy and documented in the operational risk manual. This also includes emergency management manuals, contingency plans, and crisis scenarios, all of which are reviewed annually. The ongoing maintenance and evaluation of the loss incident database helps to ensure the continuous optimisation of operational risks.

Given the high importance of information security, the Group has a separate Information Security Officer. Legal risks are mitigated through ongoing monitoring by the business segments, through the activities of the bank's Legal Officer, and through coordination by a Legal Compliance Officer.

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

Non-financial performance indicators

Given OeKB's central significance for Austria's capital market and export industry, it is acutely aware of the importance of highly qualified and motivated staff. Service quality and expertise combined with awareness for the importance of sustained earnings, controlling costs, and mitigating and managing risk are key success factors.

In addition to management career paths, particular importance is attached to expert career paths to remain attractive as an employer for highly qualified personnel. In OeKB Group's flat management hierarchy, our experts play a critical role in the success of the Bank.

OeKB's long-term success depends on the commitment of the people working for it. Family-friendly measures such as flexible working hours, teleworking, and a Bank daycare centre address the needs of every employee who values the compatibility of work and family life. Full- and part-time educational leave is actively supported. All of this is intended to ensure a good balance between professional and non-professional activities.

At a total cost of € 527,375.02 (2016: € 382 thousand), OeKB spent € 1,391.49 per employee on training and development in 2017 (2016: € 1 thousand).

The headcount decreased from 352 full-time equivalents in 2016 to 344 at the end of 2017. The profit for the year per full-time equivalent came to € 127,773.69 (2016: € 163 thousand).

Employees of OeKB ¹

	2017	2016	2015
Total as at 31 December	379	385	391
<i>Of whom part-time employees</i>	<i>110</i>	<i>100</i>	<i>95</i>
Total employees in full-time equivalents	344	352	362
Average number of employees pursuant to the UGB	343	354	356
Turnover rate	3.2%	3.3%	2.1%
Sick days per year and full-time employee	8.3	10.3	9.3
Training days per year and employee	2.6	2.9	4.9
Proportion of total positions held by women	55.1%	55.6%	55.5%
<i>Of whom part-time employees</i>	<i>44.0%</i>	<i>41.6%</i>	<i>38.7%</i>
Proportion of management positions held by women	37.0%	39.2%	40.7%

¹ Including employees posted to OeEB, OeKB CSD, Acredia Versicherung and Exportfonds.

Outlook for 2018

The year 2018 will be another difficult but successful period in economic terms. The economic projections are good, and the global economy is picking up speed. However, the political uncertainty will continue at varying levels from region to region. This poses a significant challenge for the Austrian export industry. As in the past, OeKB continues to provide exporters with extensive assistance, both through export loans and with guarantees for the financing of business acquisitions and start-ups. We expect to be able to expand our lending volume in 2018 due to rising export and foreign investment activity by Austrian companies as well as due to our attractive financing conditions and products.

We expect our securities investments to continue delivering lower earnings in 2018 due to the sustained low interest from reinvestments. The Federal Reserve System has indicated that USD interest rates will rise. Interest rates in the Eurozone will remain low in 2018 despite the coming end of the ECB bond purchasing programme. The risk premiums on Austrian government bonds remain stable, which means that the terms of access to the international capital markets should remain attractive for OeKB.

In 2018, we plan to increasingly merge the loan extension processes of our subsidiary „Österreichischer Exportfonds“ GmbH with the processes in the OeKB Export Services unit both to improve the refinancing options for SMEs and to leverage synergies so as to cut costs.

Overall, OeKB is well prepared to meet the challenges ahead, and we are expecting sustained growing operating income.

We wholeheartedly thank all our employees for their commitment and their contribution to our success. Our sincere thanks also go to the Staff Council, whose members continued their long tradition of representing the interests of the employees and of the Bank.

Vienna, 28 February 2018

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

Oesterreichische Kontrollbank AG – Separate financial statements 2017

Balance sheet as at		31 Dec 2017	31 Dec 2016
Assets		€	€ thousand
01	Balances at central banks	400,651,546.21	389,873
02	Treasury bills and similar securities eligible for rediscounting by the ECB	64,897,990.55	75,055
03	Loans and advances to banks	36,915,183.22	39,878
	a) Repayable on demand	6,915,183.22	9,878
	b) Other loans and advances	30,000,000.00	30,000
04	Loans and advances to customers	3,924,354.38	4,729
05	Bonds and other fixed-income securities	206,511,961.25	209,932
	a) Of public issuers	1,512,794.18	-
	b) Of other issuers	204,999,167.07	209,932
06	Equity shares and other variable-income securities	186,708,042.94	186,722
07	Interests in investments other than subsidiaries	7,984,461.81	7,983
	<i>Of which in banks</i>	<i>0.00</i>	<i>-</i>
08	Interests in subsidiaries	58,934,282.58	55,265
	<i>Of which in banks</i>	<i>35,431,139.03</i>	<i>31,761</i>
09	Non-current intangible assets	1,171,009.00	1,180
10	Property and equipment	15,075,016.89	18,503
	<i>Of which land and buildings occupied for own business use</i>	<i>10,330,019.90</i>	<i>13,614</i>
11	Other assets	23,823,374.37	14,656
12	Prepayments and accrued income	2,197,460.07	2,178
13	Deferred tax assets	106,815,625.62	112,277
14	Assets related to export financing	19,994,706,366.91	18,405,923
14.1	Treasury bills and similar securities eligible for rediscounting by the ECB	1,491,014,455.52	1,559,197
14.2	Loans and advances to banks (others)	17,595,013,581.92	15,916,364
14.3	Loans and advances to customers	215,856,033.25	265,550
14.4	Bonds and other fixed-income securities	664,531,665.99	643,621
	<i>Of which own bonds</i>	<i>0.00</i>	<i>24,051</i>
14.5	Equity shares and other variable income securities	7,244,653.94	-
14.6	Other assets	0.00	1,810
14.7	Accruals and deferred income	21,045,976.29	19,379
	<i>Of which for issue of own debt securities</i>	<i>14,585,676.29</i>	<i>13,179</i>
	Total assets	21,110,316,675.80	19,524,155
	Memo items		
1	Foreign assets	1,736,859,359.69	1,629,410

Balance sheet as at		31 Dec 2017	31 Dec 2016
Liabilities and equity		€	€ thousand
01	Deposits from banks	280,204,232.86	303,142
	a) Repayable on demand	189,627,870.50	131,689
	b) With agreed maturity or notice period	90,576,362.36	171,453
02	Deposits from customers (miscellaneous, repayable on demand)	78,324,621.49	84,669
03	Other liabilities	17,659,562.32	10,560
04	Prepayments and accrued income	7,558,125.03	7,621
05	Provisions	168,436,207.11	172,549
	a) Termination benefit provisions	22,349,663.00	24,449
	b) Pension provisions	104,597,884.00	105,457
	c) Tax provisions	0.00	170
	d) Other provisions	41,488,660.11	42,473
06	Subscribed share capital	130,000,000.00	130,000
07	Allocated capital reserves	3,347,629.63	3,348
08	Retained earnings	373,027,930.45	362,013
	a) Statutory reserve	10,601,796.47	10,602
	b) Other reserves	362,426,133.98	351,411
09	Liability reserve pursuant to § 57(5) BWG	24,102,000.00	24,102
10	Profit available for distribution	32,950,000.00	20,229
11	Liabilities related to export financing	19,994,706,366.91	18,405,923
11.1	Deposits from banks	214,830,000.00	731,184
	a) Repayable on demand	214,830,000.00	795
	b) With agreed maturity or notice period	0.00	730,389
11.2	Deposits from customers	646,515,813.90	743,036
	a) Repayable on demand	618,518,884.13	714,726
	b) With agreed maturity or notice period	27,996,929.77	28,310
11.3	Debt securities in issue	17,758,204,842.73	15,516,384
	a) Bonds issued	14,342,282,937.02	13,316,356
	b) Other debt securities in issue	3,415,921,905.71	2,200,028
11.4	Other liabilities	1,406,844.82	7,483
11.5	Accruals and deferred income	141,530,692.63	155,157
11.6	Provisions (EFS interest rate stabilisation provision)	1,232,218,172.83	1,252,679
	Total liabilities and equity	21,110,316,675.80	19,524,155
Memo items			
1	Credit risks	3,075,768,620.61	3,539,113
2	Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	581,791,585.93	557,053
3	Minimum regulatory capital requirement pursuant to Article 92 of Regulation (EU) No. 575/2013	772,717,604.88	783,844
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. a of Regulation (EU) No. 575/2013 - core tier 1 ratio in %	67.1%	61.4%
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. b of Regulation (EU) No. 575/2013 - tier 1 ratio in %	67.1%	61.4%
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. c of Regulation (EU) No. 575/2013 - total capital ratio in %	75.3%	71.1%
4	Foreign liabilities	18,183,819,004.71	16,461,989

