Annual Financial Report 2016

OESTERREICHISCHE
KONTROLLBANK
GROUP

OeKB GROUP

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Economic environment in 2016

In 2016, the period of muted global growth persisted. According to the most recent forecast of the IMF (International Monetary Fund), economic expansion slowed down from 3.2% in 2015 to 3.1% in the year under review. This can, among other things, be attributed to weaker-than-expected stimuli from industrial nations like the US (+1.6%) and the member states of the Eurozone (+1.7%), where business activity lost momentum compared to the year before. In line with this, worldwide trading activities suffered under the difficult economic framework. While the World Trade Organization (WTO) expected global trade to increase by 2.8% at the beginning of 2016, latest estimations indicate a growth rate of only 1.7%. Lower import demand from emerging markets like China and Brazil as well as noticeable economic deceleration in North America were among the decisive factors for this development.

Diverging trends in emerging and developing economies

Looking at the group of emerging and developing countries as a whole, economic growth picked up slightly in 2016. More specifically, the IMF estimates a GDP increase of 4.2% compared to 4.0% in the preceding year. However, diverging trends could be observed between the different world regions. Economic output in the ASEAN states (Indonesia, Malaysia, the Philippines, Thailand and Vietnam), for instance, expanded by a solid 4.8%. In contrast, business activity in the BRIC countries remained subdued overall, as neither Brazil nor Russia managed to come out of recession in 2016. In addition, growth in China slowed further in the year under review. Only India's economy continued to perform dynamically, with GDP increasing by as much as 7.6%.

Overall positive trends in Central, Eastern and Southeastern Europe

According to the Vienna Institute for International Economic Studies (WIIW), the overall economic climate in Central, Eastern and South Eastern Europe improved slightly in 2016. This development is mainly due to solid household consumption, which replaced investment activity as the main growth driver. At the country level, the highest growth rates were registered in Romania (+4.7%), Poland (+3.2%) and Slovakia (+3.2%). Meanwhile, the economic situation in crisis-ridden Ukraine remained tense in 2016, even though GDP was on the rise again after two years of deep recession (+0.8%).

Moderate economic growth in Austria

Contrary to the general trend in the Eurozone, Austria's economy gained momentum in 2016. The Austrian Institute of Economic Research (WIFO) estimates that GDP rose by 1.5%, driven by stronger domestic demand owing to the tax reform. On a less positive note, export business was hampered by lacklustre global demand, resulting in a lower external balance. On the financing side, the Austrian market for corporate bonds experienced a revival. The total issue volume of 7.5 billion EUR was above the previous year's level (5.3 billion EUR). Government bonds meanwhile benefited from Austria's reputation as a safe harbour for investors. The 10-year yield on government bonds amounted to 0.4% at the end of 2016 (previous year's reference value: 0.9%).

Business development in 2016

In the course of the financial year, early repayments of large-scale export financing and the low growth in Austrian exports reduced the financing volume under OeKB's Export Financing Scheme (EFS). Loans and advances to banks and customers declined by € 3,299.9 million. The financing volume relating to small and medium-sized enterprises increased by € 62.3 million to € 1,136.0 million.

While the total comprehensive income for the year in the amount of € 40.2 million is 15.9% below that of the previous year (€ 47.8 million), it is substantially higher than expected.

Consolidated statement of comprehensive income

Overall, it can be said that the Group's operating result for 2016 surpassed the expectations. The net gain on financial instruments was within the planned range despite the volatility on the capital markets.

Owing to lower distributions from investment funds, income from securities investments decreased to € 8.2 million from the 2015 level of € 12.3 million (the securities investments consist of the Group's own investment portfolio, the liquid assets portfolio that supports the Export Financing Scheme, and investments of the development bank). Income from unconsolidated investments rose to € 3.4 million (2015: € 1.7 million), largely due to a higher profit disbursement from CEESEG AG.

Taking these results as well as one-off effects from early loan repayments into account, the Group's **net interest income** was € 85.1 million (2015: € 79.5 million).

The share of profit or loss of equity-accounted investments advanced from € 5.1 million in 2015 to € 6.0 million in 2016. This was due to the very good actuarial result achieved by the loan insurance subsidiary.

No new loan loss provisions were required.

In credit operations, net fee and commission income went from plus € 1.5 million to minus € 5.9 million. This change was driven by the higher guarantee fees resulting from the increased volume of the development bank.

Net fee and commission income from securities services remained stable at € 27.7 million (2015: € 27.9 million).

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 increased. OeKB Group generated total net fee and commission income from its guarantee business in the amount of € 14.9 million compared with € 15.7 million in the previous year.

Overall **net fee and commission income** came in at € 41.0 million (2015: € 44.3 million).

Within the **administrative expenses** of € 82.1 million (2015: € 83.2 million), staff costs rose to € 55.6 million (2015: € 54.9 million) due to one-off effects in connection with a generation management measure that is oriented towards a semi-retirement model. Without these costs, staff costs would be € 2.8 million less than in the previous year. Other administrative expenses came in at € 21.3 million (2015: € 23.0 million), € 1.7 million lower than in the previous year. This reduction was driven by the influence of a project initiated in the previous year to reduce expenses and that showed its first effects in 2016, as well as by the fact that external IT services rendered for subsidiaries are now charged directly to these companies.

Net other operating income came to € 6.4 million, surpassing the € 5.8 million achieved in the previous year.

The **operating profit** amounted to € 56.3 million, an improvement of approximately € 5.0 million over the € 51.4 million posted in 2015.

The net loss of € 1.9 million on financial instruments reflected the volatility on the financial markets (2015: net gain of € 9.3 million). The net loss on the disposal and measurement of securities (minus € 2.1 million; 2015: plus € 8.1 million) was driven by realised gains on bond redemptions and positive measurement effects for equity shares and bonds, which are recognised directly in the income statement due to the valuation of securities at fair value through profit or loss. As in the previous year, no impairment was recognised on interests in investments other than subsidiaries.

Profit before tax in 2016 amounted to € 54.4 million (2015: € 60.8 million). The profit for the year was € 43.5 million (2015: € 47.2 million), of which € 43.2 million (2015: € 47.0 million) was attributable to the owners of the parent. Taking other comprehensive income into account, total comprehensive income for the year attributable to owners of the parent was € 39.9 million (2015: € 47.6 million).

Segment performance

The following items in the segment statement differ from the items in the consolidated statement of comprehensive income: the actuarial gains and losses under IAS 19 as part of the 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 investments, net of tax, for the equity-accounted investments.

The net interest income in the **Export Services segment** fell from € 51.3 million to € 50.2 million. The decrease was a result of the reduced lending volume in the Export Financing Scheme.

The net fee and commission income stems mainly from the administration of export guarantees. There was generally weaker demand for export guarantees than in the previous years. The net fee and commission income declined to € 13.8 million (2015: € 14.9 million).

The administrative expenses of the segment rose to € 39.7 million (2015: € 36.0 million). The increase compared with the previous year is essentially attributable to the current year's actuarial losses resulting from changes in the parameters pursuant to IAS 19. This effect is noticeable in all segments.

The net other operating income in the amount of minus € 0.9 million (2015: minus € 0.9 million) mainly resulted from the stability tax expenses and the income from service agreements.

The operating profit of the segment was € 23.4 million (2015: € 29.3 million). The result on financial instruments was a loss of € 0.1 million (2015: loss of € 0.1 million); the profit after tax amounted to € 17.5 million (2015: € 22.0 million).

The net interest income in the **Capital Market Services segment** is shown at minus € 0.1 million because of the application of negative interest (2015: € 19 thousand).

The share of the losses of equity-accounted investments, coming from CCP.A, increased from minus € 43 thousand to minus € 66 thousand.

The net fee and commission income from the segment was stable in annual comparison at € 30.2 million (2015: € 31.0 million).

The administrative expenses rose to € 26.5 million (2015: € 25.9 million).

The net other operating income of the segment in the amount of minus € 0.1 million (2015: € 1.1 million) was generated by income from service agreements and expenses in connection with the input tax adjustment for previous years.

The operating profit of the segment stood at € 3.5 million (2015: € 6.0 million) and the profit after tax amounted to € 2.6 million (2015: € 4.6 million).

The net interest income in the **Other Services segment** rose from € 28.2 million to € 35.0 million. The rise is mainly attributable to the increase in financing connected with the 100% OeKB subsidiary Oesterreichische Entwicklungsbank AG (OeEB), Austria's development bank.

The share of profits of equity-accounted investments generated through OeKB EH Beteiligungs- und Management AG rose from € 5.1 million to € 5.9 million. The private credit insurance activities are bundled in this holding company.

The net fee and commission income went from minus € 1.6 million to minus € 3.0 million, mainly due to the guarantee fees pursuant to § 9 AusfFG for financing relating to OeEB development projects.

The administrative expenses in the segment were stable at € 20.2 million (2015: € 20.2 million).

The net other operating income in the amount of € 7.4 million (2015: € 5.6 million) was generated by earnings from service agreements.

The operating profit of the segment was € 25.2 million (2015: € 17.1 million). The net gain or loss on financial instruments dropped substantially from € 9.4 million to minus € 1.9 million. The profit after tax amounted to € 20.1 million (2015: € 21.3 million).

Balance sheet

At 31 December 2016, cash and balances at central banks stood at € 413.4 million (2015: € 223.1 million).

Loans and advances to banks decreased to € 14,483.5 million (2015: € 17,874.6 million) due to the lower volume of lending under the Export Financing Scheme. Loans and advances to customers increased from € 1,481.4 million to € 1,572.6 million. The liquid assets portfolio for the EFS was expanded further. Largely as a result of this, the holdings of other financial assets increased by € 436.8 million to € 3,039.3 million (2015: € 2,602.5 million). The deposits from banks contracted owing to lower collateral deposits (2016: € 865.7 million; 2015: € 1,079.4 million).

The profit contribution from the private credit insurance group was nearly stable in annual comparison. In total, the value of interests in equity-accounted investments changed slightly to € 67.7 million in 2016 (2015: € 67.8 million).

Total assets at 31 December 2016 amounted to € 26,504.8 million (2015: € 28,775.7 million).

Financial performance indicators

The cost/income ratio (administrative expenses/operating income) was 59.3% at the balance sheet date, which is a decrease in annual comparison (2015: 61.8%).

The Group's equity capital rose from € 746.1 million to € 766.1 million in 2016.

At the balance sheet date, OeKB Group had € 718.5 million in available consolidated regulatory capital pursuant to Regulation (EU) No. 575/2013. This capital amounted to € 695.4 million in the previous year.

The tier 1 capital ratio (tier 1 capital/minimum regulatory capital requirement/8%) at the balance sheet date was 77.5%. The ratio came to 83.1% 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/equity attributable to owners of the parent) fell from 6.5% to 5.3% in 2016.

Research and development

No research and development is conducted due to the nature of the business activities of the members of OeKB Group (banks and insurance companies).

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.

Control environment

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

Risk assessment

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.

Control activities

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.

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.

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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 is seeking a licence as a central depository under the CSD regulations in 2017 (see § 3[1]12 BWG).

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

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.

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).

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

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 behaviour, and the corporate results. Oesterreichische Entwicklungsbank, OeKB CSD, and Exportfonds also apply remuneration models that are based on the remuneration policy at OeKB.

For details on the remuneration policy, see the ***Disclosure Report*** *(in German only)*

The Group's consolidated headcount at the end of 2016 was 405 full-time equivalents (2015: 412).

Despite the difficult market situation, the Group generated an operating profit of € 139 thousand per full-time equivalent (2015: € 125 thousand).

Employees of OeKB Group [1]

As at	31 Dec 2016	31 Dec 2015	31 Dec 2014
Total number of employees	**442**	**444**	**435**
Of whom part-time employees	*107*	*101*	*99*
Part-time employees in %	*24.2%*	*22.7%*	*22.8%*
Total employees in full-time equivalents	405	412	404
Average number of employees pursuant to the UGB	406	404	400
Average age	45.0	44.9	44.6
Average length of service	16.2	16.2	16.2
Sick days per year and full-time employee	10.1	9.1	7.8
Proportion of total positions held by women	57.5%	56.8%	58.4%
Proportion of management positions held by women	38.5%	40.3%	35.4%
Turnover rate [2]	3.6%	2.3%	1.9%

[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 2017

The year 2017 will be another difficult period in economic terms. The economic outlook is somewhat brighter again, but the global economy continues to expand at a lacklustre pace and uncertainty will continue, though to varying degrees from region to region. This poses a significant challenge for the Austrian export industry. As in the past, OeKB Group continues to assist exporters 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 2017 due to rising export and foreign investment activity by Austrian companies as well as due to our attractive financing conditions.

Despite the recent improvements in the economic forecasts for the USA and the EU, we expect significantly lower earnings from our securities investments in 2017 due to the continued low interest rates. 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 the course of 2017, OeKB CSD will apply to the FMA for a licence under the CSDR to continue acting as a central securities depository in Austria in accordance with the CSDR. The application procedure under the CSDR is expected to last until the end of 2017 or beginning of 2018. The Target2Securities (T2S) project was completed in February 2017 after a long period of preparation and the pan-European settlement platform for securities transactions went into use.

Overall, OeKB is well prepared to meet the challenges ahead and is expecting sustained stable 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 2017

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

OeKB Group 2016 consolidated financial statements

Consolidated statement of comprehensive income

€ thousand	Notes		2016		2015	Change in %
Interest and similar income		245,844	237,437	293,202	292,428	-18.8%
Minus negative interest from money market business		(2,483)		(574)		332.2%
Minus negative interest from credit operations		(3,762)		(200)		1779.6%
Minus negative interest from securities		(2,162)		-		-
Interest and similar expenses		(258,844)	(152,330)	(289,833)	(212,958)	-28.5%
Minus positive interest from money market business		1,083		433		150.2%
Minus positive interest from refinancing operations		105,430		76,442		37.9%
Net interest income	8		**85,106**		**79,470**	**7.1%**
Share of profit or loss of equity-accounted investments, net of tax	8, 20		5,968		5,142	16.1%
Net credit risk provisions	9		-		(60)	-100.0%
Fee and commission income	10		53,647		55,530	-3.4%
Fee and commission expenses	10		(12,665)		(11,231)	12.8%
Net fee and commission income	10		40,982		44,299	-7.5%
Administrative expenses	11		(82,142)		(83,181)	-1.2%
Other operating income	12		6,419		5,774	11.2%
Operating profit			**56,333**		**51,444**	**9.5%**
Net gain or loss on financial assets	13		(1,961)		9,343	-121.0%
Profit before tax			**54,373**		**60,787**	**-10.6%**
Income tax and other taxes	14		(10,897)		(13,613)	-20.0%
Profit for the year			**43,475**		**47,174**	**-7.8%**
Items that will not be reclassified into the income statement in future						
Actuarial gains/losses from defined benefit plans	24		(4,231)		999	-523.6%
Equity-accounted investments - Share of net other comprehensive income	20		(88)		(98)	-10.2%
Tax effects	14		1,058		(250)	523.6%
Net other comprehensive income after tax			**(3,261)**		**651**	**-600.9%**
Total comprehensive income for the year			**40,214**		**47,825**	**-15.9%**
Profit for the year attributable to						
Attributable to owners of the parent			43,207		46,950	-8.0%
Attributable to non-controlling interests	19		268		224	19.9%
			43,475		**47,174**	**-7.8%**
Breakdown of total comprehensive income						
Attributable to owners of the parent			39,928		47,596	-16.1%
Attributable to non-controlling interests	19		285		228	25.0%
			40,214		**47,825**	**-15.9%**

Earnings per share

	2016	2015
Total comprehensive income for the year attributable to owners of the parent, in € thousand	39,928	47,596
Average number of shares outstanding	880,000	880,000
Earnings per share, in €	**45.37**	**54.09**

As in the previous year, there were no exercisable conversion or option rights at 31 December 2016. The stated earnings per share therefore also represent the diluted earnings per share.

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Consolidated balance sheet of OeKB Group

Assets

€ thousand	Notes	31 Dec 2016	31 Dec 2015	Change in %
Cash and balances at central banks	15, 28	413,360	223,147	85.2%
Loans and advances to banks	16	14,483,492	17,874,580	-19.0%
Loans and advances to customers	16	1,572,646	1,481,426	6.2%
Allowance for impairment losses on loans and advances	17	-	(622)	-100.0%
Other financial assets	18	3,039,350	2,602,495	16.8%
Derivatives designated as hedging instruments	36	1,051,666	1,164,716	-9.7%
Guarantees pursuant to § 1(2)b AFFG *	36	5,683,157	5,167,195	10.0%
Equity-accounted investments	20	67,743	67,763	0.0%
Property, equipment and intangible assets	21	20,266	23,065	-12.1%
Current tax assets		4,018	4,393	-8.5%
Deferred tax assets	25	87,929	85,313	3.1%
Other assets		81,193	82,260	-1.3%
Total assets		**26,504,821**	**28,775,731**	**-7.9%**

Liabilities and equity

€ thousand	Notes	31 Dec 2016	31 Dec 2015	Change in %
Deposits from banks	22	865,694	1,079,421	-19.8%
Deposits from customers	22	837,592	754,526	11.0%
Debt securities in issue	23	21,261,202	23,624,706	-10.0%
Derivatives designated as hedging instruments	36	719,622	915,216	-21.4%
Provisions *	24	148,722	145,155	2.5%
Current tax liabilities		2,409	2,406	0.1%
Deferred tax liabilities	25	23,673	28,018	-15.5%
Other liabilities		136,456	127,277	7.2%
Interest rate stabilisation provision *	26	1,743,311	1,352,918	28.9%
Equity	27	766,142	746,089	2.7%
Of which attributable to non-controlling interests		*4,585*	*4,439*	*3.3%*
Total liabilities and equity		**26,504,821**	**28,775,731**	**-7.9%**

* 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 2016

€ thousand	Notes	Subscribed capital	Capital reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 January 2016	19, 27	130,000	3,347	608,302	741,650	4,439	746,089
Profit for the year		-	-	43,207	43,207	268	43,475
Other comprehensive income	27	-	-	(3,279)	(3,279)	17	(3,261)
Total comprehensive income for the year		**-**	**-**	**39,928**	**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**	**628,210**	**761,558**	**4,585**	**766,142**

Consolidated statement of changes in equity 2015

€ thousand	Notes	Subscribed capital	Capital reserves	Retained earnings	Attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 January 2015	19, 27	130,000	3,347	580,725	714,072	4,352	718,424
Profit for the year		-	-	46,950	46,950	224	47,174
Other comprehensive (expense)	27	-	-	647	647	4	651
Total comprehensive income for the year		**-**	**-**	**47,596**	**47,596**	**228**	**47,825**
Transactions with owners (dividends)	19, 27	-	-	(20,020)	(20,020)	(140)	(20,160)
As at 31 Dec 2015		**130,000**	**3,347**	**608,302**	**741,650**	**4,439**	**746,089**

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 2016	31 Dec 2015
Cash and cash equivalents at beginning of period	**223,147**	**271,838**
Net cash from operating activities	71,723	83,654
Net cash from investing activities	2,856,699	601,452
Net cash from financing activities	(2,738,209)	(733,797)
Cash and cash equivalents at end of period	**413,360**	**223,147**

€ thousand	Notes	2016	2015
Profit before tax		**54,373**	**60,787**
Non-cash items included in profit, and adjustments to reconcile profit with cash flows from operating activities			
Depreciation and write-ups on property and equipment	21	4,654	4,688
Amortisation and write-ups on intangible assets	21	580	582
Changes in provisions		69,922	(2,957)
Gains/losses from the disposal/measurement of property and equipment		29	79
Gains/losses from the disposal/measurement of investments in other unconsolidated companies	13	-	(1,074)
Unrealised gains/losses from the measurement of other financial assets	13	2,041	(5,873)
Unrealised gains/losses from the measurement of issued securities and swaps	13	(284,025)	12,731
Unrealised gains/losses from the measurement of exchange rate fluctuation	13	284,018	(12,871)
Gains/losses from exchange rate fluctuation		(127)	(192)
Other non-cash items		(235)	(2,306)
Changes in operating assets and liabilities after adjustment for non-cash components			
Other operating assets		(2,796,292)	(720,554)
Other operating liabilities		2,648,274	716,874
Interest and dividends received		291,831	295,244
Interest paid		(187,576)	(241,200)
Income tax paid	14	(15,744)	(20,304)
Net cash from operating activities		**71,723**	**83,654**
Proceeds from the redemption and disposal of			
Loans and advances to banks	16	16,176,955	23,539,356
Loans and advances to customers	16	1,101,325	532,210
Other financial assets	18	79,901	180,589
Investments in other unconsolidated companies	19	-	11,104
Property, equipment, and intangible assets	21	500	-
Payments for the purchase of			
Loans and advances to banks	16	(12,826,561)	(22,147,764)
Loans and advances to customers	16	(1,190,503)	(503,200)
Other financial assets	18	(481,961)	(1,007,700)
Property, equipment, and intangible assets	21	(2,957)	(3,143)
Net cash from investing activities		**2,856,699**	**601,452**
Proceeds from			
Deposits from banks	22	3,658,658	5,122,971
Deposits from customers	22	1,649,836	1,970,383
Debt securities in issue	23	17,506,622	24,676,148
Repayments from the redemption of			
Deposits from banks	22	(3,872,564)	(4,556,743)
Deposits from customers	22	(1,566,771)	(2,030,237)
Debt securities in issue	23	(20,093,970)	(25,896,299)
Cash received from the issue of shares		-	-
Dividend payments	27	(20,020)	(20,020)
Net cash from financing activities		**(2,738,209)**	**(733,797)**

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.

Services for exporters

OeKB Group offers the Austrian export industry a wide range of 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. 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 export financing operations

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. According to § 7 AusfFG, 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 AusfFG, 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 AusfFG. Oesterreichische Entwicklungsbank AG (100% subsidiary of OeKB) has been commissioned to fulfil these responsibilities.

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 2018 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[2]a 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[2]b 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.

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 2016 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.

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) 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 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(2)b AFFG are part of this scheme. All debt securities in issue feature a guarantee from the Republic of Austria pursuant to § 1(2)a AFFG.

The majority of loans 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.

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(2)b AFFG. OeKB thus does not bear any 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. The exchange rate guarantee of the Republic of Austria has the same function as a derivative financial instrument. Because of the importance and relevance of this item for all parties, it is being reported in a separate item for the first time (see also Changes in recognition and measurement methods).

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. 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). 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 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.

Since the inception of the internationally unique Export Financing Scheme in 1960, the interest rate stabilisation provision has been built up from the ongoing surpluses. This provision is used exclusively to lower the effective refinancing rate in subsequent years. The federal tax office for corporations in Vienna has acknowledged the interest rate stabilisation provision as a provision and as a deductible debt item in so far as it is used for decreasing the effective refinancing interest rate for the EFS. Because of the importance of this item, it is reported in a separate item (see also Changes in recognition and measurement methods).

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 2015.

The amendments to IAS 1 under the Disclosure Initiative are to be applied for the first time in financial year 2016 (see also New standards and amendments to be applied for the first time in 2016). In connection with the amendment, OeKB Group decided to make some disclosures on the balance sheet more company specific. The amendment also resulted in corresponding changes in the notes.

Unlike in the previous year, the guarantees pursuant to § 1(2)b AFFG and the EFS interest rate stabilisation provision are reported in separate items for the 2016 financial year. In 2015, the guarantees pursuant to § 1(2)b AFFG were recognised in the item 'Derivatives designated as hedging instruments' (2015: € 6,331,911 thousand) and the EFS interest rate stabilisation provision in the item 'Provisions' (2015: € 1,498,072 thousand). The comparison figures from the previous year were adjusted accordingly. In 2015, the guarantees pursuant to § 1(2)b AFFG amounted to € 5,167,195 thousand and the EFS interest rate stabilisation provision € 1,352,918 thousand.

The item 'Guarantees pursuant to § 1(2)b AFFG' was measured using an improved fair value model according to IFRS 13. The effects from the model change came to € 444.9 million in the reporting period. The guarantees are related solely to the Export Financing Scheme, so the effects from the fair value measurement were allocated entirely to the EFS interest rate stabilisation provision.

New standards and amendments to be applied for the first time in 2016

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 2016		First-time application
Amendment to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	1 Jan 2016
Amendment to IFRS 11	Accounting for interests in joint ventures and joint operations	1 Jan 2016
Amendment to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 Jan 2016
Amendment to IAS 16 and IAS 41	Agriculture: bearer plants	1 Jan 2016
Amendment to IAS 19	Defined Benefit Plans: Employee Contributions	1 Feb 2015
Amandment to IAS 27	Equity method in separate financial statements	1 Jan 2016

Amendments to IAS 1 Presentation of Financial Statements

The amendment is intended to allow companies to make the disclosures in their financial statements more company specific at their own discretion. They consist largely of the clarification that disclosures in the notes are only necessary when they are material in nature. This also explicitly applies when an IFRS specifies a list of minimum disclosures. The sample structure of the notes was eliminated to make a more company-specific format easier, and it was clarified that companies are free to choose where to explain their recognition and measurement methods in the notes. The amendments also include explanations on the aggregation and disaggregation of items on the balance sheet and consolidated statement of comprehensive income and clarification that shares in other comprehensive income from equity-accounted investments are to be presented in separate items in the consolidated statement of comprehensive income for amounts that will be reclassified into the income statement in future and amounts that will not be reclassified into the income statement. The amendments are to be applied for financial years beginning on or after 1 January 2016. OeKB Group has made its financial statements more company specific in that the guarantees pursuant to § 1(2)b AFFG and the EFS interest rate stabilisation provision are presented in separate items on the balance sheet (see also 'Changes in recognition and measurement methods').

Annual improvements to the IFRS (2010–2012)

Amendments were made to seven standards under the *annual improvement project*. Formulations in the individual IFRS were amended to clarify the existing rules. There were also amendments that affect the disclosures in the notes. This pertains to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, and IAS 38.

The amendments have no material effects on the consolidated financial statements of OeKB Group.

Annual improvements to the IFRS (2012–2014)

Amendments were made to four standards under the annual improvement project. Formulations in the individual IFRS and IAS were amended to clarify the existing rules. This pertains to the standards IFRS 5, IFRS 7, IAS 19, and IAS 34.

The amendments have no material effects on the consolidated financial statements of OeKB Group.

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 1 January 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

The final version of the standard was published in July 2014. IFRS 9 is mandatory for financial years beginning on or after 1 January 2018. OeKB Group has opted not to apply this amendment early.

The actual effects that the application of IFRS 9 will have on the consolidated financial statements in 2018 are not yet known and cannot be reliably predicted because they depend on the financial instruments held by the Group and the economic conditions prevailing at that time as well as on the selected recognition methods and future decisions made by management. The new standard requires the Group to adapt its accounting policies and internal controls relating to the presentation of financial instruments; these adaptations have not yet been completed. However, the Group has conducted an initial assessment of the possible effects of the application of IFRS 9 based on its positions at 31 December 2016 and the hedging relationships defined in 2016 on the basis of IAS 39.

Classification and measurement of financial instruments

In future, financial assets will only be classified into one of two groups: at amortised cost or at fair value. The group of financial instruments measured at amortised cost consists of those financial assets that only confer entitlement to interest and capital payments at specified points in time and that are held under a business model whose objective is the holding of assets. All other financial assets fall under the fair value group. Under certain circumstances (accounting mismatch), financial assets in the first category can be moved into the fair value category (as before).

Changes in the value of financial assets in the fair value category are generally to be recognised through profit or loss. There is an option to recognise changes in value in other comprehensive income for certain equity instruments.

The regulations for financial liabilities as set forth in IAS 39 are being adopted in general. The most important difference is the recognition of changes in the value of financial liabilities measured at fair value. These must be broken down in future. The portion attributable to own credit risk must be recognised in other comprehensive income while the remainder of the changes in value are to be recognised through profit or loss.

OeKB Group follows a principally conservative, credit risk-averse business model. This specifies financial instruments that meet the criteria for measurement at amortised cost for the most part. In future, it will only be possible to exercise the fair value option to avoid an accounting mismatch. For this reason, the OeKB Group investment portfolio will no longer be measured at fair value in future, but at amortised cost. This will result in less fluctuation in the consolidated statement of comprehensive income. Based on an initial assessment, however, OeKB Group expects that the changes will have no material effects if they are applied at 31 December 2016.

Recognition of impairment on financial assets

Under the new rules, not only incurred losses but also foreseeable losses must be recognised. In this, the extent to which expected losses are recognised will depend on whether the risk of default on financial assets has deteriorated substantially since their acquisition or not. If deterioration has taken place and the risk of default is more than insignificant on the reporting date, all expected losses over the entire term must be recognised from this point forward. Otherwise, only the losses expected over the term of the instrument arising from potential loss incidents in the coming 12 months are to be recognised.

The recognition of impairment will result in no material changes in the consolidated statement of comprehensive income of OeKB Group. The majority of financial instruments (loans and advances to banks and customers) in the EFS feature guarantees, most of them from the Republic of Austria, which limits the default risk to a very high degree. OeKB Group has never experienced a default on such a loan under the EFS. The majority of the securities that are purchased for the OeKB Group investment portfolio have investment grade ratings. This means that these instruments are also unlikely to have a material impact on the total comprehensive income for the year. However, the Group has not yet decided on which impairment recognition methods will be used under IFRS 9.

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 hedge 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.

The initial assessment by OeKB Group indicates that the recognition methods currently used for hedging relationships should meet the requirements of IFRS 9 when the Group makes certain planned changes to its internal documentation and monitoring processes. The initial assessment by the Group also indicates that the expected changes in the accounting policies would only have had minor effects on the recognition of hedging transactions during the 2016 financial year.

The regulations in IFRS 9 will make it easier for OeKB Group to apply hedge accounting in future. Hedge accounting is currently not applied in the Group. Each hedging instrument is assigned to an underlying transaction.

OeKB Group is currently preparing the necessary data model as part of a comprehensive project. This is related closely to the risk management, accounting, and management requirements. A project for the implementation of IFRS 9 will also be launched in 2017. The objective of this project will be the technical adaptation of the software to support the business processes and the tuning of the estimates for expected loan defaults.

IFRS 15 Revenue from Contracts with Customers

According to IFRS 15, revenue must be recognised when the customer attains control of the agreed goods and services and can derive benefits from them. The transfer of material opportunities and risks is no longer relevant (unlike under IAS 18 Revenue). The revenue must be recognised in the amount of consideration the entity expects to receive.

The new model specifies a multi-step revenue recognition process under which the contract and the separate compensation obligations that it contains must first be identified. Then, the transaction price of the customer contract must be determined and allocated to the individual performance obligations. Then, revenue in the amount of the allocated transaction price must be recognised as soon as the agreed service has been rendered or the customer has attained control of it. There are criteria that allow differentiation between performance at a single point in time and performance over a period of time. The standard does not differentiate between different types of contracts or services, but provides uniform criteria for determining whether a service is to be rendered at a single point in time or over a period of time.

The standard is mandatory for reporting periods beginning on or after 1 January 2018. In OeKB Group, the service period generally corresponds to the billing period. We are still analysing potential effects on the consolidated financial statements but expect no significant effects on the Group's total comprehensive income.

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.

Assuming it is adopted by the EU, 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.

According to the transition provisions, a company is not required to reassess a lease when the existing arrangement is or contains a lease as defined in IFRS 16 upon first-time application. If an entity applies this option, it is only required to assess new leases or existing leases that are modified after the first-time application of the standard.

OeKB Group has concluded contracts that fall under IFRS 16 in connection with office space (rental agreements) and vehicles and machines. In accordance with the transition provisions, OeKB Group will only apply the provisions of IFRS 16 to new agreements or to changes to existing agreements after the first-time application of the standard. The application of IFRS 16 will have no material impact on the assessment of the financial, asset, and earnings position of OeKB Group in future.

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
IAS 7	Statement of Cash Flows – Disclosure Initiative	open	1 Jan 2017
IAS 12	Income Taxes – recognition of deferred tax assets for unrealised losses	open	1 Jan 2017
Improvements to IFRS 2014 - 2016	Annual improvements (2014–2016) – Amendments to IFRS 12	open	1 Jan 2017
IAS 40	Classification of properties under construction	open	1 Jan 2018
IFRS 2	Classification and measurement of share-based payment	open	1 Jan 2018
IFRS 4	Application of IFRS 9 Financial Instruments and IFRS 4	open	1 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	open	1 Jan 2018
Improvements to IFRS 2014 - 2016	Annual improvements (2014–2016) – Amendments to IFRS 1 and IAS 28	open	1 Jan 2018

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, 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. 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 2015.

Two companies were not consolidated (2015: 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 0.01% of the Group's consolidated profit for the year. Two companies (2015: 2) are recognised in the financial statements of OeKB Group according to the equity method.

Number of companies consolidated or held at cost

	31 Dec 2016	31 Dec 2015
Fully consolidated companies	3	3
Equity-accounted investments	2	2
Investments in unconsolidated subsudiaries (recognised at amortised cost)	2	2
Investments in other unconsolidated companies (recognised at amortised cost)	10	10
Total	**17**	**17**

Companies wholly or partly owned by OeKB

Company name and registered office	Banking Act Category	Type of investment		Shareholding	Financial information			
	Credit Institution/ Other Company	Directly held	Indirectly 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	x		100.00%	31 Dec 2016	734,071	19,202	7,956
OeKB CSD GmbH, Vienna	CI	x		100.00%	31 Dec 2016	29,875	24,495	3,499
"Österreichischer Exportfonds" GmbH, Vienna	CI	x		70.00%	31 Dec 2016	1,137,435	13,871	1,989
Equity-accounted investments								
OeKB EH Beteiligungs- und Management AG, Vienna	OC	x		51.00%	31 Dec 2016	93,826	93,562	10,176
Acredia Versicherung AG, Vienna	OC		x	51.00%	31 Dec 2016	153,339	91,176	10,927
Acredia Services GmbH, Vienna	OC		x	51.00%	31 Dec 2016	13,412	12,075	2,211
PRISMA Risk Services D.O.O., Belgrade	OC		x	51.00%	31 Dec 2016	496	322	36
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	x		50.00%	31 Dec 2016	34,730	11,202	(131)
Unconsolidated subsidiaries held at amortised cost								
OeKB Business Services GmbH, Vienna	OC	x		100.00%	31 Dec 2016	1,539	1,355	6
OeKB Zentraleuropa Holding GmbH, Vienna	OC	x		100.00%	31 Dec 2016	4,541	4,541	1
Investments in other unconsolidated companies, held at amortised cost								
AGCS Gas Clearing and Settlement AG, Vienna	OC	x		20.00%	31 Dec 2015	14,277	3,602	614
APCS Power Clearing and Settlement AG, Vienna	OC	x		17.00%	31 Dec 2015	21,192	3,026	381
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	x		18.50%	31 Dec 2015	4,517	3,403	2,603
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	x		0.10%	31 Dec 2015	819	77	-
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	x		8.06%	31 Dec 2015	7,555	2,843	425
"Garage Am Hof" Gesellschaft m.b.H., Vienna	OC	x		2.00%	31 Dec 2015	5,128	4,258	1,003
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	x		12.60%	31 Dec 2015	291,062	5,417	372
CEESEG Aktiengesellschaft, Vienna	OC	x		6.60%	31 Dec 2015	389,667	370,176	27,976
European Financing Partners S.A., Luxembourg	OC	x		7.63%	31 Dec 2016	220,796	145	(16)
Interact Climate Change Facility S.A., Luxembourg	OC	x		7.69%	31 Dec 2016	241,134	121	12

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 2016.