Income statement for the financial year		2017	2016
		€	€ thousand
01.	Interest and similar income	150,138,697.39	134,132,616.68
	Minus loss from negative interest from money market business	-1,462,312.82	-2,390
	Minus loss from negative interest from credit operations	-10,529,040.37	-3,762
	Minus loss from negative interest from securities	-4,014,727.52	-2,162
	<i>Of which from fixed-income securities</i>	<i>1,750,861.81</i>	<i>668</i>
02. -	Interest and similar expenses	192,371,583.01	80,633,888.05
	Minus budget underrun from negative interest from money market business	-1,404,370.55	-1,083
	Minus budget underrun from negative interest from refinancing business	-110,333,324.41	-105,453
I.	Net interest income	53,498,728.63	57,544
03. +	Income from securities and investments		14,449,402.26
	a) Income from equity shares, other ownership interests and variable income securities	2,503,013.28	2,503
	b) Share of results of investments other than subsidiaries	2,783,188.98	3,212
	c) Dividends from subsidiaries	9,163,200.00	9,856
04. +	Fee and commission income		28,167,061.08
05. -	Fee and commission expenses		2,748,526.75
06. +/-	Income/expenses from financial operations		-38,692.78
07. +	Other operating income		19,424,547.85
II.	Operating income	112,752,520.29	119,231
08. -	Administrative expenses		62,566,505.94
	a) Staff costs		44,867,713.98
	<i>Of which:</i>		
	aa) <i>Wages and salaries</i>	<i>31,666,495.73</i>	<i>35,667</i>
	bb) <i>Statutory social security costs, pay-based levies, and other compulsory pay-based contributions</i>	<i>7,239,734.22</i>	<i>7,957</i>
	cc) <i>Other social expenses</i>	<i>1,142,393.90</i>	<i>1,372</i>
	dd) <i>Expenses for retirement and other post-employment benefits</i>	<i>5,192,105.83</i>	<i>4,940</i>
	ee) <i>Additions to pension provision</i>	<i>-858,731.00</i>	<i>2,310</i>
	ff) <i>Expenses for termination benefits and contributions to termination benefit funds</i>	<i>485,715.30</i>	<i>2,196</i>
	b) Other administrative expenses		17,698,791.96
09. -	Impairment losses on asset items 9 and 10		5,145,279.55
10. -	Other operating expenses		2,675,918.92
III.	Operating expenses	-70,387,704.41	-79,123
IV.	Operating profit	42,364,815.88	40,108
11. -	Impairment losses on loans and advances and amortisation on securities held as current assets		51,060.52
12. +	Income from impairment reversals on loans and advances and from write-ups on securities held as current assets		13,095,498.50
V.	Profit before tax	55,409,253.86	67,886
13. -	Income tax		11,455,104.65
VI.	Profit for the year	43,954,149.21	57,406
14. -	Transfer to reserves		11,014,965.15
	<i>Of which transfer to liability reserve</i>		<i>0.00</i>
VII.	Unallocated profit for the year	32,939,184.06	20,216
15. +	Profit brought forward from the previous year		10,815.94
VIII.	Profit available for distribution	32,950,000.00	20,229

Oesterreichische Kontrollbank AG – Notes

General information

The Executive Board prepared the present annual financial statements as at 31 December 2017 according to the provisions of the Austrian Uniform Commercial Code (UGB) and the relevant regulations of the Austrian Banking Act (BWG) as amended.

Oesterreichische Kontrollbank Aktiengesellschaft, Vienna, is a public interest entity pursuant to § 43(1a) BWG in conjunction with § 189a UGB.

The annual financial statements were prepared in accordance with generally accepted accounting principles to provide a true and fair view of the assets and financial and earnings position of the Bank.

The principle of completeness was adhered to in the preparation of the annual financial statements.

Asset values were measured on the basis of being a going concern. Assets and liabilities were measured on an individual basis.

Caution was exercised by only including profits that were realised as at the balance sheet date. All identifiable risks and impending losses that arose up to the reporting date were taken into consideration.

Estimates are based on a conservative assessment. If statistically measurable experiences from similar circumstances are available, these were taken into account in the estimates.

The previously applied recognition and measurement methods were maintained.

The closed financial year corresponds to the calendar year.

Oesterreichische Kontrollbank AG prepares consolidated financial statements according to IFRS and publishes them on the Internet (www.oekb.at).

The disclosures required in Part 8 of the CRR (Regulation [EU] No. 575/2013) are made in the Disclosure Report. Further information can be found on the OeKB website (www.oekb.at).

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

Liability according to the Austrian Export Guarantees Act (AusfFG)

According to the AusfFG, the Federal Minister of Finance is authorised to assume guarantees in the name of the Republic of Austria for the proper fulfilment of transactions by foreign counterparties and for the enforcement of the rights of export companies that directly or indirectly improve Austria's current account. These transactions and rights relate to projects abroad – especially in the areas of environmental protection, waste disposal, and infrastructure – whose realisation by domestic or foreign companies is in Austria's interests.

Pursuant to § 1(2) AusfFG, the Federal Minister of Finance is also authorised to issue guarantees for a specific exchange rate between the euro and the contract currency (foreign exchange risk). In addition to issuing guarantees for export promotion, § 1(3) AusfFG also permits the issue of guarantees for restructuring loans if these restructuring

measures relate to previously guaranteed claims. The Federal Minister of Finance is authorised in § 2a AusfFG to conclude transactions in the name of the Republic of Austria to improve the risk of the overall portfolio of exposures. The Federal Minister of Finance is also authorised to assume liability for contracts concluded between banks for the refinancing of loan agreements provided that guarantees have already been issued pursuant to § 1(1)2 AusfFG for the underlying loan agreements (securitisation).

According to § 5 AusfFG, the Federal Minister of Finance is authorised to delegate the following to an agent of the federal government pursuant to § 1002ff ABGB:

- the technical handling (credit rating evaluation and bank-specific processing) of the applications for guarantees,
- the drafting of the guarantee agreements,
- the conclusion of transactions pursuant to § 2a AusfFG, and
- the administration of the rights of the federal government under the guarantee agreements with the exception of their judicial enforcement.

The agent must be licensed to conduct banking business in Austria and must ensure the solid, reliable, and cost-efficient management of the export promotion process. The rights of representation must be contractually agreed between the Austrian government and the agent. Pursuant to § 8a AusfFG, OeKB will remain the authorised representative of the federal government until the conclusion of an agency contract.

According to § 7 AusfFG, the guarantee fee and all claims paid shall be collected by the agent of the federal government and credited regularly to an account of the federal government opened at the authorised agent of the federal government.

The federal law will be superseded on 31 December 2022 pursuant to § 10 AusfFG. This will have no impact on guarantees issued before this point in time. In the past, the legal provisions have always been extended by a further five years. The term of the AFFG is set at the same time as for the AusfFG.

Federal law on the financing of transactions and rights (Export Financing Guarantees Act – AFFG)

Pursuant to § 1 AFFG, the Federal Minister of Finance is authorised until 31 December 2023 to issue guarantees in the name of the Republic of Austria for credit operations (bonds, loans, lines of credit, and other obligations) conducted by the authorised agent of the federal government pursuant to § 5(1) AusfFG. The guarantees are issued:

- to the benefit of the creditor of the agent authorised by the federal government (OeKB) for the fulfilment of its obligations under credit operations;
- to the benefit of the agent authorised by the federal government (OeKB) to guarantee a specific exchange rate between the euro and another currency (exchange rate risk) for the fulfilment of obligations under credit operations for the period of time during which the proceeds from the credit operation are used for financing in euros.

The Federal Minister of Finance may only issue guarantees pursuant to § 2 AFFG under certain circumstances, especially:

- The total outstanding guarantee amounts may not exceed € 40 billion.
- The individual credit operations may not exceed an (equivalent) value of € 3.3 billion.
- The term of the credit operations may not exceed 40 years.
- The overall exposure (internal interest rate) of the federal government may not exceed certain limits.

The fee provisions for the issue of guarantees by the federal government pursuant to the AFFG specify a minimum guarantee fee that depends on the volume of the outstanding borrowings in the Export Financing Scheme.