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. If these are not available, local financial statements are used after adjustment to adhere to the Group's uniform accounting methods. The annual results are obtained from the latest available annual separate financial statements and sub-groups' consolidated financial statements, and the changes in equity are thus recognised in the year in which they occur. Dividends paid 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

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.

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 2016).

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	4.539	RON	14.457	ZAR
27.021	CZK	309.83	HUF	64.3	RUB		
7.4344	DKK	123.4	JPY	9.5525	SEK		

Indicative exchange rates at 31 December 2015

Mid rate	Currency	Mid rate	Currency	Mid rate	Currency	Mid rate	Currency
1.4897	AUD	0.7339	GBP	9.603	NOK	3.1765	TRY
1.5116	CAD	8.4376	HKD	4.2639	PLN	1.0887	USD
1.0835	CHF	7.638	HRK	4.524	RON	16.953	ZAR
27.023	CZK	315.98	HUF	80.6736	RUB		
7.4626	DKK	131.07	JPY	9.1895	SEK		

Note 5 Determining fair value

All financial instruments are measured regularly at their fair values.

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 valuat-ion 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 liabilites.
- 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 both to financial assets and financial liabilities.

Other financial instruments are recognised at the fair value determined on the basis of quoted market prices or, in the case of investment fund units, on the basis of the net asset values calculated in accordance with the Investment Fund Act (InvFG). 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 derivatives designated as hedging instruments. This method is based on the present value of discounted contractual payment flows. 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. In the valuation of these assets, the contractually agreed cash flows are discounted using a yield curve that is observable on the market and adjusted by the credit spreads of the Austrian government.
- 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.

Derivatives 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 € 1.6 million (2015: € 6.3 million), the DVA value adjustment was € 0.6 million (2015: € 2.7 million).

The fair value of the guarantees pursuant to § 1(2)b AFFG is calculated by determining the future cash flows from interest and principal at AFFG rates on the one hand and converted into euros at the rate specified in the foreign-currency forward on the other hand. Comparing the two notional amounts in euros indicates the potential conversion gain or loss of the Republic of Austria. The fair value is determined by discounting the individual conversion gains or losses on the maturity date up to the valuation date with the yield curve of the Republic of Austria.

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 holds no financial instruments in Level 3.

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. No reclassifications took place during the financial 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 internal control structure and the 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. In the segment information, unlike the presentation in the statement of comprehensive income, actuarial gains and losses pursuant to IAS 19 are presented as an element of staff costs within administrative expenses. Furthermore, in the segment information, unlike in the consolidated statement of comprehensive income, the share of other comprehensive income from equity-accounted investments is shown under ‘Share of profit or loss of equity-accounted investments, net of tax’.

The Export Services segment covers the Export Financing Scheme of OeKB, the operations of the interest in „Österreichischer Exportfonds“ GmbH, and the administration of guarantees of the Republic of Austria by OeKB as authorised agent pursuant to the Austrian Export Guarantees Act. As a result of the running of 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 always 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, 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.

The Other Services segment covers the information and research services of OeKB, the own portfolio and other shareholdings, the activities of OeKB Group in the private credit insurance segment, and the operations of the interest in Oesterreichische Entwicklungsbank AG.

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

As in the previous year, the Export Services segment was again a key customer of OeKB Group. This customer accounted for € 135.0 million (2015: € 122.0 million) in interest and similar income.

Segment performance in 2016

Results by business segment in 2016

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Interest and similar income	202,102	(94)	35,428	**237,437**
Interest and similar expenses	(151,877)	0	(453)	**(152,330)**
Net interest income	**50,225**	**(94)**	**34,976**	**85,106**
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 and other taxes	(5,831)	(886)	(3,122)	**(9,839)**
Profit for the year	**17,476**	**2,592**	**20,146**	**40,214**
Attributable to non-controlling interests	*(285)*	*-*	*-*	***(285)***
Profit for the year attributable to owners of the parent	*17,191*	*2,592*	*20,146*	***39,928***
Segment assets	25,274,422	31,197	1,199,202	**26,504,821**
Segment liabilities	25,205,853	4,477	528,334	**25,738,665**

Reconciliation of the information on reportable Group segments for 2016

	€ thousand
Profit of the reportable segments	40,214
Non-allocable 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 consolidated statement of comprehensive income	**43,475**

Results by business segment in 2015

€ thousand	Export Services	Capital Market Services	Other Services	**Total**
Interest and similar income	263,930	(19)	28,517	**292,428**
Interest and similar expenses	(212,630)	-	(328)	**(212,958)**
Net interest income	**51,299**	**(19)**	**28,189**	**79,470**
Share of profit or loss of equity-accounted investments, net of tax	-	(43)	5,087	**5,044**
Net credit risk provisions	-	-	(60)	**(60)**
Fee and commission income	16,761	32,095	6,673	**55,530**
Fee and commission expenses	(1,869)	(1,122)	(8,239)	**(11,231)**
Net fee and commission income	**14,892**	**30,973**	**(1,565)**	**44,299**
Administrative expenses	(36,022)	(25,939)	(20,221)	**(82,181)**
Other operating income	(909)	1,061	5,622	**5,774**
Operating profit	**29,260**	**6,033**	**17,052**	**52,345**
Net gain or loss on financial instruments	(98)	9	9,432	**9,343**
Profit before tax	**29,162**	**6,042**	**26,484**	**61,688**
Income tax and other taxes	(7,182)	(1,477)	(5,204)	**(13,863)**
Profit for the year	**21,980**	**4,565**	**21,280**	**47,825**
Attributable to non-controlling interests	*(228)*	*-*	*-*	***(228)***
Profit for the year attributable to owners of the parent	*21,752*	*4,565*	*21,280*	***47,596***
Segment assets	27,569,669	43,285	1,162,777	**28,775,731**
Segment liabilities	27,613,940	42,558	373,145	**28,029,643**

Reconciliation of the information on reportable Group segments for 2015

	€ thousand
Profit of the reportable segments	47,825
Non-allocable amounts	
Share of profit or loss of equity-accounted investments, net of tax	98
Actuarial gains/losses on defined benefit plans	(999)
Tax effects stemming from actuarial gains/losses	250
Profit for the year according to the consolidated statement of comprehensive income	**47,174**

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.

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.

For financial assets recognised using the fair value option upon acquisition and that are thus measured at fair value through profit or loss, interest and dividend income is recognised in net interest income.

Note 8 Net interest income and share of profit or loss of equity-accounted investments

€ thousand	Amortised cost 2016	Fair value option 2016	Total 2016	Amortised cost 2015	Fair value option 2015	Total 2015
Credit operations and money market instruments	163,878	61,948	225,826	259,402	18,834	278,236
Fixed-income securities	-	799	799	-	5,613	5,613
Equity shares and other variable-income securities	-	7,400	7,400	-	6,849	6,849
Interests in investments other than subsidiaries	3,412	-	3,412	1,730	-	1,730
Interest income	**167,290**	**70,147**	**237,437**	**261,132**	**31,296**	**292,428**
Money market instruments and current accounts	(5,181)	-	(5,181)	(7,633)	-	(7,633)
Debt securities in issue	(112,834)	(34,315)	(147,150)	(133,460)	(71,864)	(205,325)
Interest expense	**(118,015)**	**(34,315)**	**(152,330)**	**(141,093)**	**(71,864)**	**(212,958)**
Net interest income	**49,275**	**35,831**	**85,106**	**120,038**	**(40,568)**	**79,470**
Share of profit or loss of equity-accounted investments	5,968	-	5,968	5,142	-	5,142

Interest expenses include guarantee fees paid to the Republic of Austria for guarantees pursuant to § 1(2) AFFG (see also note 1) in the amount of € 66.5 million (2015: € 70.7 million).

Note 9 Net credit risk provisions

No credit risk provisions were formed in financial year 2016 (2015: € 60 thousand).

Note 10 Net fee and commission income

The export guarantee activities represent services provided by OeKB on behalf of the Republic of Austria (see also note 1). OeKB offers energy clearing services in connection with credit rating services, financial clearing, and risk management as a central and independent provider.

Net fee and commission income

€ thousand	2016	2015
Income from credit operations	5,104	5,478
Expenses from credit operations	(10,976)	(9,900)
Credit operations	**(5,872)**	**(4,422)**
Income from securities services	28,838	29,137
Expenses from securities services	(1,126)	(1,263)
Securities services	**27,712**	**27,875**
Income from export guarantees	14,968	15,662
Expenses from export guarantees	-	-
Export guarantees	**14,968**	**15,662**
Income from energy clearing	2,628	2,831
Expenses from energy clearing	-	-
Energy clearing	**2,628**	**2,831**
Income from other services	2,110	2,421
Expenses from other services	(563)	(68)
Other services	**1,547**	**2,353**
Net fee and commission income	**40,982**	**44,299**
Of which income	*53,647*	*55,530*
Of which expenses	*(12,665)*	*(11,231)*

Note 11 Administrative expenses

Administrative expenses

€ thousand	2016	2015
Salaries	39,720	37,508
Social security costs	9,164	8,608
Pension and other employee benefit costs	6,673	8,775
Staff costs	**55,557**	**54,891**
Other administrative expenses	21,350	23,017
Depreciation, amortisation and impairment of property, equipment, and intangible assets	5,234	5,272
Administrative expenses	**82,142**	**83,181**

Expenses for the auditor and affiliated companies

€ thousand	2016	2015
Audit of the annual financial statements	443	285
Audit-related activities	353	325
Expenses for the auditor	**796**	**610**
Tax consulting	96	85
Other consulting	81	80
Expenses for companies affiliated with the auditor	**177**	**165**

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.

Other operating income

€ thousand	2016	2015
Other operating income	9,346	7,454
Other operating expenses	(2,928)	(1,680)
Net other operating income	**6,419**	**5,774**

Note 13 Net gain or loss on financial instruments

The net gain or loss on financial instruments consists of gains and losses from the disposal and measurement of securities, interests in investments other than subsidiaries, and interests in other companies.

Net gain or loss on financial instruments

€ thousand	2016	2015
Net gain or loss from exercise of the fair value option		
Foreign exchange differences from debt securities in issue and derivatives	(355,090)	(1,636,583)
Foreign exchange differences from guarantees pursuant to §1(2)b AFFG	71,065	1,649,314
Foreign exchange differences from other assets/liabilities	135	140
Subtotal foreign exchange differences	**(283,891)**	**12,871**
Fair value measurement of debt securities in issue and derivatives	177,817	198,514
Fair value measurement of guarantees pursuant to § 1(2)b AFFG*	444,897	-
Carryover of measurement result from EFS interest rate stabilisation provision	(338,689)	(211,245)
Subtotal measurement of debt securities in issue and derivative financial instruments	**284,025**	**(12,731)**
Subtotal	**135**	**140**
Other financial assets	(2,095)	8,129
Net gain or loss on disposal of interests in investments other than subsidiaries	-	1,074
Net gain or loss on financial instruments	**(1,961)**	**9,343**
Of which at fair value through profit or loss	*(1,961)*	*9,309*
Of which at amortised cost	-	*34*

* See also note 1, Changes in recognition and measurement methods.

Foreign exchange differences and the measurement of debt securities in issue and derivative financial instruments relate primarily to the EFS and are viewed as a single economic unit. The result from foreign exchange differences arose predominantly from the changes in the USD and CHF exchange rates. Because of the hedging with derivatives and the guarantees pursuant to § 1(2)b AFFG, this is largely offset through the measurement of debt securities in issue and derivative financial instruments.

Gains on other financial assets

€ thousand	2016	2015
Gains/losses realised on disposal	(54)	2,268
Measurement losses	(2,926)	(2,442)
Measurement gains	884	8,304
Gains on other financial assets	**(2,095)**	**8,129**

Note 14 Income tax and other 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.

Tax recognised in profit or loss

€ thousand	2016	2015
Current year	16,806	14,426
Adjustment for previous years	(5)	-
Total current tax expenses	**16,801**	**14,426**
Origination and reversal of temporary differences	-	(20)
Change in recognised deductible temporary differences	(5,904)	(793)
Net deferred taxes	**(5,904)**	**(813)**
Income tax and other taxes	**10,897**	**13,613**

Tax recognised in other comprehensive income

€ thousand	2016	2015
Actuarial gains/losses on defined benefit plans	(1,058)	250

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	2016		2015	
Profit before tax	**54,373**	**100.0%**	**60,787**	**100.0%**
Tax expenses at the domestic tax rate of the company	13,593	25.0%	15,172	25.0%
Non-deductible expenses	188	0.3%	213	0.4%
Tax-exempt income	(2,806)	-5.2%	(2,090)	-3.4%
Change in recognised deductible temporary differences	(83)	-0.2%	318	0.5%
Income tax payments for previous years	5	0.0%	-	-
Total	**10,897**	**20.0%**	**13,613**	**22.4%**

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 nominal amount or at amortised cost before deduction of impairment losses and including accrued interest. 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).

Where derivatives are used to hedge interest rate risk or exchange rate risk, the hedged items are recognised at fair value to avoid accounting mismatches.

Interest income is reported in the item ‘Interest and similar income’ on the income statement.

The breakdown by rating category is presented in note 40.

Loans and advances to banks

€ thousand	Repayable on demand		Other maturities		Total	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Domestic banks	5,694	7,800	12,975,016	15,759,373	12,980,710	15,767,172
Foreign banks	19,550	3,484	1,483,232	2,103,925	1,502,782	2,107,408
Loans and advances to banks	**25,244**	**11,283**	**14,458,248**	**17,863,297**	**14,483,492**	**17,874,580**

Loans and advances to customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
States or government-affiliated organisations	2,326	2,515	243,278	292,325	245,603	294,840
Other	1,117,188	1,054,649	209,855	131,937	1,327,043	1,186,586
Loans and advances to customers	**1,119,514**	**1,057,164**	**453,132**	**424,262**	**1,572,646**	**1,481,426**

Note 17 Risk provisions

The provisions for risks from credit operations cover impairment losses (for finance loans) and provisions (for guaranteed loans) for all recognisable credit risks. 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 banking book assets and off-balance sheet business can be classified according to creditworthiness and collateralisation. The majority of the credit portfolio falls under the Export Financing Scheme described in note 1, for which no loan loss provisions are necessary.

The loan loss provisions reported in the previous year pertain to the item 'Loans and advances to customers'. This consists solely of credit risks. All interest in arrears at the reporting date is also taken into account in determining the necessary impairment charges. The loan loss provisions were used in full during the reporting period.

No claims were past due at the reporting date, meaning that there were no impaired financial assets.

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 through profit or loss. Changes in the fair value are recognised in the item 'Net gain or loss on financial instruments' on the income statement. Income is recognised in the item 'Interest and similar income'. OeKB Group has no trading portfolio.

The investments in unconsolidated subsidiaries and other companies are measured at amortised cost. Income is recognised in the item 'Interest and similar income'. Effects on profit or loss are shown in the item 'Net gain or loss on financial instruments'.

As part of liquidity management for the Export Financing Scheme, a liquid assets portfolio has been established that had a fair value of € 2,298.1 million (2015: € 1,906.3 million) as at 31 December 2016.

Other financial assets

€ thousand	31 Dec 2016	31 Dec 2015
Treasury bills and similar securities	1,715,728	1,363,676
Bonds	887,994	824,872
Bonds and other fixed-income securities	**2,603,721**	**2,188,548**
Of which listed bonds	*2,603,721*	*2,188,548*
Equity shares	-	-
Investment certificates	426,078	404,396
Equity shares and other variable-income securities	**426,078**	**404,396**
Of which listed equity shares and other variable-income securities	*182*	*200*
Investments in unconsolidated subsidiaries	1,536	1,536
Investments in other unconsolidated companies	8,015	8,015
Shares	**9,551**	**9,551**
Total other financial assets	**3,039,350**	**2,602,495**
Of which at fair value through profit or loss	*3,029,799*	*2,592,945*
Of which at amortised cost	*9,551*	*9,551*

Due in the subsequent year		
Bonds and other fixed-income securities	142,567	80,441
Investment certificates (with fixed maturity)	-	-
Accrued interest	2,902	3,324
Total	**145,469**	**83,765**

Note 19 Subsidiaries with non-controlling interests

The following tables provide material information on subsidiaries with non-controlling interests.