OeKB Export Financing Scheme (EFS)

The EFS is used to refinance export credits (delivery, purchase, and investment financing, export acceptance credit and financing of domestic investments for exports) from banks and to cover the direct financing provided by OeKB. The Export Financing Scheme is handled as a separate accounting entity at OeKB.

A prerequisite for refinancing under the EFS is the previous issue of an AFFG-compliant guarantee for the transaction or right for which the financing was arranged:

- Guarantee of the Republic of Austria pursuant to the AusfFG,
- Fulfilment of the prerequisites for a guarantee pursuant to the AusfFG in the case of the liability of a credit insurer,
- Guarantee from Austria Wirtschaftsservice GmbH,
- Guarantee from an international organisation with a top credit rating.

In addition, both the rights arising from the guarantees and the underlying export or other receivables typically must be assigned as security.

OeKB's Export Financing Scheme is available to Austrian and foreign banks as a source of refinancing provided that they fulfil the rating criteria of OeKB ('main bank status'), the legal requirements with regards to the transactions to be financed, and the terms for the uniform processing of the financing (collateral management).

OeKB is entitled to a portion of the interest margin for the credits provided under the EFS. The interest income from financing arrangements (without interest support agreements) that exceeds the refinancing costs after deduction of the OeKB margin is allocated to the EFS interest rate stabilisation provision. The EFS interest rate stabilisation provision is used when the refinancing costs are higher than the interest income from the EFS financing arrangements.

Interest support agreements have been concluded with the Federal Ministry of Finance and the Federal Economic Chamber (from 19 December 2008) for a dedicated portion of the credits with a fixed interest rate under which these two parties assume the interest rate risk.

Format of the balance sheet and income statement

To reinforce the importance of the volume of OeKB's Export Financing Scheme and based on § 43(2) BWG, the format of the balance sheet provides more detail than the format set out in Annex 2 in that items relating to the Export Financing Scheme are shown separately. The disclosures in the notes also differentiate between the own account and the Export Financing Scheme and are structured in the same order as the balance sheet.

The income statement provides a more detailed breakdown than specified in Annex 2 based on § 43(2) BWG. The items for net interest income in the income statement are complemented by the negative interest items.

Information on the measurement of the balance sheet items in the own account section of the balance sheet

- **Balances at central banks** are recognised at their nominal value.
- **Securities** are measured at cost (using the weighted average cost formula), applying conservative valuation at the lower of cost or market value (§ 206 of the Commercial Code). Write-ups are recognised when the reasons for the impairment no longer apply.
- **Loans and advances to banks, loans and advances to customers, and sundry assets** are recognised at their nominal value. Individual allowances for impairment losses are recognised for identified risks with borrowers.
- **Interests in investments and subsidiaries** are valued at cost less any impairment.
- **Intangible assets** (computer software and licences) are recognised on the balance sheet when they have been purchased. They are recognised at cost less scheduled depreciation and impairment charges. In accordance with the tax regulations, a full annual depreciation rate is applied when the asset is purchased in the first half of the year and half of the annual rate when the asset is purchased in the second half of the year. Internally produced intangible assets are recognised as expenses.
- **Property and equipment** (buildings, fixtures, fittings, and equipment, adaptation of rented space, hardware, and other equipment) are recognised at cost less scheduled straight-line depreciation. In accordance with the tax regulations, a full annual depreciation rate is applied when the asset is purchased in the first half of the year and half of the annual rate when the asset is purchased in the second half of the year. Low-value assets (cost up to € 400) are generally recognised in the expenses, are only capitalised in exceptional cases, and are written off entirely in the year of recognition.
- **Liabilities** are recognised at their settlement amount.
- **Provisions for current and future pension obligations and for termination benefits** are determined on the basis of generally accepted actuarial principles using the projected unit credit method in accordance with IAS 19. Actuarial gains and losses are recognised in profit or loss. The interest expenses relating to termination benefit and pension provisions and the effects of actuarial gains and losses are recognised in staff costs. The discount rate for termination benefit and pension provisions is derived from the interest rate on the reporting date as based on market interest rates of companies with high credit ratings. The calculation is based on the following:
 - A discount rate of 1.80% (2016: 1.75%) and a salary trend of 2.75% (2016: 2.75%),
 - A retirement age of 65 years for men (2016: 64 years 9 months) and 65 years for women (2016: 59 years 9 months), and
 - The computation tables by Pagler & Pagler.
- Following the principle of prudence, the **other provisions** take into account all identifiable risks and uncertain liabilities in terms of amount or origin that exist on the reporting date in the amounts deemed necessary on the basis of prudence. Long-term provisions are discounted if the discount amount is material.
- **Foreign currency items** are valued at the mid-market exchange rates prevailing at the balance sheet date.
- **Deferred taxes** are formed according to the balance sheet-oriented concept and without discounts on the basis of the current corporate income tax rate of 25% pursuant to § 198(9) and (10) UGB. No deferred taxes on tax loss carryforwards are taken into account in this.

Information on the measurement of balance sheet items concerning the Export Financing Scheme

- **Treasury bills, bonds and other fixed-income securities and equity shares and other variable income securities** held as current assets are generally measured using the lower of cost or market value. For the securities investments serving as a liquid assets portfolio for the Export Financing Scheme, interest rate swaps (in the form of asset swaps) were used to hedge the interest rate risk.
- **Loans and advances to banks, loans and advances to customers, and sundry assets** are recognised at their nominal value. Individual allowances for impairment losses are recognised for identified risks with borrowers.
- **Liabilities and debt securities in issue** are generally recognised at their settlement amount. The majority of the debt securities in issue are subject to guarantees pursuant to § 1(2)a and b AFFG. Derivative financial instruments were also entered into to cover the interest rate and exchange rate risk.
- The **issue costs** are recognised immediately as expenses while **premiums and discounts for issued securities** are deferred and distributed over the term of the security.
- **Derivative financial instruments** that are in a hedging relationship according to the AFRAC opinion are recognised as a valuation unit, which means that their fair value is not recognised in the annual financial statements because the underlying transactions result in opposing payment flows on the income statement. Interest income and expenses are recognised as they are accrued during the period.
- The **EFS interest rate stabilisation provision** is part of the Export Financing Scheme that is based on the AFFG. This provision serves to support interest rates on export credits for which OeKB bears the interest rate risk and is also a provision for the interest rate risk from the refinancing of the Export Financing Scheme. OeKB was commissioned by the Federal Ministry of Finance to deposit the funds collected in this manner in a special account for sole use to support the Export Financing Scheme as needed. The financial authorities recognised the formation of a special interest rate adjustment account as a provision and as a deductible debt item (§ 64 Austrian Valuation Act) in a letter dated 7 May 1968.

Any surplus from interest income (after deduction of OeKB's interest margin), from financing facilities not subject to interest support, and from the respective refinancing costs is allocated to the interest rate stabilisation provision. In the event of a deficit, this provision is used as intended to cover the shortfall.

- **Foreign currency items** are generally measured at the mid-market rate. Items are measured at the guaranteed exchange rate when the Republic of Austria has furnished an exchange rate guarantee pursuant to § 1(2)b AFFG.
- **Deferred taxes** are formed according to the balance sheet-oriented concept and without discounts on the basis of the current corporate income tax rate of 25% pursuant to § 198(9) and (10) UGB. Deferred taxes from export financing are recognised together with the deferred taxes in the own account section of the balance sheet.