"Österreichischer Exportfonds" GmbH, Vienna, Austria

€ thousand	2016	2015
Export Services segment	Non-controlling interest 30%	Non-controlling interest 30%
Net interest income	3,337	3,160
Operating profit	1,192	1,003
Profit for the year	894	745
Profit – attributable to non-controlling interests	268	224
Other comprehensive income	57	16
Total comprehensive income for the year	**951**	**761**
Total comprehensive income for the year - attributable to non-controlling interests	285	228
Current assets	1,136,976	1,077,747
Non-current assets	1,873	1,906
Current liabilities	1,110,092	1,051,516
Non-current liabilities	13,474	13,339
Net assets	**15,283**	**14,798**
Net assets attributable to non-controlling interests	4,585	4,439
Net cash from operating activities	769	665
Net cash from investing activities	(59,305)	(48,200)
Net cash from financing activities	58,534	47,535
Net cash	**(2)**	-
Dividend payments to non-controlling interests	**140**	**140**

Note 20 Equity-accounted investments

The book value of the equity-accounted investments on the balance sheet date was € 67.7 million (2015: € 67.8 million). Of this total, OeKB EH Beteiligungs- und Management AG accounted for € 62.1 million (2015: € 62.1 million) and CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH for € 5.6 million (2015: € 5.7 million).

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

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

OeKB EH Beteiligungs- und Management AG, Vienna, Austria

Other Services segment	2016	2015
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	2016	2015
Earned premiums	25,194	23,839
Actuarial result	12,014	9,583
Profit before tax	14,733	12,375
Of which depreciation and amortisation	*571*	*918*
Of which interest income	*1,022*	*1,173*
Of which interest expense	*-*	*-*
Profit for the year	11,832	10,167
Other comprehensive income	(172)	(193)
Total comprehensive income for the year	**11,660**	**9,974**
Current assets	70,469	53,603
Of which cash and cash equivalents	*33,411*	*30,496*
Non-current assets	114,553	136,908
Current liabilities	20,416	18,200
Non-current liabilities	42,759	50,554
Equity	**121,847**	**121,757**
Proportionate share of equity at the beginning of the period	62,096	61,960
Proportionate share of total comprehensive income for the period	5,946	5,087
Dividend payments received	(5,900)	(4,951)
Proportionate share of equity at the end of the period	**62,142**	**62,096**

CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna, Austria

Other Services segment	2016	2015
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 exchange. CCP Austria was licensed pursuant to Art. 14(1) of Regulation (EU) No. 648/2012 (European Market Infrastructure Regulation, EMIR) in 2014.

€ thousand	2016	2015
Revenue	3,278	2,675
Operating profit	(130)	(52)
Profit before tax	(131)	(52)
Of which depreciation and amortisation	*(2)*	*(1)*
Of which interest income	-	-
Of which interest expense	-	-
Loss for the year	(131)	(86)
Other comprehensive income	-	-
Total comprehensive income for the year	**(131)**	**(86)**
Current assets	34,730	40,434
Of which cash and cash equivalents	*33,986*	*40,276*
Non-current assets	-	-
Current liabilities	23,528	29,102
Non-current liabilities	-	(2)
Equity	**11,202**	**11,334**
Proportionate share of equity at the beginning of the period	5,667	5,710
Proportionate share of total comprehensive income for the period	(66)	(43)
Dividend payments received	-	-
Proportionate share of equity at the end of the period	**5,601**	**5,667**

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 (2015: € 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 2016

€ thousand	Cost at 1 Jan 2016	Additions 2016	Disposals 2016	Cost at 31 Dec 2016	Accumulated depreciation and amortisation	Net book value 31 Dec 2016	Net book value 31 Dec 2015	Current-year depreciation and amortisation
Land and buildings	73,978	-	-	73,978	(60,063)	13,915	17,265	(3,351)
Fixtures, fittings, and equipment	19,514	1,910	(7,592)	13,832	(9,214)	4,618	3,931	(1,303)
Assets under construction	-	600	(600)	-	-	-	-	-
Property and equipment	**93,492**	**2,510**	**(8,192)**	**87,810**	**(69,277)**	**18,533**	**21,196**	**(4,654)**
Software	5,521	447	-	5,968	(4,235)	1,733	1,869	(580)
Advanced payments on software	-	-	-	-	-	-	-	-
Intangible assets	**5,521**	**447**	**-**	**5,968**	**(4,235)**	**1,733**	**1,869**	**(580)**
Total	**99,013**	**2,957**	**(8,192)**	**93,778**	**(73,512)**	**20,266**	**23,065**	**(5,234)**

Non-current assets in 2015

€ thousand	Cost at 1 Jan 2015	Additions 2015	Disposals 2015	Cost at 31 Dec 2015	Accumulated depreciation and amortisation	Net book value 31 Dec 2015	Net book value 31 Dec 2014	Current-year depreciation and amortisation
Land and buildings	82,378	120	(8,520)	73,978	(56,712)	17,265	20,619	(3,398)
Fixtures, fittings, and equipment	19,932	882	(1,300)	19,514	(15,583)	3,931	4,201	(1,292)
Assets under construction	120	-	(120)	-	-	-	120	-
Property and equipment	**102,430**	**1,002**	**(9,940)**	**93,492**	**(72,295)**	**21,196**	**24,940**	**(4,690)**
Software	3,562	1,988	(29)	5,521	(3,655)	1,869	475	(582)
Advanced payments on software	757	153	(910)	-	-	-	757	-
Intangible assets	**4,319**	**2,141**	**(939)**	**5,521**	**(3,655)**	**1,869**	**1,232**	**(582)**
Total	**106,749**	**3,143**	**(10,879)**	**99,013**	**(75,950)**	**23,065**	**26,173**	**(5,272)**

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 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Domestic banks	31,341	31,484	0	-	31,341	31,484
Foreign banks	30,483	37,080	803,869	1,010,857	834,353	1,047,937
Total	**61,825**	**68,564**	**803,869**	**1,010,857**	**865,694**	**1,079,421**

Deposits from customers

€ thousand	Domestic customers		Foreign customers		Total	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
States or government-affiliated organisations	724,059	647,921	1,244	1,326	725,303	649,246
Others	88,957	78,386	23,331	26,894	112,288	105,280
Total	**813,017**	**726,306**	**24,575**	**28,220**	**837,592**	**754,526**

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). Where derivatives are used to hedge the interest rate risk or exchange rate risk associated with liabilities, the hedged instruments are recognised at fair value in order to avoid accounting mismatches.

All recognised debt securities in issue featured guarantees pursuant to § 1(2)a AFFG at the reporting date, as in the previous year.

Debt securities in issue

€ thousand	Net book value		Of which listed	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Bonds issued	18,684,843	19,448,791	18,684,843	19,448,791
Other debt securities in issue	2,576,358	4,175,915	-	-
Total	**21,261,202**	**23,624,706**	**18,684,843**	**19,448,791**
Of which at fair value through profit or loss	*15,963,327*	*17,287,990*		
Of which at amortised cost	*5,297,874*	*6,336,715*		

The amount repayable on maturity for debt securities in issue that are measured at fair value was € 11,583.0 million (2015: € 13,177.5 million).

Maturities in 2016/2017

€ thousand	Due in 2017	Due in 2016
Debt securities in issue	5,110,619	8,885,801
Accrued interest	53,087	84,963
Maturing issues and coupons	80	83
Fair value measurement	10,250	34,223
Total	**5,174,036**	**9,005,070**

Note 24 Provisions

Changes in provisions

€ thousand	Start of period	Use and release	Addition	End of the period
Non-current employee benefit provisions	130,103	(7,172)	8,434	131,365
Other current provisions	15,052	(9,590)	11,894	17,356
Total provisions 2016	**145,155**	**(16,762)**	**20,328**	**148,722**
Total provisions 2015	**146,217**	**(15,408)**	**14,347**	**145,155**

For information about the changed presentation of the figures for the previous year, please see note 1, Changes in recognition and measurement methods. The figures for the previous year contained the EFS interest stabilisation provision (see note 26).

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. The 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. The key parameters are:

- a discount rate of 1.75% (previous year: 2.40%),
- an overall rate of salary and pension increases of up to 2.75% (2015: 3.0%), which represents the collective-agreement trend, regular multi-employee increases, and unscheduled individual-employee increases, as well as
- an assumed age at retirement of 59 years 9 months for women (2015: 59 years 6 months) and 64 years 9 months for men (2015: 64 years 6 months) based on the transitional provisions of the Austrian public pension scheme (ASVG) under the Budget Implementation Act 2003.

Changes in non-current employee benefit provisions

€ thousand	Pension	Termination benefits	**Total 2016**	Total 2015
Present value of defined-benefit obligations (DBO) = employee benefit provisions at 1 January	103,841	26,262	130,103	131,099
Service cost	430	740	1,170	2,335
Interest cost	2,420	611	3,031	3,076
Payments	(4,143)	(3,029)	(7,172)	(5,409)
Actuarial gain/loss	3,588	645	4,231	(999)
Of which actuarial gain/loss arising from changes in parameters	*5,023*	*867*	*5,890*	*-*
Of which actuarial gain/loss arising from experience adjustments	*(1,434)*	*(221)*	*(1,655)*	*(999)*
DBO at 31 December	106,136	25,229	131,365	130,103
Employee benefit provisions at 31 December	**106,136**	**25,229**	**131,365**	**130,103**

Historical information on defined-benefit obligations

€ thousand	2011	2012	2013	2014	2015
Pension provisions	84,016	88,051	91,781	104,160	103,841
Termination benefit provisions	23,500	24,503	23,869	26,939	26,262
Non-current employee benefit provisions	**107,516**	**112,554**	**115,650**	**131,099**	**130,103**

The pension obligations for most of the staff have been transferred to a pension fund under a defined-contribution plan. In connection with this plan, contributions of € 0.9 million were paid to the pension fund in 2016 (2015: € 1.7 million).

Staff costs also included the contributions of € 0.2 million to the termination benefit fund (2015: € 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 2016 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 2016	Total 2015
Increase in the discount rate by 0.50%	6,699	1,073	**7,772**	7,639
Decrease in the discount rate by 0.50%	(7,469)	(1,148)	**(8,617)**	(8,466)
Increase in expected salary growth by 0.50%	(509)	(1,131)	**(1,640)**	(1,821)
Decrease in expected salary growth by 0.50%	486	1,068	**1,554**	1,729
Increase in the pension trend by 0.50%	(6,700)	-	**(6,700)**	(6,289)
Decrease in the pension trend by 0.50%	6,118	-	**6,118**	5,752

Principal assumptions

	2016	2015
Discount rate	1.75%	2.40%
Salary trend	1.25%	1.25%
Pension trend	1.50%	1.75%
Salary growth rate	**2.75%**	**3.00%**

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

Maturity profile of the non-current employee benefit provisions

	Pensions		Termination benefits	
€ thousand	DBO 31 Dec 2016	DBO 31 Dec 2015	DBO 31 Dec 2016	DBO 31 Dec 2015
1 year	5,129	5,127	2,288	2,056
2 to 3 years	10,178	10,807	2,003	1,839
4 to 5 years	9,872	11,187	2,522	4,002
Over 5 years	80,958	76,720	18,416	18,365
Total	**106,136**	**103,841**	**25,229**	**26,262**
Duration	13.6 years	13.9 years	8.9 years	9.0 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	2016	2015
Staff-related provisions (bonuses, holiday entitlements, time credit)	13,433	11,056
Legal and consulting expenses, financial auditing	1,018	1,057
IT projects	435	250
Other provisions	2,470	2,689
Total	**17,356**	**15,052**

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.

Deferred taxes arose on the following items:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Other financial instruments	7,506	8,060	23,673	28,018
Employee benefit provisions	16,942	16,408	-	-
Other provisions	63,481	60,845	-	-
Total	**87,929**	**85,313**	**23,673**	**28,018**

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 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 derivatives, guarantees pursuant to § 1(2)b AFFG, and the debt securities issued under this scheme are also included in this item. In accordance with the associated decisions, the provision is used to stabilise the terms of export financing loans. The nature of the interest rate stabilisation provision allows for either a one-year or a multi-year liquidation plan depending on the stress scenario. The provision was classified as current in order to account for the short-term stress scenario.

The interest rate stabilisation provision totalled € 1,743.3 million at 31 December 2016 (2015: € 1,352.9 million). A total of € 51.7 million (2015: € 50.7 million) from the net interest income of the EFS and € 338.7 million (2015: € 211.2 million) from the EFS measurement result were allocated during the financial year (see also note 1).

Note 27 Capital and capital management

Equity disclosures

The subscribed capital of € 130.0 million (2015: € 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 € 19.9 million (2015: € 27.8 million) to € 628.2 million (2015: € 608.3 million). The retained earnings contain an amount of € 10.6 million (2015: € 10.6 million) as a legal reserve pursuant to § 229(4) UGB.

The following table shows the accumulated net other operating income in the retained earnings, after taxes.

€ thousand	2016	2015	Change
Actuarial gains/losses on defined benefit plans	(18,132)	(14,958)	(3,174)
Equity-accounted investments - Share of net other comprehensive income	(570)	(482)	(88)
Attributable to owners of the parent	(18,702)	(15,440)	(3,261)
Attributable to non-controlling interests	(13)	4	(17)
Total	**(18,715)**	**(15,436)**	**(3,279)**

The Executive Board will propose to the 71st Annual General Meeting on 18 May 2017 that the profit available for distribution reported in Oesterreichische Kontrollbank AG's financial statements for the year 2016 in the amount of € 20.2 million be used to pay a dividend of € 22.75 per share. In total, the proposed dividend will be € 20.0 million. This represents approximately 15% of the participating share capital for 2016. After payment of the compensation to the Supervisory Board members, the remaining balance is to be carried forward.

The dividend payment for the 2015 financial year, which was made in May 2016, 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 2016 (2015: 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:

Minimum regulatory capital requirement pursuant to Art. 92 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR)

€ thousand	2016	2015
Risk-weighted assets (standardised approach to credit risk)	602,750	558,426
Total risk exposure amount (total regulatory capital requirement/8%)	**927,425**	**837,242**
Minimum regulatory capital requirement for		
Credit risk	48,220	44,674
Foreign exchange risk	5,416	1,541
Operational risk (Basic Indicator Approach)	20,558	20,765
Total regulatory capital requirement	**74,194**	**66,979**
Consolidated regulatory capital pursuant to Part 2 of the CRR		
Paid-up share capital	130,000	130,000
Reserves[1]	588,439	564,797
Amounts to be added from a minority interest under Art. 84 in conjunction with Art. 480 CRR	1,725	2,468
Less deductions		
Intangible assets	(1,714)	(1,858)
Common equity tier 1 capital	**718,450**	**695,407**
Amounts to be added from a minority interest under Art. 85 in conjunction with Art. 480 CRR	21	11
Additional tier 1 capital	**21**	**11**
Less deductions pursuant to Art. 472(4) CRR		
Intangible assets	(21)	(11)
Tier 1 capital	**718,450**	**695,407**
Amounts to be added from a minority interest under Art. 87 in conjunction with Art. 480 CRR	28	15
Tier 2 capital	28	**15**
Available regulatory capital pursuant to Part 2 of the CRR	**718,478**	**695,422**
Surplus regulatory capital	644,284	628,443
Consolidated capital adequacy ratio (regulatory capital as a percentage of total risk-weighted assets)	77.5%	83.1%
Consolidated tier 1 ratio	77.5%	83.1%
Cover ratio (regulatory capital as a percentage of the capital requirement)	968.4%	1038.3%

[1] 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.

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

	2016		2015	
In %	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	5.125	77.500	4.500	83.100
Tier 1 ratio	6.625	77.500	6.000	83.100
Total capital ratio	8.625	77.500	8.000	83.100

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 %	2016	2015
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	0.625	0.000
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including buffer requirements	5.125	4.500
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including buffer requirements	6.625	6.000
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including buffer requirements	8.625	8.000

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. The necessary ratios for the previous year are from Art. 92(1) of regulation (EU) No. 575/2013.

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 only used in stress scenarios. The reported cash and cash equivalents are denominated exclusively in euros.

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(2)b 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 net cash from investing activities reflects changes in the other financial assets in the investment portfolio, in the property, equipment, and intangible assets, as well as in loan assets.

Net cash from financing activities reflects changes in refinancing and the payments related to the equity of the owner.

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. Accrued interest is assigned to the maturity class of 'up to 3 months'.

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	730,814	-	44,594	28,460	**865,694**
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**	**2,743,274**	**3,162,086**	**13,056,352**	**3,139,302**	**22,964,488**

Remaining maturities at 31 December 2015

€ 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	11,283	2,198,585	5,874,564	6,715,033	3,075,115	**17,874,580**
Loans and advances to customers	51	393,518	725,142	184,215	178,500	**1,481,426**
Other financial assets	403,059	21,328	62,437	762,708	1,352,963	**2,602,495**
Total	**414,393**	**2,613,431**	**6,662,143**	**7,661,956**	**4,606,578**	**21,958,501**
Deposits from banks	68,564	948,516	-	28,971	33,370	**1,079,421**
Deposits from customers	723,144	188	562	18,414	12,218	**754,526**
Debt securities in issue	-	3,593,682	5,411,388	10,463,827	4,155,809	**23,624,706**
Total	**791,708**	**4,542,386**	**5,411,950**	**10,511,212**	**4,201,397**	**25,458,653**

Note 30 Subordinated assets

The balance sheet contains no subordinated assets.