Notes to the balance sheet

Own account

Assets	End of 2017	End of 2016	Change	
	€	€ thousand	€ thousand	in %
Balances at central banks	400,651,546.21	389,873	10,778	2.8%
Treasury bills and similar securities eligible for rediscounting by the ECB	64,897,990.55	75,055	-10,157	-13.5%
Loans and advances to				
banks	36,915,183.22	39,878	-2,963	-7.4%
customers	3,924,354.38	4,729	-805	-17.0%
Bonds and other fixed-income securities	206,511,961.25	209,932	-3,420	-1.6%
Equity shares and other variable-income securities	186,708,042.94	186,722	-14	0.0%
Interests in subsidiaries and other investments	66,918,744.39	63,248	3,671	5.8%
Property, equipment, and intangibles	16,246,025.89	19,683	-3,437	-17.5%
Other assets	26,020,834.44	16,834	9,187	54.6%
Deferred tax assets	106,815,625.62	112,277	-5,462	-4.9%
Own account	1,115,610,308.89	1,118,232	-2,622	-0.2%

Liabilities and equity

Deposits from				
banks	280,204,232.86	303,142	-22,938	-7.6%
customers (other)	78,324,621.49	84,669	-6,345	-7.5%
Provisions	168,436,207.11	172,549	-4,112	-2.4%
Other liabilities	25,217,687.35	18,181	7,037	38.7%
Equity	563,427,560.08	539,691	23,736	4.4%
<i>Of which profit available for distribution</i>	<i>32,950,000.00</i>	<i>20,229</i>	<i>12,721</i>	<i>62.9%</i>
Own account	1,115,610,308.89	1,118,232	-2,622	-0.2%

Balances at central banks

Terms to maturity pursuant to § 64(1)4 BWG	2017	2016
	€	€ thousand
Repayable on demand	400,651,546.21	389,873
Total	400,651,546.21	389,873

Investment portfolio

€ (2016: € thousand)	31 Dec 2017		31 Dec 2016	
	Net book value	Fair value	Net book value	Fair value
Treasury bills and similar securities	64,897,990.55	66,965,975.00	75,055	79,393
Bonds and other fixed-income securities	206,511,961.25	209,055,402.50	209,932	215,121
Equity shares and other variable-income securities	186,708,042.94	269,617,688.04	186,722	270,061
Total	458,117,994.74	545,639,065.54	471,709	564,575

OeKB does not hold a trading portfolio and therefore has no trading book. The asset items contain no subordinated assets.

The equity shares and other variable-income securities consist primarily of a non-dividend investment fund. No dividend-equivalent earnings are included in the reported value in accordance with the principle of prudence. The dividend-equivalent earnings in the financial year amounted to € 3,528,328.13 (2016: zero). The dividend-equivalent earnings since the beginning of acquisition total € 77,850,881.75 (2016: € 74,323 thousand).

Of the securities held, securities in the amount of € 38,398,630.00 are maturing in 2018 (2016: € 38,139 thousand maturing in 2017).

As a disclosure under § 56(4) BWG, the difference between the fair value and cost of the securities that are admitted for public trading and that are held as current assets was € 5,235,103.45 (2016: € 6,916 thousand).

As a disclosure pursuant to § 64(1) 10 and 11 BWG, the treasury bills and the bonds and other fixed-income securities are admitted for public trading and are listed. Equity shares and other variable-income securities in the amount of € 167,734.21 (2016: € 182 thousand) are admitted for public trading and are listed; unlisted securities total € 186,540,308.73 (2016: € 186,540 thousand). According to a decision of the Executive Board, all investments are to be treated as current securities.

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

Loans and advances to banks

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	6,915,183.22	9,878
Up to 3 months	30,000,000.00	30,000
Total	36,915,183.22	39,878

Loans and advances to customers

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	50,070.36	51
Up to 3 months	200,252.55	225
More than 3 months up to 1 year	335,918.89	418
More than 1 year up to 5 years	1,355,586.67	2,019
More than 5 years	1,982,525.91	2,016
Total	3,924,354.38	4,729

Companies wholly or partly owned by OeKB

Name and registered office	BWG category	Type of investment		Share-holding in %	Reporting date of latest annual accounts	Financial information		
		directly held	indirectly held			Balance sheet total pursuant to the UGB € thousand	Equity pursuant to § 224(3) UGB, € thousand	Profit/(loss) for the year, € thousand
Subsidiaries								
Oesterreichische Entwicklungsbank AG, Vienna	CI	x		100.00%	31 Dec 2017	737,186	33,603	6,694
OeKB CSD GmbH, Vienna	CI	x		100.00%	31 Dec 2017	31,399	25,503	4,328
“Österreichischer Exportfonds” GmbH, Vienna	CI	x		100.00%	31 Dec 2017	1,145,168	14,704	1,299
OeKB EH Beteiligungs- und Management AG ¹ , Vienna	OC	x		51.00%	31 Dec 2017	93,209	93,144	9,773
Acredia Versicherung AG, Vienna	OC		x	51.00%	31 Dec 2017	144,972	89,907	8,732
Acredia Services GmbH, Vienna	OC		x	51.00%	31 Dec 2017	13,225	12,062	2,198
PRISMA Risk Services D.O.O., Belgrade	OC		x	51.00%	31 Dec 2017	523	335	14
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH ¹ , Vienna	OC	x		50.00%	31 Dec 2017	39,671	11,712	510
OeKB Business Services GmbH, Vienna	OC	x		100.00%	31 Dec 2017	1,275	1,197	41
OeKB Zentraleuropa Holding GmbH, Vienna	OC	x		100.00%	31 Dec 2017	4,541	4,541	-
Other interests								
AGCS Gas Clearing and Settlement AG, Vienna	OC	x		20.00%	31 Dec 2016	17,283	4,233	1,172
APCS Power Clearing and Settlement AG, Vienna	OC	x		17.00%	31 Dec 2016	40,720	3,702	1,037
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	x		18.50%	31 Dec 2016	3,852	2,715	1,915
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	x		12.60%	31 Dec 2016	445,992	5,860	814
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	x		8.06%	31 Dec 2016	5,648	2,765	347
CEESEG Aktiengesellschaft, Vienna	OC	x		6.60%	31 Dec 2016	380,186	374,173	42,973
"Garage Am Hof" Gesellschaft m.b.H., Vienna	OC	x		2.00%	31 Dec 2016	5,380	4,425	1,167
Einlagensicherung Austria GmbH, Vienna	OC	x		1.00%	²⁾	²⁾	²⁾	²⁾
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	x		0.10%	31 Dec 2016	927	77	-

¹ Joint venture

² Newly established on 22 December 2017

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

A transfer agreement for the acquisition of 30% of „Österreichischer Exportfonds“ GmbH (FN 94333a) was concluded with the Austrian Federal Economic Chamber on 11 December 2017. This share corresponds to fully paid-in capital in the nominal amount of € 1,744,148.02. The agreement stipulates that all rights, obligations, and liabilities transfer to OeKB effective 31 December 2017. The purchase price for the transfer of the shares in the amount of € 3,627,000.00 was paid in cash in accordance with the provisions of the agreement after entry into the trade register, which took place on 10 January 2018.

OeKB CSD GmbH applied for a licence from the FMA as a CSD pursuant to the CSD Regulation in September 2017. The restructuring plan for OeKB CSD GmbH submitted as part of this licensing application stipulates the option of a capital increase to as much as € 10,000,000.00 by OeKB by no later than 31 December 2019 after an assessment of the economic sustainability.

The establishment of Einlagensicherung Austria GmbH with share capital of € 100,000.00 was entered in the trade register on 22 December 2017. OeKB holds a nominal share of € 1,000.00 in this company. The company is the guarantor required by § 1(2) ESAEG that will act as a uniform deposit insurance agency starting on 1 January 2019. The company is to complete the necessary preparations until then.

Non-current assets in 2017 - Cost

€	Cost of acquisition and production at 1 Jan 2017	Additions	Of which interest	Transfers	Disposals	Cost of acquisition and production at 31 Dec 2017
Non-current intangible assets	4,887,952.07	453,290.30	0.00	0.00	0.00	5,341,242.37
Property and equipment	87,644,853.40	1,182,482.39	0.00	0.00	1,697,399.14	87,129,936.65
Low-value assets	0.00	73,603.86	0.00	0.00	73,603.86	0.00
Subtotal	92,532,805.47	1,709,376.55	0.00	0.00	1,771,003.00	92,471,179.02
Interests in investments other than subsidiaries	7,983,461.80	1,000.00	0.00	0.00	0.00	7,984,461.80
Interests in subsidiaries	55,264,627.16	3,669,655.42	0.00	0.00	0.00	58,934,282.58
Total	155,780,894.43	5,380,031.97	0.00	0.00	1,771,003.00	159,389,923.40

Non-current assets in 2017 - Accumulated depreciation and amortisation

€	Accumulated depreciation and amortisation 1 Jan 2017	Current-year depreciation/ amortisation up to 31 Dec 2017	Write-ups	Transfers	Disposals	Accumulated depreciation and amortisation 31 Dec 2017
Non-current intangible assets	3,707,785.07	462,448.30	0.00	0.00	0.00	4,170,233.37
Property and equipment	69,142,302.82	4,609,227.39	0.00	0.00	1,696,610.45	72,054,919.76
Low-value assets	0.00	73,603.86	0.00	0.00	73,603.86	0.00
Subtotal	72,850,087.89	5,145,279.55	0.00	0.00	1,770,214.31	76,225,153.13
Interests in investments other than subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00
Interests in subsidiaries	0.00	0.00	0.00	0.00	0.00	0.00
Total	72,850,087.89	5,145,279.55	0.00	0.00	1,770,214.31	76,225,153.13

Net book value of property, equipment, and intangibles

€	Net book value at 1 Jan 2017	Net book value at 31 Dec 2017
Non-current intangible assets	1,180,167.00	1,171,009.00
Property and equipment	18,502,550.58	15,075,016.89
Low-value assets	0.00	0.00
Subtotal	19,682,717.58	16,246,025.89
Interests in investments other than subsidiaries	7,983,461.80	7,984,461.80
Interests in subsidiaries	55,264,627.15	58,934,282.57
Total	82,930,806.53	83,164,770.26

The property and equipment includes land and buildings in an amount of € 10,330,019.90 (2016: € 13,614 thousand), of which € 4,398,853.90 (2016: € 4,399 thousand) is land.

The item '**Other assets**' – **Other assets and prepayments and accrued income** – consists primarily of prepayments and accrued income and other receivables, including claims against subsidiaries. The increase compared with the previous year is largely the result of tax settlement with the financial authorities.

Other assets (other loans and advances)

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	23,823,374.37	14,656
Total	23,823,374.37	14,656

The **deferred tax assets** at the reporting date were formed for temporary differences between the values of the following items for tax purposes and under commercial law:

	31 Dec 2017	31 Dec 2016	Change
	€	€ thousand	€ thousand
Impairment losses pursuant to § 57 BWG	63,500,000.00	76,200	-12,700
Equity shares and other fixed-income securities	27,252,439.15	30,024	-2,771
Property and equipment	188,965.01	265	-76
Termination benefit provision	10,144,626.00	12,025	-1,880
Pension provision	54,292,374.00	54,766	-474
Other provisions	28,915,472.17	29,092	-177
Untaxed reserves	-3,475,008.27	-3,798	323
Total OeKB	180,818,868.06	198,573	-17,755
Interest rate stabilisation provision	246,443,634.56	250,536	-4,092
Total Export Financing Scheme	246,443,634.56	250,536	-4,092
Total differences	427,262,502.62	449,109	-21,847
Resulting deferred taxes	106,815,625.62	112,277	-5,462
<i>Of which attributable to OeKB profit</i>	<i>45,204,716.98</i>	<i>49,643</i>	<i>-4,439</i>
<i>Of which attributable to the profit of the Export Financing Scheme</i>	<i>61,610,908.64</i>	<i>62,634</i>	<i>-1,023</i>

The deferred tax assets decreased by € 5,462 thousand from € 112,277 thousand to € 106,815,625.62 in the reporting period.

The tax income from the Export Financing Scheme (€ 1,023,051.93; 2016: tax expenses of € 2,596 thousand) will be credited to the scheme and has no impact on the income statement of OeKB. In line with this, changes in deferred taxes are also recognised in the interest rate stabilisation provision of the Export Financing Scheme.

Deposits from banks

	2017	2016
	€	€ thousand
Terms to maturity pursuant to § 64(1)4 BWG		
Repayable on demand	189,627,870.50	131,689
Up to 3 months	90,576,362.36	171,453
Total	280,204,232.86	303,142

Deposits from customers

	2017	2016
	€	€ thousand
Terms to maturity pursuant to § 64(1)4 BWG		
Repayable on demand	78,324,621.49	84,669
Total	78,324,621.49	84,669

The increase in 'Other liabilities' consists primarily of **other liabilities and accruals and deferred items** and is related largely to payment transaction items that were settled at the beginning of the next year. The **other liabilities** consist primarily of payables to regional authorities, the payable to the Austrian Federal Economic Chamber from the purchase of the shares in „Österreichischer Exportfonds“ GmbH, and trade payables. The item contains € 1,597,172.69 (2016: € 1,682 thousand) that relate to goods deliveries and rendered services.

Sundry liabilities

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	17,659,562.32	10,560
Total	17,659,562.32	10,560

Other provisions

	31 Dec 2017	31 Dec 2016
	€	€ thousand
Legal consulting, tax consulting, and financial auditing	549,160.00	590
Performance-related compensation	4,818,870.38	4,956
Unused holiday and overtime credits	3,704,606.00	3,893
Other employee benefit provisions	2,814,458.05	3,471
Software projects	115,825.40	402
General business risks and IT projects	28,485,000.00	28,485
Other provisions	1,000,740.28	675
Other provisions	41,488,660.11	42,473

Equity disclosures

The share capital of € 130,000,000.00 (2016: € 130,000 thousand) is divided into 880,000 no-par value shares. These registered ordinary shares with restricted transferability are represented by global certificates registered in the name of each individual shareholder.

The capital reserves remained unchanged at € 3,347,629.63.

The retained earnings increased by € 11,015 thousand compared with the previous year to € 373,027,930.45 (2016: € 362,013 thousand). No additional allocations had to be made to the liability reserve pursuant to § 57(5) BWG (2016: € 252 thousand). This amounted to € 24,102,000.00 on the reporting date (2016: € 24,102 thousand).

Proposal on the distribution of profits

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

	2017	2016
	€	€ thousand
Unallocated profit for the year	32,939,184.06	20,216
Profit brought forward from the previous year	10,815.94	13
Profit available for distribution	32,950,000.00	20,229

Use

Disbursement of a dividend of € 22.75 per share on 880,000 no-par-value shares	20,020,000.00	20,020
Disbursement of a bonus of € 14.43 per share on 880,000 no-par-value shares	12,698,400.00	-
Award of performance-related compensation to the Supervisory Board	190,671.00	198
To be carried forward	40,929.00	11

Export finance section of the balance sheet

	End of 2017	End of 2016	Change	
	€	€ thousand	€ thousand	in %
Assets				
Treasury bills and similar securities eligible for rediscounting by the ECB	1,491,014,455.52	1,559,197	-68,183	-4.4%
Loans and advances to				
banks (others)	17,595,013,581.92	15,916,364	1,678,649	10.5%
customers	215,856,033.25	265,550	-49,694	-18.7%
Bonds and other fixed-income securities	664,531,665.99	643,621	20,911	3.2%
Equity shares and other variable-income securities	7,244,653.94	-	7,245	100.0%
Other assets	0.00	1,810	-1,810	-100.0%
Prepayments and accrued income	21,045,976.29	19,379	1,667	8.6%
Export financing	19,994,706,366.91	18,405,923	1,588,783	8.6%
Liabilities and equity				
Deposits from				
banks	214,830,000.00	731,184	-516,354	-70.6%
customers	646,515,813.90	743,036	-96,520	-13.0%
Debt securities in issue	17,758,204,842.73	15,516,384	2,241,821	14.4%
Other liabilities	1,406,844.82	7,483	-6,076	-81.2%
Accruals and deferred income	141,530,692.63	155,157	-13,627	-8.8%
Provisions (interest rate stabilisation provision)	1,232,218,172.83	1,252,679	-20,461	-1.6%
Export financing	19,994,706,366.91	18,405,923	1,588,783	8.6%

The asset items contain no subordinated assets.

Liquidity portfolio of the Export Financing Scheme

€ (2016: € thousand)	31 December 2017		31 December 2016	
	Net book value	Fair value	Net book value	Fair value
Treasury bills and similar securities	1,491,014,455.52	1,522,648,980.52	1,559,197	1,616,465
Bonds and other fixed-income securities	664,531,665.99	684,603,198.89	643,621	675,407
Equity shares and other variable-income securities	7,244,653.94	7,244,659.95	-	-
Total	2,162,790,775.45	2,214,496,839.36	2,202,818	2,291,872

Of the securities held, no securities are maturing in 2018 (2016: € 100,000 thousand maturing in 2017).

As a disclosure pursuant to § 56(4) BWG, the difference between the acquisition cost and the higher fair value at the reporting date for the securities that are admitted for public trading and that are held as current assets was € 51,479,707.90 (2016: € 80,054 thousand).

As a disclosure on the individual security categories pursuant to § 64(1)10 and 11 BWG, the treasury bills, the bonds and other fixed-income securities and the equity shares and other variable-income securities are admitted for public trading and listed.

Roughly 2,650 loans (2016: roughly 2,550 loans) with a volume of € 17,810,869,615.17 (2016: € 16,181,915 thousand) were serviced under the Export Financing Scheme.