Note 31 Assets pledged as collateral

€ thousand	2016	2015
Collateral for credit risks in derivative transactions		
Collateral pledged	312,600	275,000
Collateral received	730,530	948,300

Note 32 Contingent liabilities and other off-balance sheet commitments

The contingent liabilities not reported on the balance sheet in the amount of € 89.6 million (2015: € 100.5 million) pertain to guarantees issued by OeEB that are in turn backed by guarantees from the Republic of Austria pursuant to the AusfFG. At the balance sheet date, OeKB Group had total undrawn credit commitments of € 3,529.7 million (2015: € 2,974.9 million).

Note 33 Other off-balance sheet commitments

Pursuant to § 93 BWG, OeKB 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. The following table shows the other non-current liabilities.

Non-current liabilities 2016

	As at 31 Dec 2016	
€ thousand	2017	2017–2021
Rent	1,494	7,471
Leasing	348	1,741
Total	**1,842**	**9,212**

Non-current liabilities 2015

	As at 31 Dec 2015	
€ thousand	2016	2016–2020
Rent	904	4,519
Leasing	361	1,806
Total	**1,265**	**6,325**

Note 34 Fiduciary assets and liabilities

Not reported on the balance sheet

Off-balance sheet fiduciary transactions amounted to € 16.9 million (2015: € 17.8 million). This item consists largely of development-aid loans processed on behalf of the Republic of Austria.

Reported on the balance sheet

€ thousand	31 Dec 2016	31 Dec 2015
Loans and advances to banks	6,923	8,273
Other assets	94,661	85,722
Fiduciary assets	**101,584**	**93,995**
Deposits from customers	6,923	8,273
Other liabilities	94,661	85,722
Fiduciary liabilities	**101,584**	**93,995**

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

Supplementary disclosures pursuant to § 43 and § 64 BWG

€ thousand	31 Dec 2016		31 Dec 2015	
	Assets	Liabilities	Assets	Liabilities
Denominated in foreign currency	1,628,053	15,643,644	2,085,696	16,893,431
Issued or originated outside Austria	2,364,723	16,535,874	2,887,906	19,354,930

Note 36 Hedging instruments

General

Derivative financial instrument and guarantees pursuant to § 1(2)b AFFG are used to manage market risks. These hedging instruments primarily protect future cash flows against changes in interest rates and foreign exchange rates. 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 guarantees pursuant to the AFFG are technically equivalent to currency swaps.

Instead of hedge accounting according to IAS 39, hedged debt securities in issue are measured at fair value through profit or loss to avoid an accounting mismatch. The value fluctuations of the hedging instruments and debt securities in issue are recognised directly in the item 'Net gain or loss on financial instruments' in the consolidated statement of comprehensive income. Credit exposures arising from fluctuations in value are secured with collateral. Derivatives are not used for speculative purposes.

Derivative financial instruments

The fair value of derivative contracts is calculated using generally accepted methods. Derivatives are recognised at the trade date. The derivatives are recognised at their fair values (clean prices) in the item ‘Derivatives designated as hedging instruments’ on the assets and liabilities side of the balance sheet.

As required by the EMIR (Regulation [EU] No. 648/2012), the clearing of interest rate swaps has been shifted to a central counterparty since the last quarter of 2016.

Derivative financial instruments 2016

€ thousand	Nominal amount at 31 Dec 2016 - Remaining maturity				Fair values	
	Up to 1 year	1 to 5 years	Over 5 years	**Total 2016**	positive	negative
Interest rate derivatives						
Interest rate swaps	3,650,941	11,759,676	2,549,997	**17,960,615**	147,119	314,165
Currency derivatives						
Currency swaps	4,353,315	11,492,515	496,859	**16,342,689**	904,547	405,457
Total	**8,004,256**	**23,252,191**	**3,046,856**	**34,303,304**	**1,051,666**	**719,622**

Derivative financial instruments 2015

€ thousand	Nominal amount at 31 Dec 2015 - Remaining maturity				Fair values	
	Up to 1 year	1 to 5 years	Over 5 years	**Total 2015**	positive	negative
Interest rate derivatives						
Interest rate swaps	5,387,890	11,122,720	2,667,788	**19,178,398**	202,369	290,487
Currency derivatives						
Currency swaps	5,896,337	9,281,553	1,384,703	**16,562,593**	962,347	624,728
Total	**11,284,227**	**20,404,273**	**4,052,491**	**35,740,991**	**1,164,716**	**915,216**

For information about the changed presentation of the figures for the previous year, please see note 1, Changes in recognition and measurement methods. The figures on the currency derivatives for the previous year also included the guarantee pursuant to § 1(2)b AFFG.

Information on global netting arrangements

OeKB concludes derivative contracts 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 derivatives covered by the reported agreements.

Global netting agreements 2016

€ thousand	Derivatives on the balance sheet	Gross and net amounts of derivatives 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**

Global netting agreements 2015

€ thousand	Derivatives on the balance sheet	Gross and net amounts of derivatives that are not netted	Net amount
Derivative financial instruments with positive fair value			
Interest rate derivatives			
Interest rate swaps	202,369	(78,790)	123,579
Currency derivatives			
Currency swaps	962,346	(376,113)	586,233
Total	**1,164,716**	**(454,903)**	**709,812**
Derivative financial instruments with negative fair value			
Interest rate derivatives			
Interest rate swaps	290,487	(247,474)	43,013
Currency derivatives			
Currency swaps	624,728	(207,429)	417,299
Total	**915,216**	**(454,903)**	**460,312**

For information about the changed presentation of the figures for the previous year, please see note 1, Changes in recognition and measurement methods. The figures on the currency derivatives for the previous year also included the guarantees pursuant to § 1(2)b AFFG.

Guarantees pursuant to § 1(2)b AFFG

Guarantees of the Republic of Austria pursuant to § 1(2)b AFFG (Federal Law Gazette No. 216/1981 as amended) that serve as hedges against exchange rate risks in the EFS (see also note 1) are measured at fair value and are reported in a separate asset item. An improved model for determining the fair value was implemented in financial year 2016.

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

€ thousand	31 Dec 2016	31 Dec 2015
Fair value at the beginning of the period	5,167,195	3,517,881
Change resulting from foreign exchange differences	71,065	1,649,314
Change resulting from fair value measurement	444,897	-
Fair value at the end of the period	**5,683,157**	**5,167,195**

The effect from the improved fair value measurement according to IFRS 13 was € 444.9 million. The change in the foreign exchange differences is primarily the result of the significant effect of the USD/EUR and CHF/EUR exchange rates in the previous year.

Note 37 Fair values of assets and liabilities

The table below presents the categories of financial assets and liabilities and their fair values.

Please see note 5 for information on the determination of the fair values.

Fair values in 2016

€ thousand	Notes	Carrying amount				Fair value		
		Loans and receivables	Other financial assets, at amortised cost	Fair value option	**Total**	Level 1	Level 2	**Total**
Financial assets measured at fair value								
Loans and advances to banks	16	-	-	89,045	**89,045**	-	89,045	**89,045**
Other financial assets	18	-	-	3,029,799	**3,029,799**	3,029,799	-	**3,029,799**
Derivatives designated as hedging instruments	36	-	-	1,051,666	**1,051,666**	-	1,051,666	**1,051,666**
Guarantees pursuant to § 1(2)b AFFG	36	-	-	5,683,157	**5,683,157**	-	5,683,157	**5,683,157**
Total		**-**	**-**	**9,853,667**	**9,853,667**			
Financial assets not measured at fair value								
Cash and balances at central banks	15, 28	-	413,360	-	**413,360**	-	413,360	**413,360**
Loans and advances to banks	16	14,394,447	-	-	**14,394,447**	-	14,794,056	**14,794,056**
Loans and advances to customers	16	1,572,646	-	-	**1,572,646**	-	1,641,764	**1,641,764**
Loan loss provisions	17	-	-	-	**-**	-	-	**-**
Other financial assets	2, 18	-	9,551	-	**9,551**	-	9,551	**9,551**
Total		**15,967,093**	**422,911**	**-**	**19,588,082**			
Financial liabilities measured at fair value								
Debt securities in issue	23	-	-	15,963,327	**15,963,327**	-	15,963,327	**15,963,327**
Derivatives designated as hedging instruments	36	-	-	719,622	**719,622**	-	719,622	**719,622**
Total		**-**	**-**	**16,682,949**	**16,682,949**			
Financial liabilities not measured at fair value								
Deposits from banks	22	-	865,694	-	**865,694**	-	869,474	**869,474**
Deposits from customers	22	-	837,592	-	**837,592**	-	837,882	**837,882**
Debt securities in issue	23	-	5,297,874	-	**5,297,874**	-	6,071,961	**6,071,961**
Total		**-**	**7,001,160**	**-**	**7,001,160**			

Fair values in 2015

€ thousand	Notes	Carrying amount				Fair value		
		Loans and receivables	Other financial assets, at amortised cost	Fair value option	**Total**	Level 1	Level 2	**Total**
Financial assets measured at fair value								
Loans and advances to banks	16	-	-	512,983	**512,983**	-	512,983	**512,983**
Other financial assets	18	-	-	2,592,944	**2,592,944**	2,592,944	-	**2,592,944**
Derivatives designated as hedging instruments	36	-	-	1,164,716	**1,164,716**	-	1,164,716	**1,164,716**
Guarantees pursuant to § 1(2)b AFFG	36	-	-	5,167,195	**5,167,195**	-	5,167,195	**5,167,195**
Total		**-**	**-**	**9,437,838**	**9,437,838**			
Financial assets not measured at fair value								
Cash and balances at central banks	15, 28	-	223,147	-	**223,147**	-	223,147	**223,147**
Loans and advances to banks	16	17,361,598	-	-	**17,361,598**	-	17,786,474	**17,786,474**
Loans and advances to customers	16	1,481,426	-	-	**1,481,426**	-	1,506,932	**1,506,932**
Loan loss provisions	17	(622)	-	-	**(622)**	-	(622)	**(622)**
Other financial assets	2, 18	-	9,551	-	**9,551**	-	9,551	**9,551**
Total		**19,355,384**	**232,698**	**-**	**19,588,082**			
Financial liabilities measured at fair value								
Debt securities in issue	23	-	-	17,287,990	**17,287,990**	-	17,287,990	**17,287,990**
Derivatives designated as hedging instruments	36	-	-	915,216	**915,216**	-	915,216	**915,216**
Total		**-**	**-**	**18,203,206**	**18,203,206**			
Financial liabilities not measured at fair value								
Deposits from banks	22	-	1,079,421	-	**1,079,421**	-	1,080,687	**1,080,687**
Deposits from customers	22	-	754,526	-	**754,526**	-	754,582	**754,582**
Debt securities in issue	23	-	6,336,715	-	**6,336,715**	-	7,142,099	**7,142,099**
Total		**-**	**8,170,662**	**-**	**8,170,662**			

For information about the changed presentation of the figures for the previous year, please see note 1, Changes in recognition and measurement methods. The figures on the derivatives designated as hedging instruments for the previous year also included the guarantees pursuant to § 1(2)b AFFG (see also note 36).

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 US dollar and Swiss franc changed more than 10% versus the euro between 31 December 2014 and 31 December 2015. The following sensitivity analysis shows the possible development in the event of a 10% improvement in the euro exchange rate.

US dollar FX sensitivity

€ thousand	Carrying amount 31 Dec 2016	USD/EUR -10%	Carrying amount after change in exchange rate
Assets			
Loans and advances to banks	14,483,492	(98,185)	14,385,307
Loans and advances to customers	1,572,646	(15,518)	1,557,128
Other financial assets	3,039,350	(6,937)	3,032,413
Derivative financial instruments	1,051,666	(1,051,666)	-
Guarantees pursuant to § 1(2)b AFFG	5,683,157	(51)	5,683,106
Liabilities and equity			
Deposits from banks	865,694	(4,961)	860,733
Deposits from other customers	837,592	-	837,592
Debt secrities in issue	21,261,202	(1,491,529)	19,769,673
Derivatives designated as hedging instruments	719,622	324,055	1,043,677
EFS interest rate stabilisation provision	1,743,311	2	1,743,313
Equity	766,142	76	766,218
Income statement			
Foreign exchange differences from debt securities in issue and derivatives		115,807	
Foreign exchange differences from guarantees pursuant to § 1(2)b 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

€ thousand	Carrying amount 31 Dec 2016	USD/EUR -10%	Carrying amount after change in exchange rate
Assets			
Loans and advances to banks	14,483,492	(801)	14,482,691
Loans and advances to customers	1,572,646		1,572,646
Other financial assets	3,039,350		3,039,350
Derivative financial instruments	1,051,666	507,324	1,558,990
Guarantees pursuant to § 1(2)b AFFG	5,683,157	(1,665,869)	4,017,288
Liabilities and equity			
Deposits from banks	865,694	(167)	865,527
Deposits from other customers	837,592		837,592
Debt securities in issue	21,261,202	(439,520)	20,821,682
Derivatives designated as hedging instruments	719,622	(719,622)	-
EFS interest rate stabilisation provision	1,743,311	(37)	1,743,274
Equity	766,142	-	766,142
Income statement			
Foreign exchange differences from debt securities in issue and derivatives		1,666,466	
Foreign exchange differences from guarantees pursuant to § 1(2)b AFFG		(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**	

The data for the sensitivity analysis were available for the first time in this financial year. For this reason, no comparison values for the previous year are available.

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 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.

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 and operational risk are recognised as key risks. OeKB 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, the Austrian central securities depository intending to be licensed according to the CSD regulations. 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.

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 2016. 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 effecttiveness.

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 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 one month and a target survival period of 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 39, 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.

A number of methodological improvements were implemented for the ICAAP in 2016, namely the establishment of a macroeconomic stress test and the implementation of market risk assessment for the fund investments in the own portfolio as an overview. Further quality improvements were achieved through the explicit quantification of business risk, which had previously been included in the risk-bearing capacity calculation as a flat amount. In 2017, the focus will be placed primarily on data governance and data availability as well as on evaluating the effects of Basel IV.

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 market 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 39.

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 significant decrease in economic capital can primarily be attributed to the change in the market risk calculation in the investment funds, which is now completed on an overview basis, and to the fact that the existing hedge positions are taken into account. Business risk coverage capital was also taken into account starting in 2016 in that € 21 million was deducted from the total risk coverage capital to determine the available risk coverage capital.

Risk coverage calculation for OeKB Group

	31 Dec 2016		31 Dec 2015	
€ thousand	Economic capital	Available risk coverage capital	Economic capital	Available risk coverage capital
Going Concern	60,231	660,978	116,687	664,439
Gone Concern	82,714	818,428	149,545	821,637

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	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Credit risk	33,153	37,445	48,220	44,674
Commodity and foreign exchange risk	1,203	17,670	5,416	1,541
Other market risk in the banking book	18,261	50,804	-	-
Other risks	3,939	17,204	-	-
Operational risk	26,159	26,422	20,558	20,765

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 Group's investment portfolio (see note 18, Other financial instruments), 9.4% (2015: 11.1%) of which consisted of investment funds and 90.6% (2015: 88.9%) of which was made up of bonds held by the Group. Of these bonds, € 2,298.1 million (2015: € 1,906.3 million) serve as a liquidity buffer in the Export Financing Scheme; the buffer's interest rate risk is hedged by interest rate swaps. The value at risk of the rest of the investment portfolio is determined monthly. At 31 December 2016, the VaR amounted to € 12.2 million (2015: € 58.8 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. The hedging strategy in the overlay management reduced the value at risk compared with the previous year.

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 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).

Gap analysis

The following tables show the gap analysis for OeKB Group (including the Export Financing Scheme).

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	(840,694)	(25,000)	-	-	-	(865,694)
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	**(5,617,977)**	**(2,517,652)**	**-**	**(11,809,717)**	**(3,019,142)**	**(22,964,488)**
Gap before derivative financial instruments	**4,543,026**	**(1,527,993)**	**448,016**	**(8,056,131)**	**701,814**	
Effect of derivative 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**	

Gap analysis at 31 December 2015

€ 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	223,147	-	-	-	-	223,147
Loans and advances to banks	11,058,105	669,251	331,363	3,821,908	1,993,953	17,874,580
Loans and advances to customers	1,323,828	145,523	1,791	6,532	3,752	1,481,426
Bonds and other fixed-income securities	284,798	16,500	49,500	610,500	1,227,250	2,188,548
Total	**12,889,878**	**831,274**	**382,654**	**4,438,940**	**3,224,955**	**21,767,702**
Deposits from banks	(1,053,914)	(25,507)	-	-	-	(1,079,421)
Deposits from customers	(753,703)	(8)	-	(816)	-	(754,526)
Debt securities in issue	(4,770,616)	(1,692,829)	(3,287,816)	(9,819,277)	(4,054,167)	(23,624,706)
Total	**(6,578,233)**	**(1,718,343)**	**(3,287,816)**	**(9,820,093)**	**(4,054,167)**	**(25,458,652)**
Gap before derivative financial instruments	**6,311,645**	**(887,069)**	**(2,905,162)**	**(5,381,152)**	**(829,212)**	
Effect of derivative contracts	(5,031,287)	301,707	820,076	3,474,318	435,186	
Total	**1,280,358**	**(585,362)**	**(2,085,086)**	**(1,906,834)**	**(394,027)**	

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 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
Derivatives designated as hedging instruments	301,965	661,922	87,778	-	-	-	1,051,666
Guarantees pursuant to §1 (2) b AFFG	5,683,157	-	-	-	-	-	5,683,157

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

Credit portfolio by rating category 2015

€ 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	223,147	-	-	-	-	-	223,147
Loans and advances to banks	17,376,980	337,658	158,424	16	-	1,501	17,874,580
Loans and advances to customers	1,429,156	29,867	16,835	-	665	4,902	1,481,426
Loan loss provisions	-	-	-	-	-	(622)	(622)
Other financial assets	2,249,061	52,030	295,689	5,054	630	31	2,602,495
Derivatives designated as hedging instruments	345,881	691,854	126,981	-	-	-	1,164,716
Guarantees pursuant to §1 (2) b AFFG	5,167,195	-	-	-	-	-	5,167,195

Credit facilities and commitments to lend amounted to € 3,016,234 thousand at the reporting date.

For information about the changed presentation of the figures for the previous year, please see note 1, Changes in recognition and measurement methods. The figures on the derivatives designated as hedging instruments for the previous year also included the guarantees pursuant to § 1(2)b AFFG (see also note 36).

OeKB Group's outstanding credit volume consists nearly exclusively of export financing loans (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). To secure credit risks in connection with derivative transactions, 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 taking guarantees into account.

Portfolio breakdown by country after recognition of guarantees

	Loans and advances to banks		Loans and advances to customers		Carrying amount per country	
€ thousand	2016	2015	2016	2015	2016	2015
Austria	13,292,536	16,302,665	1,570,848	1,478,793	14,863,384	17,781,458
Germany	248,470	224,391	8	-	248,478	224,391
Great Britain	243,674	278,500	0	-	243,674	278,500
Finland	231,932	339,719	-	-	231,932	339,719
France	143,947	40,430	-	-	143,947	40,430
Denmark	-	396,898	-	-	-	396,898
Other countries	322,934	291,977	1,790	2,633	324,723	294,610
Total	**14,483,492**	**17,874,580**	**1,572,646**	**1,481,426**	**16,056,138**	**19,356,006**

Guarantees from national governments and international organisations have been issued for over 95% (2015: 95%) 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 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 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 swap transactions 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 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 interest rate stabilisation provision as a 'provision or 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.

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 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 for all employees, 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 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 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 four months in 2016. 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 2016	Fair value 2015
Cash and balances at central banks	413,360	223,147
Less minimum reserves	(44,530)	(43,943)
Cash and balances at central banks	**368,830**	**179,204**
Securities deposited at the central bank	4,182,707	2,011,155
Treasury bills and similar securities eligible for rediscounting	1,087,902	1,114,842
Bonds from other issuers eligible for rediscounting	18,754	16,448
Total	**5,658,193**	**3,321,649**

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

The table below shows the maturities of all interest and capital cash flows in the consolidated balance sheet.

The allocation to the respective maturity band is determined by the contractual maturity structure; positions that are repayable on demand are assigned to the first maturity-band 'up to 1 month'. It is assumed that the usage of the Kontrollbank refinancing facility (KRR) remains constant over time. Loan disbursements and repayments are shown as net amounts within the same category. Commitments to lend are shown at the latest payout date. The cash flows from derivatives designated as hedging instruments are included in the analysis as a net inflow or outflow based on the contractually agreed amounts. The payment flows from guarantees pursuant to § 1(2)b AFFG are assigned to the maturity band of the underlying guaranteed position.

Maturity analysis for all cash inflows and outflows - as at 31 December 2016

€ thousand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	**Total inflows/ outflows**	Carrying amount
Cash flow analysis at 31 December 2016							
Cash and balances at central banks	413,360	-	-	-	-	**413,360**	413,360
Loans and advances to banks	121,815	244,054	1,145,757	5,628,746	4,057,232	**11,197,604**	14,483,492
Loans and advances to customers	(219)	5,087	(5,352)	295,889	250,319	**545,724**	1,572,646
Bonds and other fixed-income securities	5,452	19,567	162,632	888,166	1,563,744	**2,639,561**	2,603,721
Total	**540,408**	**268,709**	**1,303,037**	**6,812,802**	**5,871,294**	**14,796,250**	**19,073,220**
Deposits from banks	(792,654)	-	(597)	(48,053)	(27,091)	**(868,395)**	(865,694)
Deposits from customers	(299,412)	(185)	(2,647)	(517,081)	(29,266)	**(848,590)**	(837,592)
Debt securities in issue	(1,242,962)	(775,630)	(3,412,421)	(13,333,519)	(3,639,128)	**(22,403,660)**	(21,261,202)
Total	**(2,335,028)**	**(775,815)**	**(3,415,664)**	**(13,898,653)**	**(3,695,485)**	**(24,120,644)**	**(22,964,488)**
Commitments to lend	(177,300)	(45,002)	(236,966)	59,626	399,642	-	
Cash flow from derivatives held as hedging instruments	18,973	53,027	74,028	332,749	48,483	**527,260**	
Guarantees pursuant to § 1(2)b AFFG	100,424	160,472	855,197	3,577,570	993,774	**5,687,438**	

Maturity analysis for all cash inflows and outflows - as at 31 December 2015

€ thousand	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	**Total inflows/ outflows**	Carrying amount
Cash flow analysis at 31 December 2014							
Cash and balances at central banks	223,147	-	-	-	-	**223,147**	223,147
Loans and advances to banks	464,157	1,499,467	1,974,096	6,992,718	3,750,801	**14,681,239**	17,874,580
Loans and advances to customers	(8,550)	(64,896)	83,788	249,091	278,934	**538,366**	1,481,426
Bonds and other fixed-income securities	8,385	17,433	98,716	838,596	1,309,156	**2,272,286**	2,188,548
Total	**687,140**	**1,452,004**	**2,156,600**	**8,080,405**	**5,338,891**	**17,715,039**	**21,767,702**
Deposits from banks	(926,719)	34	(81,547)	(32,288)	(44,068)	**(1,084,588)**	(1,079,421)
Deposits from customers	(666,378)	3,917	(55,764)	(9,177)	(25,346)	**(752,747)**	(754,526)
Debt securities in issue	(1,438,538)	(2,167,164)	(5,699,568)	(11,285,207)	(4,687,790)	**(25,278,267)**	(23,624,706)
Total	**(3,031,636)**	**(2,163,212)**	**(5,836,879)**	**(11,326,672)**	**(4,757,204)**	**(27,115,603)**	**(25,458,652)**
Commitments to lend	-	-	(19,128)	(235,453)	254,581	-	
Cash flow from derivatives held as hedging instruments	9,052	(247,739)	464,913	638,073	165,146	**1,029,445**	
Guarantees pursuant to § 1(2)b AFFG	33,940	540,025	762,212	2,778,540	1,325,978	**5,440,694**	

For information about the changed presentation of the figures for the previous year, please see note 1, Changes in recognition and measurement methods. The figures on the derivatives designated as hedging instruments for the previous year also included the guarantees pursuant to § 1(2)b AFFG (see also note 36).

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 406 full-time equivalents (2015: 404).

Note 43 Officer’s compensation and loans

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

Officer's compensation and loans

€ thousand	2016	2015
Total compensation paid to		
Current members of the Executive Board	Not disclosed	Not disclosed
Former members of the Executive Board	1,025	948
Members of the Supervisory Board	198	235
Pension and termination benefit expenses for		
Executive Board (and former members)	2,089	2,674
Senior managers	1,564	1,964
Other employees	3,121	4,137

The remuneration paid to the members of the Executive Board is not being broken down by member due to the fact that the Executive Board of OeKB has fewer than three members. There were no outstanding loans to members of the Executive Board or Supervisory Board at 31 December 2016. OeKB had also assumed no guarantees for these individuals. There are no management share option plans for the Executive Board or for senior managers.

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, 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 of Oesterreichische Kontrollbank AG. All transactions with these parties are conducted at arm’s length terms.

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 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
Dividend income	-	3,412	5,880
Fee and commission income	7,776	3,323	330
Other operating income	1,150	-	3,341

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 2015

€ thousand	Owners of OeKB Group	Investments in unconsolidated subsidiaries and other interests	Equity-accounted investments
Other financial assets	24,871	-	-
Loans and advances to banks	13,550,770	-	-
Assets	**13,575,641**	**-**	**-**
Deposits from banks	15,621	-	-
Deposits from customers	-	15,431	32,317
Liabilities	**15,621**	**15,431**	**32,317**
Nominal amount of loan commitments, financial guarantees and other commitments	2,347,970	-	20,000
Interest and similar income	198,376	-	-
Interest and similar expenses	-	2	14
Dividend income	-	1,730	5,044
Fee and commission income	7,766	4,010	526
Other operating income	80	-	4,595

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
Rudolf Scholten	1 May 1997	31 Jul 2016

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	Thomas Uher	12 May 2015	AGM 2020
Member	Rainer Borns	19 May 2016	AGM 2017
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Heinrich Schaller	19 May 2016	AGM 2017
Member	Karl Sevelda	24 Sep 2013	AGM 2018
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	Robert Wieselmayer	19 May 2016	AGM 2021
Member	Robert Zadrazil	19 May 2009	AGM 2021
Member	Franz Zwickl	20 May 1999	AGM 2021
Member	Helmut Bernkopf	19 May 2009	31 Mar 2016
Member	Michael Glaser	22 May 2012	30 Sep 2016
Member	Andreas Gottschling	12 May 2015	19 May 2016
Member	Susanne Wendler	12 May 2015	19 May 2016

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 Griebl	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

Government commissioners

under section 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 section 6 of the Export Financing Guarantees Act.

Government commissioners

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

Position	Name	Term of office since
Commissioner	Beate Schaffer	1 Nov 2013
Deputy Commissioner	Edith Wanger	1 Jun 1997

Note 46 Action for damages

The test case in connection with MEL was decided in favour of OeKB by the Supreme Court in 2016. The Bank was aware of no other legal action for damages at 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 17 March 2017. 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, 28 February 2017

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 AG,
Vienna, Austria

and its aubsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2016, 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, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, 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 Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the 'Auditors' Responsibility' section of our report. We are independent of the audited entity within the meaning of Austrian commercial law, banking- and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated financial statements as a whole and we do not express an opinion on these individual matters.

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 Consolidated Financial Statements

As of 31 December 2016 loans and advances to banks and to customers of the Export Financing Scheme (EFS) amount to € 16,336.2 million, or 63.3% of total assets of the Group.

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 verifcation 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.

Our Response

We analysed the processes in the respective operating departments and tested the effectiveness of the internal controls relevant for the audit of the financial statements. Internal IT specialists were also part of our audit team. In assessing and testing of 'design & implementation' as well as 'operating effectiveness' of the directors' key controls in these area we focused 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
- Selected 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

At 31 December 2016, financial assets measured and carried at fair value represented € 9.9 billion; i.e. 37% of total assets of the OeKB Group and financial liabilities measured and carried at fair value represented € 16.7 billion; i.e. 63 % of total liabilities of the OeKB Group.

The determination of Fair Values of Financial Instruments is described by OeKB's management in Note 5.

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.

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 .

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

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

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

Auditors' Responsibility

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatements, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance represents a high degree of assurance, but provides no guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, will always detect a material misstatement when it exists. Misstatements may result from fraud or error and are considered material if they could, individually or in the aggregate, 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 Austrian Standards on Auditing, which require the audit to be performed in accordance with ISA, we exercise professional judgment and retain professional skepticism throughout the audit.

Moreover:

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

- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.
- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Group Management Report

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

The legal representatives of the Company are responsible for the preparation of the group management report in accordance with Austrian Generally Accepted Accounting Principles.

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

Opinion

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

Statement

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

Other Information

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

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

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

Auditor in Charge

The auditor in charge is DDr. Martin Wagner.

Vienna, 28 February 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by

MARTIN WAGNER

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.

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, 28 February 2017

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

Separate financial statements 2016

Oesterreichische Kontrollbank AG - Management report

Economic environment in 2016

The phase of lacklustre global economic growth continued throughout 2016. According to current International Monetary Fund (IMF) forecasts, global expansion slowed from 3.2% in 2015 to 3.1% in the reporting period. This downtrend was caused by weaker impetus from key industrialised countries such as the USA (+1.6%) and the Eurozone countries (+1.7%), where the economy slowed somewhat compared with the previous year. Global trade also reflected the generally sluggish market conditions. While the World Trade Organization (WTO) predicted expansion of 2.8% at the beginning of 2016, its most recent forecast for global trade growth was only 1.7%. This is primarily due to depressed import demand from key emerging markets such as China and Brazil and the tangible slowing of growth in North America.

Disparate economic conditions in the emerging and frontier markets

When viewing the emerging and frontier markets as a whole, these countries achieved somewhat more substantial economic output in the reporting period than in 2015. According to IMF estimates, growth rose from 4.0% in 2015 to 4.2%. However, there were significant differences from region to region. The aggregate GDP growth of the ASEAN countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) came in at 4.8%. By contrast, conditions remained less encouraging in the BRIC countries. Neither Brazil nor Russia managed to break out of recession in 2016, and the gradual slowing of growth in China continued. India was the standout here and still expanded impressively (+7.6%).

Slightly positive tendencies 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 again slightly in 2016. This was due primarily to the more expansive consumption behaviour of households overall, which replaced investment as the most important driver of growth. When comparing the individual countries, especially Romania (+4.7%), Poland (+3.2%), and Slovakia (+3.2%) impressed with relatively good economic growth during the reporting period. By contrast, conditions were persistently difficult in crisis-ridden Ukraine even if the country seems to have the worst behind it and achieved a slight 0.8% increase in GDP again in 2016.

Moderate expansion of the Austrian economy

Bucking the trend for the Eurozone, the growth of the Austrian economy strengthened in annual comparison in 2016. The most recent forecast of the Austrian Institute of Economic Research (WIFO) points to GDP growth of 1.5%, driven by healthy domestic demand as a result of the tax reform. Austrian exports were again impacted by the weak international economy, which led to a lower contribution from foreign trade. Unlike in the previous year, the domestic market for corporate bonds improved. The total issue volume came to € 7.5 billion, up from € 5.3 billion in 2015. 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 0.4% at the end of 2016 (2015: 0.9%).

Business development in 2016

The amount of funding provided under the Export Financing Scheme decreased again in 2016. Reasons for this were the fact that demand for large export loans did not pick up until relatively late in the year and the early repayment of investment financing. The number of loans managed under the Export Financing Scheme decreased to around 2,550 contracts (2015: around 2,700 contracts).

Income statement

Overall, the year 2016 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.

Loans under the Export Financing Scheme fell by € 3,042,785 thousand to € 16,181,914,738.80 (2015: € 19,224,700 thousand). Thanks to positive one-off effects from early loan repayments, the decrease in net export loans outstanding was not reflected in **net interest income**, which in 2016 amounted to € 57,543,693.08 (2015: € 58,242 thousand). In the refinancing of the Export Financing Scheme, OeKB benefited from negative interest rates in the form of reduced costs.

Income from securities and investments came to € 15,571,273.56, € 5,868 thousand more than the previous year's result of € 9,703 thousand. This was largely the result of a higher profit disbursement by CEESEG AG in the amount of € 2,459,640.00 (2015: € 576 thousand) and the first-time profit disbursement by OeKB CSD GmbH (€ 3,300,000.00), which was established in 2015.

The net fee and commission income in the Capital Market Services and Energy Market Services segments remained stable. However, the income from fees for the administration of export guarantees on behalf of the Austrian government declined. OeKB's **net fee and commission income** in 2016 was € 24,865,531.67 (2015: € 25,810 thousand).

The **net income from financial operations** came in at minus € 18,131.09 in the reporting period (2015: plus € 48 thousand).

The **other operating income** of € 21,268,493.83 (2015: € 20,646 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 € 119,230,861.05 (2015: € 114,448 thousand).

In the **administrative expenses** (€ 71,523,543.13; 2015: € 68,302 thousand), staff costs rose as a result of provisions allocated in connection with generation management measures that are oriented toward a semi-retirement model. The allocation to the pension and termination benefit provisions contributed significantly to the increase in staff costs. The allocation was made necessary above all by the low interest rate level and the associated change in the discount rate for employee benefit provisions to 1.75% (2015: 2.40%) and amounted to € 1,311,621.00 (2015: minus € 989 thousand). The other administrative expenses came to € 17,081,215.36 (2015: € 19,455 thousand), € 2,374 thousand lower than in the previous year. This change was driven by the influence of a project initiated in the previous year to reduce expenses and that showed its first effects in 2016, as well as by the fact that external IT services rendered for subsidiaries are now charged directly to these companies.

Overall **operating expenses** came to € 79,122,689.95, up from the previous year's figure of € 74,992 thousand for the reasons outlined above.

The **operating profit** in 2016 was € 40,108,171.10, which is an increase of 1.7% compared with the previous year (€ 39,456 thousand).

No individual allowances were made for impairment losses in the reporting period (2015: € 60 thousand). Amortisation of securities held as current assets amounted to € 457,406.11 (2015: € 477 thousand).