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

Terms to maturity pursuant to § 64(1)4 BWG	2017	2016
	€	€ thousand
Repayable on demand	168,102,826.70	306,933
Up to 3 months	499,203,607.11	557,998
More than 3 months up to 1 year	5,959,486,996.31	6,005,385
More than 1 year up to 5 years	7,230,285,840.29	5,596,173
More than 5 years	3,737,934,311.51	3,449,875
Total	17,595,013,581.92	15,916,364

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

Terms to maturity pursuant to § 64(1)4 BWG	2017	2016
	€	€ thousand
Repayable on demand	1,538,639.18	2,326
Up to 3 months	3,201,892.18	4,069
More than 3 months up to 1 year	27,585,559.61	43,730
More than 1 year up to 5 years	32,080,579.63	121,466
More than 5 years	151,449,362.65	93,960
Total	215,856,033.25	265,550

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

The **other assets** consist solely of loans and advances to derivative financial instruments in 2016.

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	0.00	1,810
Total	0.00	1,810

The **deferred items and accruals** consist primarily of up-front payments on derivative financial instruments and the issue discount on debt securities in issue.

Deposits from banks consist of collateral agreements (without AFFG guarantees). Collateral agreements are concluded to compensate for fluctuations in the value of arising credit exposures.

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	214,830,000.00	795
Up to 3 months	0.00	730,389
Total	214,830,000.00	731,184

The reduction is the result of the gradual switch to a central settlement facility (LCH – London Clearing House) for the clearing of derivative financial instruments.

Deposits from customers consist primarily of the cash account maintained at OeKB for the Republic of Austria in connection with § 7 AusfFG (see also General information - Legal basis for the export guarantee and for the Export Financing Scheme).

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	618,518,884.13	714,726
More than 1 year up to 5 years	27,996,929.77	28,310
Total	646,515,813.90	743,036

The **debt securities in issue** rose by € 2,241,821 thousand to € 17,758,204,842.73 (2016: € 15,516,384 thousand). Of the settlement amount, € 3,768,254,518.72 (2016: € 5,238,260 thousand) in guarantees pursuant to § 1(2b) AFFG was placed.

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

	Due in 2018	Due in 2017
	€	€ thousand
Bonds issued	2,564,364,102.00	2,412,308
Other debt securities in issue	3,031,249,534.40	-
Total	5,595,613,636.40	2,412,308

Loans and advances to banks in the amount of € 6,076,190,256.62 (2016: € 4,858,742 thousand) are pledged as collateral for debt securities in issue pursuant to § 64(1)8 BWG. These covered bank bonds serve solely as collateral for raising liquidity through the ECB and OeNB and came to a nominal value of € 4,600,000,000.00 at 31 December 2017 (2016: € 2,899,600 thousand). These bonds are not intended for sale to third parties and are not shown as assets or liabilities on the balance sheet for this reason.

The item '**other liabilities**' consists primarily of offsetting items related to the CIRR support agreements with the Austrian Federal Economic Chamber and the Federal Ministry of Finance and offsetting items from restructuring loans. In the previous year, the item consisted primarily of the measurement of derivative financial instruments.

	2017	2016
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	1,406,844.82	7,483
Total	1,406,844.82	7,483

The **deferred items and accruals** consist primarily of up-front payments on fixed-income securities (liquid assets portfolio) and issue premiums and up-front payments on debt securities in issue.

Change in the interest rate stabilisation provision

	2017	2016
	€	€ thousand
As at 1 January	1,252,679,211.42	1,200,750
Allocation	1,486,410.92	61,271
Use	-21,947,449.51	-9,342
As at 31 December	1,232,218,172.83	1,252,679

Allocations are made to and funds used from the interest rate stabilisation provision in accordance with the guidelines on a quarterly basis. In the previous year, breakage costs of € 72,133 thousand were charged in the Export Financing Scheme in connection with early loan repayments. These payments accounted for a large portion of the allocations to the EFS interest rate stabilisation provision. Breakage costs in the current year amounted to € 8,151,474.76.

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

Fiduciary assets and liabilities

	31 Dec 2017	31 Dec 2016
	€	€ thousand
Fiduciary assets		
Loans and advances to banks	5,574,812.35	6,923
Fiduciary liabilities		
Deposits from customers with agreed maturity or notice period	5,574,812.35	6,923

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

Derivative financial instruments

In accordance with the OeKB strategy, derivative financial instruments are used to hedge payment flows and to thereby reduce the interest rate and currency risk of the Export Financing Scheme to the level defined in the risk strategy.

OeKB uses interest rate swaps and currency swaps to individually hedge future payment flows or the market risk (interest rate and foreign currency risk) from balance sheet assets (treasury bills, loans and advances to banks, and bonds and other fixed-income securities) and liabilities (debt securities in issue).

Notional amount in € (2016: € thousand)	2017		2016	
	Fair values positive	Fair values negative	Fair values positive	Fair values negative
Interest rate swaps	133,373,856.88	268,227,876.10	146,561	312,601
Currency swaps	400,383,449.41	287,104,640.72	904,547	405,457
Total	533,757,306.29	555,332,516.82	1,051,108	718,058

The reported fair values are present values (fair value determined by discounting the contractually agreed payment flows with the current yield curve including accrued interest) and in the event of negative fair values represent the losses from derivative financial instruments in a hedging relationship that is not reported on the balance sheet. The positive and negative fair values of derivative financial instruments used to hedge payment flows were not recorded with their gains and losses at the start of the year because these payment flows are almost certainly offset by payment flows recognised in the income statement for the underlying transactions. As at 31 December 2017, the hedging period extends into 2030.

The effectiveness is measured by means of critical terms matching (the identity of the parameters of the respective underlying transaction and hedging instruments) both prospectively and retrospectively.

Collateral for credit risks related to derivative financial instruments	2017	2016
	€	€ thousand
Collateral pledged	137,750,000.00	312,600
Collateral received	214,830,000.00	730,530

No collateral is provided through pledging in the form of financial instruments (such as securities).

Early termination of an effective hedge relationship

No effective hedging relationships were terminated early during the financial year.

Notes to the income statement

Condensed income statement

	2017	2016	Change	
	€	€ thousand	€ thousand	in %
Net interest income and income from securities and investments	67,948,130.89	73,115	-5,167	-7.1%
Net fee and commission income	25,418,534.33	24,866	553	2.2%
Financial operations and other operating income	19,385,855.07	21,250	-1,865	-8.8%
Operating income	112,752,520.29	119,231	-6,478	-5.4%
Staff costs including social security and pension costs	44,867,713.98	54,442	-9,575	-17.6%
Other administrative expenses	17,698,791.96	17,081	618	3.6%
Impairment losses on property and equipment and intangible assets	5,145,279.55	5,031	114	2.3%
Other operating expenses	2,675,918.92	2,568	108	4.2%
Operating expenses	70,387,704.41	79,123	-8,735	-11.0%
Operating profit	42,364,815.88	40,108	2,257	5.6%
Net gain on the measurement of current loans and advances, and securities and on the disposal of interests in investments other than subsidiaries	13,044,437.98	27,778	-14,734	-53.0%
Profit before tax	55,409,253.86	67,886	-12,477	-18.4%
Income tax	-11,455,104.65	-10,480	-975	9.3%
Profit for the year	43,954,149.21	57,406	-13,452	-23.4%
Transfer to reserves	-11,014,965.15	-37,190	26,175	70.4%
Unallocated profit for the year	32,939,184.06	20,216	12,723	62.9%
Profit brought forward from the previous year	10,815.94	13	-2	-15.1%
Profit available for distribution	32,950,000.00	20,229	12,721	62.9%

The **net interest income** results primarily from the fixed interest margin of OeKB from the management of the Export Financing Scheme and the interest income from the investments in the Bank's own account. Net interest income fell by € 4,045 thousand to € 53,498,728.63. The net interest income includes one-off effects for OeKB's share of the breakage costs for early loan repayments in the Export Financing Scheme in the amount of € 5,773,314.28 (2016: € 7,553 thousand).

The fees paid by OeKB to the Federal Ministry of Finance for guarantees pursuant to § 1(2) AFG (2017: € 90,339,043.81; 2016: € 66,512 thousand) are directly related to the refinancing costs of the EFS. For this reason, the guarantee fees are shown under interest and similar expenses on the income statement.

The losses and budget underruns from negative interest reported separately in the income statement pertain mostly to the activities under the Export Financing Scheme. The negative interest from credit operations is the result of the terms of the Export Financing Scheme less the OeKB interest margin. The negative interest from securities transactions pertains to the EFS liquid assets portfolio. This portfolio consists of fixed-income securities that are hedged with derivative financial instruments to protect against market risks. Thanks to the very good rating of OeKB and the issued debt securities that are guaranteed by the Republic of Austria, the Export Financing Scheme benefits from budget underruns from negative interest in the refinancing transactions through the employment of derivative financial instruments for hedging purposes.