Income from impairment reversals on loans and advances amounted to € 12,700,000.00 (2015: € 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 € 15,433,975.00 (2015: no write-ups). These were due primarily to the elimination of the write-up option pursuant to the RÄG 2014 (law amending accounting principles). The profits realised on securities held as current assets came to € 101,537.50 (2015: € 2,269 thousand).

Taking all of these effects into account, the profit before tax was € 67,886,277.49 (2015: € 54,962 thousand). After income tax, the **profit for the year** of € 57,406,074.70 surpassed the profit generated in 2015 of € 42,952 thousand.

In financial year 2016, € 36,938,000.00 (2015: € 22,694 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 € 20,228,807.94. The profit available for distribution in 2015 amounted to € 20,268 thousand.

Balance sheet

At 31 December 2016, liquid assets in the form of balances at central banks amounted to € 389,873,477.28 (2015: € 197,826 thousand). In liabilities, deposits from banks rose from € 156,857 thousand in 2015 to € 303,142,017.53 at the end of 2016.

Loans and advances to banks decreased from € 74,808 thousand in 2015 to € 39,877,853.23 at 31 December 2016, primarily due to a lower volume of money market business.

The volume of the investment portfolio rose to € 473,632,557.88 in 2016 (2015: € 441,028 thousand). This also includes the effect of the compulsory write-ups pursuant to the RÄG 2014. The fair value on the reporting date was € 564,574,460.12 (2015: € 549,079 thousand).

The liquid assets portfolio used to support the Export Financing Scheme, which consists of bonds, grew by € 335,385 thousand to a nominal value of € 2,075,885,000.00 (2015: € 1,740,500 thousand).

The balance sheet amount relating to export financing accounted for 94.3% of the total balance sheet volume, decreasing by € 2,696,118 thousand or 12.8% to € 18,405,922,961.25 in 2016. Major reasons for this were the substantial decrease in loans and advances to banks and to customers. Accordingly, the volume of debt securities in issue was reduced. The liquid assets portfolio was expanded further.

The **total assets** at 31 December 2016 amounted to € 19,524,155,324.86 (2015: € 22,022,602 thousand).

Financial performance indicators

The cost-income ratio (operating expenses/operating income) rose to 66.4% (2015: 65.5%), in particular due to higher operating expenses (one-off effects from expenses related to generation management and higher expenses stemming from the change in the discount rate for non-current employee benefit provisions).

The regulatory capital available under Regulation (EU) No. 575/2013 (CRR) rose by € 9,928 thousand to € 557,052,737.01 in 2016. 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 61.4% in 2016 (2015: 70.2%) due to increased regulatory funds requirements, primarily in relation to credit and currency 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 11.0%, higher than in the previous year (2015: 8.7%).

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 head 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 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 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%.

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 2016. 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 88.1% bonds and 9.6% equity shares. 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 € 14.0 million at 31 December 2016. In the risk management of the investment portfolio, the in-house portfolio management is supported by an external overlay manager.

Exchange rate risks exist above all in connection with raising long- and short-term funds for the Export Financing Scheme. These risks are largely secured by an exchange rate guarantee of the Republic of Austria under the Export Financing Guarantees Act. 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. Credit exposures arising from fluctuations in value are secured with collateral. The clearing of derivative contracts through a central counterparty began in 2016 in implementation of the EMIR regulations (Regulation [EU] No. 648/2012).

The total volume of derivatives positions at 31 December 2016 was as follows (fair values shown represent clean prices):

€	Notional amount at 31 Dec 2016 - by remaining maturity				Fair values	
	Up to 1 year	1 to 5 years	Over 5 years	Total 2016	positive	negative
Interest rate derivatives						
Interest rate swaps (OTC)	3,650,940,957.55	11,759,676,443.69	2,549,997,106.98	17,960,614,508.22	146,561,156.59	312,601,092.66
Currency derivatives						
Currency swaps (OTC)	4,353,315,290.91	11,492,514,968.21	496,859,157.96	16,342,689,417.08	904,547,299.07	405,456,895.20
Total	8,004,256,248.46	23,252,191,411.90	3,046,856,264.94	34,303,303,925.30	1,051,108,455.66	718,057,987.86

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 € 382,132.60 (2015: € 429 thousand), OeKB spent € 992.55 per employee on training and development (2015: € 1 thousand) in 2016.

Employees of OeKB [1]

	2016	2015	2014
Total as at 31 December	**385**	**391**	**388**
Of whom part-time employees	*100*	*95*	*96*
Total employees in full-time equivalents	352	362	358
Average number of employees pursuant to the UGB	354	356	356
Turnover rate	3.3%	2.1%	1.8%
Sick days per year and full-time employee	10.3	9.3	8.0
Training days per year and employee	2.9	4.9	5.1
Proportion of total positions held by women	55.6%	55.5%	57.0%
Of whom part-time employees	*41.6%*	*38.7%*	*38.9%*
Proportion of management positions held by women	39.2%	40.7%	32.1%

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

The headcount decreased from 362 full-time equivalents in 2015 to 352 at the end of 2016. The profit for the year per full-time equivalent came to € 163,085.44 (2015: € 118 thousand).

Outlook for 2017

The year 2017 will be another difficult period in economic terms. The economic outlook is somewhat brighter again, but the global economy continues to expand at a lacklustre pace and uncertainty will continue, though to varying degrees from region to region. This poses a significant challenge for the Austrian export industry. As in the past, OeKB continues to assist exporters both through export credits and with guarantees for the financing of business acquisitions and start-ups. We expect to be able to expand our lending volume in 2017 due to rising export and foreign investment activity by Austrian companies as well as due to our attractive financing conditions.

Despite the recent improvements in the economic forecasts for the USA and the EU, we expect significantly lower earnings from our securities investments in 2017 due to the continued low interest rates. 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.

Overall, OeKB is well prepared to meet the challenges ahead and is expecting sustained stable 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 2017

Oesterreichische Kontrollbank Aktiengesellschaft

Signed by the Executive Board

HELMUT BERNKOPF ANGELIKA SOMMER-HEMETSBERGER

Oesterreichische Kontrollbank AG – Separate financial statements 2016

Balance sheet as at		31 Dec 2016	31 Dec 2015
Assets		€	€ thousand
01	**Balances at central banks**	**389,873,477.28**	**197,826**
02	**Treasury bills and similar securities eligible for rediscounting by the ECB**	**75,055,400.40**	**79,031**
03	**Loans and advances to banks**	**39,877,853.23**	**74,808**
	a) Repayable on demand	9,877,853.23	7,608
	b) Other loans and advances	30,000,000.00	67,200
04	**Loans and advances to customers**	**4,729,029.13**	**5,034**
05	**Bonds and other fixed-income securities**	**209,932,297.02**	**182,025**
	a) Of other issuers	209,932,297.02	182,025
06	**Equity shares and other variable income securities**	**186,721,886.96**	**173,310**
07	**Interests in investments other than subsidiaries**	**7,983,461.81**	**7,983**
	Of which in banks	*0.00*	-
08	**Interests in subsidiaries**	**55,264,627.15**	**55,265**
	Of which in banks	*31,761,483.60*	*31,761*
09	**Non-current intangible assets**	**1,180,167.00**	**1,127**
10	**Property and equipment**	**18,502,550.58**	**21,162**
	Of which land and buildings occupied for own business use	*13,614,015.90*	*16,899*
11	**Other assets**	**14,656,104.70**	**11,091**
12	**Prepayments and accrued income**	**2,178,174.48**	**1,967**
13	**Deferred tax assets**	**112,277,333.87**	**109,931**
14	**Assets related to export financing**	**18,405,922,961.25**	**21,102,041**
14.1	Treasury bills and similar securities eligible for rediscounting by the ECB	1,559,197,418.07	1,233,006
14.2	Loans and advances to banks (others)	15,916,364,377.82	18,907,454
14.3	Loans and advances to customers	265,550,360.98	317,246
14.4	Bonds and other fixed-income securities	643,621,047.85	615,649
	Of which own bonds	*24,051,165.97*	*23,948*
14.5	Other assets	1,810,459.61	100
14.6	Accruals and deferred income	19,379,296.92	28,585
	Of which for issue of own debt securities	*13,178,996.92*	*22,566*
	Total assets	**19,524,155,324.86**	**22,022,602**
	Memo items		
1	Foreign assets	1,629,409,921.33	2,280,786

OeKB GROUP

Balance sheet as at		31 Dec 2016	31 Dec 2015
Liabilities and equity		€	€ thousand
01	**Deposits from banks**	**303,142,017.53**	**156,857**
	a) Repayable on demand	131,688,934.95	128,838
	b) With agreed maturity or notice period	171,453,082.58	28,019
02	**Deposits from customers (miscellaneous, repayable on demand)**	**84,669,240.72**	**77,604**
03	**Other liabilities**	**10,559,615.97**	**6,316**
04	**Prepayments and accrued income**	**7,621,479.03**	**8,199**
05	**Provisions**	**172,548,607.49**	**169,044**
	a) Termination benefit provisions	24,448,695.00	25,447
	b) Pension provisions	105,456,615.00	103,146
	c) Tax provisions	170,194.89	-
	d) Other provisions	42,473,102.60	40,450
06	**Subscribed share capital**	**130,000,000.00**	**130,000**
07	**Allocated capital reserves**	**3,347,629.63**	**3,348**
08	**Retained earnings**	**362,012,965.30**	**325,075**
	a) Statutory reserve	10,601,796.47	10,602
	b) Other reserves	351,411,168.83	314,473
09	**Liability reserve pursuant to § 57(5) BWG**	**24,102,000.00**	**23,850**
10	**Profit available for distribution**	**20,228,807.94**	**20,268**
11	**Liabilities related to export financing**	**18,405,922,961.25**	**21,102,041**
11.1	Deposits from banks	731,184,452.47	948,245
	a) Repayable on demand	795,364.51	-
	b) With agreed maturity or notice period	730,389,087.96	948,245
11.2	Deposits from customers	743,035,754.56	671,280
	a) Repayable on demand	714,725,718.02	642,697
	b) With agreed maturity or notice period	28,310,036.54	28,583
11.3	Debt securities in issue	15,516,383,587.39	18,132,540
	a) Bonds issued	13,316,355,640.21	14,222,781
	b) Other debt securities in issue	2,200,027,947.18	3,909,759
11.4	Other liabilities	7,482,652.66	9,820
11.5	Accruals and deferred income	155,157,302.75	139,407
11.6	Provisions (interest rate stabilisation provision)	1,252,679,211.42	1,200,750
	Total liabilities and equity	**19,524,155,324.86**	**22,022,602**

	Memo items		
1	Credit risks	3,539,112,518.03	3,016,234
2	Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	557,052,737.01	547,125
3	Minimum regulatory capital requirement pursuant to Article 92 of Regulation (EU) No. 575/2013	783,843,625.50	653,031
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. a of Regulation (EU) No. 575/2013 - core tier 1 ratio in %	61.4%	70.2%
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. b of Regulation (EU) No. 575/2013 - tier 1 ratio in %	61.4%	70.2%
	Minimum regulatory capital requirement pursuant to Article 92(1) lit. c of Regulation (EU) No. 575/2013 - total capital ratio in %	71.1%	83.8%
4	Foreign liabilities	16,461,989,170.08	19,291,090

Income statement for the financial year				2016	2015
				€	€ thousand
01.		Interest and similar income	266,629,634.51	258,314,996.04	318,252
		Minus negative interest from money market business	-2,389,925.41		-556
		Minus negative interest from credit operations	-3,762,305.45		-200
		Minus negative interest from securities	-2,162,407.61		-
		Of which from fixed-income securities		*667,502.63*	*5,689*
02.	-	Interest and similar expenses	307,306,924.81	200,771,302.96	336,130
		Minus positive interest from money market business	-1,083,022.75		-433
		Minus positive interest from refinancing business	-105,452,599.10		-76,442
I.		**Net interest income**		**57,543,693.08**	**58,242**
03.	+	Income from securities and investments		15,571,273.56	9,703
		a) Income from equity shares, other ownership interests and variable income securities	2,503,012.61		*2,503*
		b) Share of results of investments other than subsidiaries	3,212,060.95		*1,530*
		c) Dividends from subsidiaries	9,856,200.00		*5,670*
04.	+	Fee and commission income		28,398,156.03	30,304
05.	-	Fee and commission expenses		3,532,624.36	4,495
06.	+/-	Income/(expenses) from financial operations		-18,131.09	+48
07.	+	Other operating income		21,268,493.83	20,646
II.		**Operating income**		**119,230,861.05**	**114,448**
08.	-	Administrative expenses		71,523,543.13	68,302
		a) Staff costs		54,442,327.77	48,846
		Of which:			
		aa) Wages and salaries	*35,666,833.19*		*33,631*
		bb) Statutory social security costs, pay-based levies, and other compulsory pay-based contributions	*7,957,139.57*		*7,507*
		cc) Other social expenses	*1,371,669.39*		*1,287*
		dd) Expenses for retirement and other post-employment benefits	*4,940,377.96*		*5,610*
		ee) Additions to pension provision	*2,310,143.00*		*-263*
		ff) Expenses for termination benefits and contributions to termination benefit funds	*2,196,164.66*		*1,073*
		b) Other administrative expenses		17,081,215.36	19,455
09.	-	Impairment losses on asset items 9 and 10		5,031,450.94	5,071
10.	-	Other operating expenses		2,567,695.88	1,619
III.		**Operating expenses**		**-79,122,689.95**	**-74,992**
IV.		**Operating profit**		**40,108,171.10**	**39,456**
11.	-	Impairment losses on loans and advances and amortisation on securities held as current assets		457,406.11	537
12.	+	Income from impairment reversals on loans and advances and from write-ups on securities held as current assets		28,235,512.50	14,969
13.	+	Profits from the sale of interests in Interests in investments other than subsidiaries		0.00	1,074
V.		**Profit before tax**		**67,886,277.49**	**54,962**
14.	-	Income tax		10,480,202.79	12,010
VI.		**Profit for the year**		**57,406,074.70**	**42,952**
15.	-	Transfer to reserves		37,190,000.00	22,694
		Of which transfer to liability reserve		*252,000.00*	-
VII.		**Unallocated profit for the year**		**20,216,074.70**	**20,258**
16.	+	Profit brought forward from the previous year		12,733.24	10
VIII.		**Profit available for distribution**		**20,228,807.94**	**20,268**

Oesterreichische Kontrollbank AG – Notes

General information

The Executive Board prepared the present annual financial statements as at 31 December 2016 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 measures 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 accounting and valuation principles were used with the exception of the first-time application of the RÄG 2014; these changes pertain in particular to:

- Write-ups are now recognised when the reason for an impairment charge no longer applies or when an increase in value has been identified, with the write-up being limited to the value that would apply had the asset been depreciated or amortised at the normal rates up to the time of the write-up. The write-ups on securities totalled € 15,179,065.00. The following table shows the breakdown by balance sheet item.
- Full capitalisation of deferred tax assets.
- The untaxed reserves are recognised in the retained earnings after deduction of the deferred taxes.

Effects on the balance sheet

€	Write-up 1 Jan 2016 pursuant to RÄG
Treasury bills and similar securities eligible for rediscounting by the ECB	1,270,695.00
Bonds and other fixed-income securities	478,450.00
Equity shares and other variable income securities	13,429,920.00
Total	**15,179,065.00**

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 (*http://berichte.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 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.

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 2018 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 € 45 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 and export acceptance credit) 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 interest rate stabilisation provision. The 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

The figures for the previous year have been adapted to the changed requirements of the RÄG 2014 in terms of the format of the balance sheet and income statement. This pertains especially to the separate presentation of the deferred tax assets and the reclassification of the untaxed reserves into retained earnings after deduction of the applicable deferred taxes.