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

The **dividends from subsidiaries** fell from € 9,856 thousand to € 9,163,200.00. The decline is largely the result of a lower dividend from OeKB EH Beteiligungs- und Management AG in annual comparison.

The **fee and commission income** declined by € 231 thousand to € 28,167,061.08 (2016: € 28,398 thousand). The following table shows the changes in fee and commission income in the individual segments. The **fee and commission expenses** fell by € 784 thousand to € 2,748,526.75.

Fee and commission income

	31 Dec 2017	31 Dec 2016
	€	€ thousand
Credit operations	2,747,245.89	2,968
Securities services	10,058,327.73	9,744
Guarantees	11,055,197.01	12,065
Energy clearing	2,687,974.40	2,628
Other services	1,618,316.05	993
Total	28,167,061.08	28,398

The **other operating income** consists largely of the billing of services, the staff costs passed on for assigned personnel, the letting of business premises, and input tax adjustments for previous years. The decrease to € 19,424,547.85 (2016: € 21,268 thousand) is mostly the result of lower income from service agreements with subsidiaries.

The **staff costs** decreased by € 9,574 thousand from € 54,442 thousand to € 44,867,713.98. This reduction is primarily the result of a one-off effect of € 3,471 thousand in the wages and salaries in the previous year. The discount rate for the calculation of the employee benefit provisions was also reduced from 2.40% to 1.75% in the previous year. This rate was nearly unchanged in the reporting period at 1.80%. The one-off effect from the increase in the discount rate caused income of € 706,229.00 in the item 'Additions to pension provisions' and income of € 116,396.00 in the item 'Expenses for termination benefits and contributions to termination benefit funds'. Based on current jurisprudence, the standard retirement age for women was also increased to 65 years in the parameter assumptions (standard retirement age 59 years and 6 months in the previous year). The one-off effect from the increase caused expenses of € 1,903,010.00 in the item 'Additions to pension provisions' and income of € 409,645.00 in the item 'Expenses for termination benefits and contributions to termination benefit funds'.

The **other operating expenses** in the amount of € 2,675,918.92 (2016: € 2,568 thousand) consist primarily of expenses for the sub-leasing of business premises and for the stability tax.

The **net gain on the measurement of current loans and advances and securities** decreased to € 13,044,437.98 (2016: € 27,778 thousand), largely due to the higher write-ups on securities as a result of adaptations to the RÄG 2014.

Income tax

	31 Dec 2017	31 Dec 2016
	€	€ thousand
Corporate income tax for financial years	6,916,354.11	10,236
Corporate income tax for previous years	100,666.33	1
Income from prepaid capital gains tax from investment funds	-572.11	-7
Change in deferred tax assets due to the RÄG 2014	0.00	2,809
Change in deferred tax assets from the financial year	4,438,656.32	-2,558
Change in deferred tax assets	4,438,656.32	250
Income tax	11,455,104.65	10,480

The **return on assets** (profit for the year/total assets) of OeKB came to 0.21% for 2017 (2016: 0.29%).

For the disclosures relating to the **costs of the audit for the annual financial statements**, please refer to the data in the OeKB Group consolidated financial statements.

Supplementary disclosures

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

Non-current liabilities 2017

€	2018	2018-2021
Rent	1,211,875.64	6,060,478.20
Leasing	317,350.45	1,587,752.25
Total	1,529,226.09	7,648,230.45

Non-current liabilities 2016

€	2017	2017-2020
Rent	1,494,026.97	7,471,234.85
Leasing	347,944.46	1,740,722.30
Total	1,841,971.43	9,211,957.15

No material obligations are associated with the use of property and equipment not reported on the balance sheet under rental or leasing agreements.

Other off-balance-sheet transactions

The off-balance sheet credit risks of € 3,075,768,620.61 shown as memo items relate to undrawn credit facilities and commitments to lend, most of which are related to the Export Financing Scheme (2016: € 3,539,113 thousand).

Assets and liabilities denominated in foreign currency

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

- Assets: € 1,572,027,686.09 (2016: € 1,217,860 thousand)
- Liabilities: € 15,983,903,583.42 (2016: € 15,239,290 thousand).

Related-party transactions

As a specialised institution for export services and capital market services, OeKB engages in many transactions with its shareholders. All of these transactions are conducted at arm's length terms.

Related-party transactions with shareholders of OeKB

	31 Dec 2017	31 Dec 2016
	€	€ thousand
Own account		
Loans and advances to banks	3,210,652.72	3,204
Bonds and other fixed-income securities	25,384,300.00	28,379
Deposits from banks	54,786,433.85	14,723
Export financing		
Loans and advances to banks	11,635,550,630.47	10,813,195

Loans and advances to and deposits from subsidiaries and other investments

Loans, advances, and deposits

	Subsidiaries		Other interests	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
	€	€ thousand	€	€ thousand
Own account				
Loans and advances to banks	30,000,300.00	30,000	0.00	-
Deposits from banks	90,291,706.94	72,933	0.00	-
Deposits from customers	34,174,908.30	46,239	11,670,353.64	11,521
Export financing				
Loans and advances to banks	1,702,006,097.66	1,669,465	0.00	-

Staff costs

	2017	2016
Average number of employees pursuant to the UGB	343	354
	€	€ thousand
Staff costs in items dd, ee and ff of the income statement		
Executive Board members (including former members or their surviving dependants)	289,891.07	2,914
Senior managers	2,513,108.93	2,181
Other employees	2,016,090.13	4,352
Total	4,819,090.13	9,447
Contributions to pension funds (included in 'Expenses for retirement and other post-employment benefits')	844,327.72	861
Contributions to termination benefit funds (included in 'Expenses for termination benefits and contributions to termination benefit funds')	173,203.10	165
Aggregate compensation paid to officers		
Executive Board members: Not disclosed pursuant to § 241(4) UGB	Not disclosed	Not disclosed
Supervisory Board members	190,671.00	198
Former members of the Executive Board or their surviving dependants	1,197,100.37	1,025

The change in the staff costs shown in the table results mainly from the valuation of long-term employee benefit provisions. The previous year's value was substantially impacted by the reduction in the discount rate from 2.4% to 1.75%.

The expenses for retirement benefits pertain to defined-benefit commitments in the amount of € 3,801,559.31 (2016: € 8,421 thousand) and defined-contribution commitments in the amount of € 1,017,530.82 (2016: € 1,026 thousand).

There were no transactions with key management personnel.

Action for damages

The Bank was aware of no legal action for damages at the reporting date.

Events after the balance sheet date

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

Additional disclosures pursuant to the BWG

Regulatory capital pursuant to the CRR

According to § 3(1)7 of the BWG, Regulation (EU) No. 575/2013 and § 39(3) and (4) of the BWG do not apply to business of OeKB related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. Under § 3(2)1 of the BWG, the following legal provisions also do not apply: Part 6 of Regulation (EU) No. 575/2013 and §§ 27a, 39(2b)7 in conjunction with 39(4), 39(3), and 74(6)3a in conjunction with 74(1) of the BWG.

Minimum regulatory capital requirements pursuant to Article 92 of Regulation (EU) No. 575/2013

	2017	2016
	€	€ thousand
Total risk-weighted assets	772,717,604.88	783,844
Minimum regulatory capital requirement for credit risk (8% of the total risk-weighted assets)	39,078,492.96	39,201
Minimum regulatory capital requirement for foreign exchange risk	5,417,361.33	5,346
Minimum regulatory capital requirement for operational risk (Basic Indicator Approach)	17,321,554.10	18,161
Risk-weighted item amounts	61,817,408.39	62,707
Available regulatory capital pursuant to Part 2 CRR		
Paid-up capital instruments	130,000,000.00	130,000
Retained earnings and reserves	400,477,560.08	389,463
Less transfer to retained earnings ¹	-11,014,965.15	-36,938
Deductible deferred tax assets that depend upon future profitability and that result from temporary differences	0.00	-492
Other intangible assets	-1,171,009.00	-1,180
Common equity tier 1 (CET 1)	518,291,585.93	480,853
Tier 2 capital (reserve for general banking risks pursuant to § 57 BWG), weighted at 50% (2016: 60%) of the 2013 basis ²	63,500,000.00	76,200
Tier 2 capital (T2)	63,500,000.00	76,200
Total regulatory capital resources	581,791,585.93	557,053
Surplus regulatory capital	519,974,177.54	494,345

¹ Pursuant to Article 26(2) of the CRR, earnings for the year are included in common equity tier 1 only after the official adoption of the final annual financial results.

² Pursuant to Article 486(4) of Regulation (EU) No. 575/2013 in conjunction with § 20 of the CRR Supplementary Regulation.

This results in the following ratios pursuant to Art. 92(1) lit. a to c of Regulation (EU) No. 575/2013 at the reporting date, which are compared with the minimum ratios for the credit institution:

Minimum ratios pursuant to Article 92 of Regulation (EU) No. 575/2013

In %	2017		2016	
	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	5.752	67.07	5.125	61.35
Tier 1 ratio	7.252	67.07	6.625	61.35
Total capital ratio	9.252	75.29	8.625	71.07

The net debt ratio (tier 1 capital/risk-weighted assets pursuant to Art. 429 of Regulation [EU] No. 575/2013) was 48.67% in 2017 (2016: 45.00%).

Calculation of the actual ratio

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

$$\text{Tier 1 ratio} = \frac{\text{Tier 1 capital pursuant to Part 2 CRR} * 100}{\text{Aggregate risk amount purs. to Art. 92 CRR}}$$

$$\text{Total capital ratio} = \frac{\text{Total regulatory capital resources purs. to Part 2 CRR} * 100}{\text{Aggregate risk amount purs. to Art. 92 CRR}}$$

Minimum ratio for OeKB

In %	2017	2016
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013	4.500	4.500
Capital conservation buffer pursuant to § 23 BWG in conjunction with § 103q line 11 BWG	1.250	0.625
Anti-cyclical capital buffer pursuant to § 23a BWG in conjunction with § 103q line 11 BWG	0.002	0.000
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including combined capital buffer requirements	5.752	5.125
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including combined capital buffer requirements	7.252	6.625
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including combined capital buffer requirements	9.252	8.625

The required ratios at the reporting date result from Art. 92(1) of Regulation (EU) No. 575/2013, the additional capital buffer requirements of the BWG, and the capital buffer regulation of the FMA.

Board members and officials

Members of the Executive Board

Name	Term of office	
	from	to
Helmut Bernkopf	1 Aug 2016	31 Jul 2019
Angelika Sommer-Hemetsberger	1 Jan 2014	31 Dec 2018

Members of the Supervisory Board

Position	Name	Term of office	
		from	to
Chairman	Erich Hampel	1 Jan 2010	AGM 2021
First Vice Chairman	Walter Rothensteiner	2 Aug 1995	AGM 2021
Second Vice Chairman	Stefan Dörfler	18 May 2017	AGM 2022
Member	Harald Brückl	18 May 2017	AGM 2018
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Claudia Höller	18 May 2017	AGM 2018
Member	Peter Lennkh	18 May 2017	AGM 2022
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Jozef Sikela	12 May 2015	AGM 2020
Member	Herta Stockbauer	21 May 2014	AGM 2019
Member	Herbert Tempsch	29 May 2013	AGM 2018
Member	Susanne Wendler	18 May 2017	AGM 2022
Member	Robert Wieselmayer	19 May 2016	AGM 2021
Member	Robert Zadrazil	19 May 2009	AGM 2021
Member	Franz Zwickl	20 May 1999	AGM 2021
Member	Rainer Borns	19 May 2016	18 May 2017
Member	Heinrich Schaller	19 May 2016	18 May 2017
Member	Karl Sevelda	24 Sep 2013	18 May 2017
Second Vice Chairman	Thomas Uher	12 May 2015	18 May 2017

AGM = Annual General Meeting

Employee representatives

Position	Name	Term of office	
		from	to
Chairman of the Staff Council	Martin Krull	14 Mar 2002	13 Mar 2018
Vice Chairwoman	Erna Scheriau	1 Apr 2001	13 Mar 2018
Member	Alexandra Griebel	14 Mar 2010	13 Mar 2018
Member	Elisabeth Halys	1 Jul 2013	13 Mar 2018
Member	Ulrike Ritthaler	14 Mar 2014	13 Mar 2018
Member	Christoph Seper	14 Mar 2014	13 Mar 2018
Member	Markus Tichy	1 Jul 2011	13 Mar 2018

Audit Committee

Position	Name
Chairman	Walther Rothensteiner
Member	Erich Hampel
Member	Martin Krull

Risk Committee

Position	Name
Chairman	Walther Rothensteiner
Member	Erich Hampel
Member	Martin Krull

Working Committee

Position	Name
Chairman	Erich Hampel
Member	Walther Rothensteiner
Member	Martin Krull

Nomination Committee

Position	Name
Chairman	Erich Hampel
Member	Walther Rothensteiner
Member	Martin Krull

Compensation Committee

Position	Name
Chairman	Erich Hampel
Member	Walther Rothensteiner
Member	Stefan Dörfler
Member	Martin Krull
Member	Erna Scheriau

Government commissioners

under § 76 of the Austrian Banking Act

Position	Name	Term of office since
Commissioner	Harald Waiglein	1 Jul 2012
Deputy Commissioner	Johann Kinast	1 Mar 2006

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

Government commissioners

under § 27 of the Articles of Association (supervision of bond cover pool)

Position	Name	Term of office
Commissioner	Beate Schaffer	since 1 Nov 2013
Deputy Commissioner	Karl Flatz	since 1 Dec 2017
Deputy Commissioner	Edith Wanger	1 Jun 1997 until 30 Nov 2017

Vienna, 28 February 2018

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF

ANGELIKA SOMMER-HEMETSBERGER

Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

**Oesterreichische Kontrollbank AG,
Vienna, Austria,**

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.

Loans and advances to banks and to customers of the Export Financing Scheme

Refer to notes page 123ff [Chapter: Legal basis of the Export Financing Guarantees and the Export Financing Scheme]

Risk for the Financial Statements

As of 31 December 2017 loans and advances to banks and to customers of the Export Financing Scheme (EFS) amount to 17.810,9 Mio EUR, or 84,4% of total assets.

The OeKB Export Financing Scheme is to fund export credits extended by Austrian and foreign banks participating in the scheme (with OeKB refinancing bank lending to the customer) preconditioned the Austrian and foreign banks comply with the credit rating criteria of OeKB (“house bank status”) and above all the legal requirements for assuming liability by the Republic of Austria in terms of the transactions as well as the requirements for administration and processing (collateral management) are fulfilled.

Essential criteria for recognition and valuation of loans and advances to banks and to customers of the EFS is consequently the verification of legal as well as contractual criteria by OeKB’s management. Therefore management established processes and internal controls heavily dependent on complex IT systems. Failures increase administration risk and can also impact valuation of loans and advances to banks and to customers of the EFS within the financial statements of OeKB.

Our Response

We analyzed the processes in the respective operating departments verifying the existence of the legal and contractual requirements in order to ensure the adequate valuation of loans and advances to banks and to customers of the EFS within the financial statements of OeKB. 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 areas relevant for the audit of the financial statements we focused together with our IT specialists on:

- Governance framework for the IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required
- Certain aspects of the security of the IT systems including access and segregation of duties
- Securing the required legal as well as contractual criteria (mainly approvals and collaterals)
- Conformal recording and mapping of contractual terms and conditions

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 the financial reporting process.

Auditors’ Responsibility

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 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.
- We communicate to the audit committee that we have complied with the relevant professional requirements in respect of our independence, that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, the related safeguards.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor's report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

Report on Other Legal Requirements

Management Report

In accordance with the 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 the 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.

Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 19 May 2016, we were elected as auditors. We were appointed by the supervisory board on 17 June 2016. We have been the Company's auditors from the year ended 31 December 1993, 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 ensured our independence throughout the course of the audit, from the audited Company.

Engagement Partner

The engagement partner is Mag. Wilhelm Kovsca.

Vienna, 28 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.
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.

Publication information

This report is a translation of the German original and is provided solely for readers' convenience. In the event of discrepancies or dispute, only the German version of the report shall be deemed definitive.

Owner and publisher:

Oesterreichische Kontrollbank Aktiengesellschaft

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Company register no. FN 85749b, Commercial Court Vienna

DVR: 0052019

VAT ID: ATU 15350402

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FATCA-GIIN: YS6TGM.00000.LE.040

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Translation: LanguageLink Sprachdienste GmbH, Vienna, Austria

Parallel to the online OeKB Group Integrated Report, OeKB Group also publishes a special edition of its Stakeholder Magazine, Relevant Annual, which provides the most important figures, data and facts on the business success and services of OeKB Group.

The Export Services – Annual Report 2017 is printed in German and English, and published on the internet.

Information in this report was current as at 6 March 2018.