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 were also revised to reflect changed requirements from the RÄG 2014 in that the disclosures 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 and positive 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.
- **Financial assets** are recognised at cost (as determined using the average cost method) or the lower listed price on the reporting date. 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 (in line with § 57 BWG). 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 and 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 1.75% (2015: 2.40%) and a salary trend of 2.75% (2015: 3.00%),
    - A retirement age of 64 years 9 months for men (2015: 64 years 6 months) and 59 years 9 months for women (2015: 59 years 6 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** and **bonds and other fixed-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 (in line with § 57 BWG). 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. Swaps 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.
- **Derivatives** that are in a hedge relationship pursuant to the AFRAC are recognised as a valuation unit, which means that neither the derivative financial instrument nor the underlying transaction are recognised at their fair values on the balance sheet. Interest income and expenses are recognised as they are accrued during the period.
- The **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 2016 €	End of 2015 € thousand	Change € thousand	Change in %
Balances at central banks	389,873,477.28	197,826	192,047	97.1%
Treasury bills and similar securities eligible for rediscounting by the ECB	75,055,400.40	79,031	-3,976	-5.0%
Loans and advances to				
banks	39,877,853.23	74,808	-34,930	-46.7%
customers	4,729,029.13	5,034	-305	-6.1%
Bonds and other fixed-income securities	209,932,297.02	182,025	27,908	15.3%
Equity shares and other variable income securities	186,721,886.96	173,310	13,412	7.4%
Interests in subsidiaries and other investments	63,248,088.96	63,248	-	-
Property, equipment, and intangibles	19,682,717.58	22,289	-2,607	-11.7%
Other assets	16,834,279.18	13,058	3,777	28.9%
Deferred tax assets	112,277,333.87	109,931	2,346	2.1%
Own account	**1,118,232,363.61**	**920,561**	**197,672**	**21.5%**

Liabilities and equity	End of 2016 €	End of 2015 € thousand	Change € thousand	Change in %
Deposits from				
banks	303,142,017.53	156,857	146,285	93.3%
customers (other)	84,669,240.72	77,604	7,065	9.1%
Provisions	172,548,607.49	169,044	3,505	2.1%
Other liabilities	18,181,095.00	14,515	3,666	25.3%
Equity	539,691,402.87	502,541	37,151	7.4%
Of which profit available for distribution	*20,228,807.94*	*20,268*	*-39*	*-0.2%*
Own account	**1,118,232,363.61**	**920,561**	**197,672**	**21.5%**

Balances at central banks

Terms to maturity pursuant to § 64(1)4 BWG	2016 €	2015 € thousand
Repayable on demand	389,873,477.28	197,826
Total	**389,873,477.28**	**197,826**

Investment portfolio

€ (2015: € thousand)	31 Dec 2016 Net book value	31 Dec 2016 Fair value	31 Dec 2015 Net book value	31 Dec 2015 Fair value
Treasury bills and similar securities	75,055,400.40	79,392,577.50	79,031	86,008
Bonds and other fixed-income securities	209,932,297.02	215,120,532.50	182,025	189,991
Equity shares and other variable income securities	186,721,886.96	270,061,350.12	173,310	273,080

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 € 0.00 (2015: € 27,563 thousand). The dividend-equivalent earnings since the beginning of acquisition total € 74,322,553.62 (2015: € 74,323 thousand).

Of the securities held, securities in the amount of € 38,138,690.00 are maturing in 2017 (2015: € 38,562 thousand maturing in 2016).

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 € 6,915,802.47 (2015: € 8,281 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 € 181,578.23 (2015: € 200 thousand) are admitted for public trading and are listed; unlisted securities total € 186,540,308.73 (2015: € 173,100 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

Terms to maturity pursuant to § 64(1)4 BWG	2016 €	2015 € thousand
Repayable on demand	9,877,853.23	7,608
Up to 3 months	30,000,000.00	67,200
Total	**39,877,853.23**	**74,808**

Loans and advances to customers

	2016	2015
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	51,271.07	51
Up to 3 months	225,254.32	234
More than 3 months up to 1 year	418,064.60	465
More than 1 year up to 5 years	2,018,666.03	1,957
More than 5 years	2,015,773.10	2,327
Total	**4,729,029.12**	**5,034**

Companies wholly or partly owned by OeKB

Name and registered office	BWG category	Type of investment		Shareholding	Financial information			
	Credit institution/ Other company	directly held	indirectly held	in %	Reporting date of latest annual accounts	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 2016	734,071	19,202	7,956
OeKB CSD GmbH, Vienna	CI	x		100.00%	31 Dec 2016	29,875	24,495	3,499
“Österreichischer Exportfonds” GmbH, Vienna	CI	x		70.00%	31 Dec 2016	1,137,435	13,871	1,989
OeKB EH Beteiligungs- und Management AG, Vienna	OC	x		51.00%	31 Dec 2016	93,826	93,562	10,176
Acredia Versicherung AG, Vienna	OC		x	51.00%	31 Dec 2016	153,339	91,176	10,927
Acredia Services GmbH, Vienna	OC		x	51.00%	31 Dec 2016	13,412	12,075	2,211
PRISMA Risk Services D.O.O., Belgrade	OC		x	51.00%	31 Dec 2016	496	322	36
CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH, Vienna	OC	x		50.00%	31 Dec 2016	34,730	11,202	(131)
OeKB Business Services GmbH, Vienna	OC	x		100.00%	31 Dec 2016	1,539	1,355	6
OeKB Zentraleuropa Holding GmbH, Vienna	OC	x		100.00%	31 Dec 2016	4,541	4,541	1
Other interests								
AGCS Gas Clearing and Settlement AG, Vienna	OC	x		20.00%	31 Dec 2015	14,277	3,602	614
APCS Power Clearing and Settlement AG, Vienna	OC	x		17.00%	31 Dec 2015	21,192	3,026	381
CISMO Clearing Integrated Services and Market Operations GmbH, Vienna	OC	x		18.50%	31 Dec 2015	4,517	3,403	2,603
Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H., Vienna	OC	x		0.10%	31 Dec 2015	819	77	-
EXAA Abwicklungsstelle für Energieprodukte AG, Vienna	OC	x		8.06%	31 Dec 2015	7,555	2,843	425
"Garage Am Hof" Gesellschaft m.b.H., Vienna	OC	x		2.00%	31 Dec 2015	5,128	4,258	1,003
OeMAG Abwicklungsstelle für Ökostrom AG, Vienna	OC	x		12.60%	31 Dec 2015	291,062	5,417	372
CEESEG Aktiengesellschaft, Vienna	OC	x		6.60%	31 Dec 2015	389,667	370,176	27,976

Non-current assets in 2016 - Cost

€	Cost of acquisition and production at 1 Jan 2016	Additions	*Of which interest*	Transfers	Disposals	Cost of acquisition and production at 31 Dec 2016
Non-current intangible assets	4,441,128.68	446,823.39	*0.00*	0.00	0.00	4,887,952.07
Property and equipment	93,333,616.72	1,902,017.53	*0.00*	0.00	7,590,780.85	87,644,853.40
Low-value assets	0.00	104,809.02	*0.00*	0.00	104,809.02	0.00
Subtotal	97,774,745.40	2,453,649.94	*0.00*	0.00	7,695,589.87	92,532,805.47
Interests in investments other than subsidiaries	7,983,461.81	0.00	*0.00*	0.00	0.00	7,983,461.81
Interests in subsidiaries	55,264,627.15	0.00	*0.00*	0.00	0.00	55,264,627.15
Total	161,022,834.36	2,453,649.94	*0.00*	0.00	7,695,589.87	155,780,894.43

Non-current assets in 2016 - Accumulated depreciation and amortisation

€	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
Non-current intangible assets	3,313,749.68	394,035.39	0.00	0.00	0.00	3,707,785.07
Property and equipment	72,171,545.54	4,532,606.53	0.00	0.00	7,561,849.25	69,142,302.82
Low-value assets	0.00	104,809.02	0.00	0.00	104,809.02	0.00
Subtotal	75,485,295.22	5,031,450.94	0.00	0.00	7,666,658.27	72,850,087.89
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	75,485,295.22	5,031,450.94	0.00	0.00	7,666,658.27	72,850,087.89

Net book value of property, equipment, and intangibles

€	Net book value at 1 Jan 2016	Net book value at 31 Dec 2016
Non-current intangible assets	1,127,379.00	1,180,167.00
Property and equipment	21,162,071.18	18,502,550.58
Low-value assets	0.00	0.00
Subtotal	22,289,450.18	19,682,717.58
Interests in investments other than subsidiaries	7,983,461.80	7,983,461.81
Interests in subsidiaries	55,264,627.15	55,264,627.15
Total	85,537,539.13	82,930,806.54

The property and equipment includes land and buildings in an amount of € 13,614,015.90 (2015: € 16,899 thousand), of which € 4,398,853.90 (2015: € 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 the change in the posting and settlement method for the guarantee and bill guarantee fees for the Republic of Austria.

Other assets (other loans and advances)

	2016	2015
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	14,656,104.70	11,091
Total	**14,656,104.70**	**11,091**

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:

Change in deferred tax assets

Adjustment for previous year	€
Deferred tax assets 31 Dec 2015	**110,956,588.59**
Deferred taxes on untaxed reserves	(1,025,329.32)
Deferred tax assets 31 Dec 2015 (adjusted)	**109,931,259.27**

	31 Dec 2016	31 Dec 2015	+/- Change
	€	€ thousand	€
Impairment losses pursuant to § 57 BWG	76,200,000.00	88,900	-12,700,000.00
Equity shares and other fixed-income securities	30,023,654.94	32,579	-2,555,237.05
Interests in investments other than subsidiaries	0.00	55	-55,004.53
Property and equipment	264,551.05	385	-120,039.65
Termination benefit provision	12,025,022.11	12,439	-414,212.76
Pension provisions	54,766,284.00	51,744	3,022,423.12
Other provisions	29,092,077.55	17,575	11,517,247.90
Untaxed reserves	-3,798,096.27	-4,101	303,221.00
Total OeKB	**198,573,493.38**	**199,575**	**-1,001,601.97**
Interest rate stabilisation provision	250,535,842.28	240,150	10,385,900.42
Total export financing operations	**250,535,842.28**	**240,150**	**10,385,900.42**
Total differences	**449,109,335.66**	**439,725**	**9,384,298.45**
Resulting deferred taxes	**112,277,333.87**	109,931	2,346,074.56
Of which attributable to OeKB profit	*49,643,373.30*	*49,894*	*-250,400.54*
Of which attributable to the profit of the export financing scheme	*62,633,960.57*	*60,037*	*2,596,475.10*

The deferred tax assets changed by € 2,346,074.56 from € 109,931 thousand to € 112,277,333.87 in the reporting period.

The tax expenses from export financing operations (€ 2,596,475.10; 2015: € 2,538 thousand) are borne by the Export Financing Scheme and have 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

Terms to maturity pursuant to § 64(1)4 BWG	2016 €	2015 € thousand
Repayable on demand	131,670,572.74	128,838
Up to 3 months	171,471,444.79	28,019
Total	**303,142,017.53**	**156,857**

Deposits from customers

Terms to maturity pursuant to § 64(1)4 BWG	2016 €	2015 € thousand
Repayable on demand	84,669,240.72	77,604
Total	**84,669,240.72**	**77,604**

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 and trade payables. The item contains € 1,681,585.89 (2015: € 671 thousand) that relate to goods deliveries and rendered services.

Sundry liabilities

Terms to maturity pursuant to § 64(1)4 BWG	2016 €	2015 € thousand
Up to 3 months	10,559,615.97	6,316
Total	**10,559,615.97**	**6,316**

Other provisions

	31 Dec 2016 €	31 Dec 2015 € thousand
Legal consulting, tax consulting, and financial auditing	590,000.00	775
Performance-related compensation	4,955,529.38	5,196
Unused holiday and overtime credits	3,893,457.23	4,761
Other employee benefit provisions	3,471,241.76	-
Software projects	402,400.00	120
General business risks and IT projects	28,485,000.00	28,485
Other provisions	675,474.23	1,114
Other provisions	**42,473,102.60**	**40,450**

Equity disclosures

The share capital of € 130,000,000.00 (2015: € 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 € 36,938 thousand compared with the previous year to € 362,012,965.30 (2015: € 325,075 thousand). A total of € 252 thousand was allocated to the liability reserve pursuant to § 57(5) BWG. This amounted to € 24,102,000.00 on the reporting date (2015: € 23,850 thousand).

Proposal on the distribution of profits

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

	2016	2015
	€	€ thousand
Unallocated profit for the year	20,216,074.70	20,258
Profit brought forward from the previous year	12,733.24	10
Profit available for distribution	**20,228,807.94**	**20,268**
Use		
Disbursement of a dividend of € 22.75 per share on 880,000 no-par-value shares	20,020,000.00	20,020
Award of performance-related compensation to the Supervisory Board	197,992.00	235
To be carried forward	10,815.94	13

Export finance section of the balance sheet

Export financing

Assets	End of 2016 €	End of 2015 € thousand	Change € thousand	Change in %
Treasury bills and similar securities eligible for rediscounting by the ECB	1,559,197,418.07	1,233,006	326,191	26.5%
Loans and advances to				
banks (others)	15,916,364,377.82	18,907,454	-2,991,090	-15.8%
customers	265,550,360.98	317,246	-51,696	-16.3%
Bonds and other fixed-income securities	643,621,047.85	615,649	27,972	4.5%
Other assets	1,810,459.61	100	1,710	1703.5%
Prepayments and accrued income	19,379,296.92	28,585	-9,205	-32.2%
Export financing	**18,405,922,961.25**	**21,102,041**	**-2,696,118**	**-12.8%**

Liabilities and equity	End of 2016 €	End of 2015 € thousand	Change € thousand	Change in %
Deposits from				
banks	731,184,452.47	948,245	-217,060	-22.9%
customers	743,035,754.56	671,280	71,756	10.7%
Debt securities in issue	15,516,383,587.39	18,132,540	-2,616,157	-14.4%
Other liabilities	7,482,652.66	9,820	-2,337	-23.8%
Accruals and deferred income	155,157,302.75	139,407	15,750	11.3%
Provisions (interest rate stabilisation provision)	1,252,679,211.42	1,200,750	51,930	4.3%
Export financing	**18,405,922,961.25**	**21,102,041**	**-2,696,118**	**-12.8%**

The asset items contain no subordinated assets.

Of the securities held, securities in the amount of € 100,000,000.00 are maturing in 2017 (2015: € 44,400 thousand maturing in 2016).

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 € 80,053,675.75 (2015: € 51,660.8 thousand).

As a disclosure on the individual security categories 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 listed.

Roughly 2,550 loans (2015: roughly 2,700 loans) with a volume of € 16,181,914,738.80 (2015: € 19,224,700 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.

	2016	2015
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	306,933,452.31	-
Up to 3 months	557,997,782.69	2,115,524
More than 3 months up to 1 year	6,005,385,475.15	6,827,204
More than 1 year up to 5 years	5,596,173,062.18	6,808,340
More than 5 years	3,449,874,605.49	3,156,385
Total	**15,916,364,377.82**	**18,907,454**

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.

	2016	2015
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	2,325,843.80	-
Up to 3 months	4,068,511.42	9,207
More than 3 months up to 1 year	43,730,167.96	65,361
More than 1 year up to 5 years	121,466,199.89	123,284
More than 5 years	93,959,637.91	119,394
Total	**265,550,360.98**	**317,246**

The **other assets** consist solely of derivative financial instruments.

	2016	2015
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Up to 3 months	1,810,459.61	100
Total	**1,810,459.61**	**100**

The **deferred items and accruals** consist primarily of up-front payments on derivatives 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.

	2016	2015
Terms to maturity pursuant to § 64(1)4 BWG	€	€ thousand
Repayable on demand	795,364.51	-
Up to 3 months	730,389,087.96	948,245
Total	**731,184,452.47**	**948,245**

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 export financing scheme).

Terms to maturity pursuant to § 64(1)4 BWG	2016 €	2015 € thousand
Repayable on demand	714,725,718.02	642,697
More than 1 year up to 5 years	28,310,036.54	28,583
Total	**743,035,754.56**	**671,280**

The **debt securities in issue** fell by € 2,616,157 thousand to € 15,516,383,587.39 (2015: € 18,132,540 thousand). Of the settlement amount, € 5,238,259,530.56 (2015: € 5,167,195 thousand) in guarantees pursuant to § 1(2 b) AFFG was placed.

Within the balance sheet item debt securities in issue, the following principal amounts are due in the coming year:

	Due in 2017 €	Due in 2016 € thousand
Bonds issued	2,412,307,896.79	4,236,767
Other debt securities in issue	0.00	3,449,247
Total	**2,412,307,896.79**	**7,686,014**

Loans and advances to banks in the amount of € 4,858,742,053.57 (2015: € 2,969,441 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 € 2,899,600,000.00 at 31 December 2016 (2015: € 1,148,600 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 other liabilities to banks relating to derivative hedging transactions.

Terms to maturity pursuant to § 64(1)4 BWG	2016 €	2015 € thousand
Up to 3 months	7,482,652.66	9,820
Total	**7,482,652.66**	**9,820**

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

	2016	2015
	€	€ thousand
As at 1 January	1,200,749,709.35	1,149,985
Allocation	61,271,149.88	67,068
Use	-9,341,647.81	-16,303
As at 31 December	**1,252,679,211.42**	**1,200,750**

Allocations are made to and funds used from the interest rate stabilisation provision as intended.

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 2016	31 Dec 2015
	€	€ thousand
Fiduciary assets		
Loans and advances to banks	6,922,972.29	8,272
Fiduciary liabilities		
Deposits from customers with agreed maturity or notice period	6,922,972.29	8,272

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 hedging strategy, derivatives are used to hedge payment flows and to thereby reduce the interest rate 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 €	Notional amount	Fair values positive	Fair values negative
Interest rate swaps	17,960,614,508.22	146,561,156.59	312,601,092.66
Currency swaps	16,342,689,417.08	904,547,299.07	405,456,895.20
Total 2016	**34,303,303,925.30**	**1,051,108,455.66**	**718,057,987.86**
Total 2015 in € thousand	**35,740,991**	**1,162,007**	**908,882**

The reported fair values are clean prices (fair value determined by discounting the contractually agreed payment flows with the current yield curve without accrued interest) and in the event of negative fair values represent the losses from derivatives in a hedge relationship that is not reported on the balance sheet. The positive and negative fair values of derivatives 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 2016, 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.

	2016	2015
Collateral for credit risks in derivative transactions	€	€ thousand
Collateral pledged	312,600,000.00	275,000
Collateral received	730,530,000.00	948,300

No collateral is provided through pledging in the form of financial instruments (such as securities).

Early termination of an effective hedge relationship

A fixed-rate loan was repaid early during the reporting period. A derivative financial instrument that was used as a hedge was terminated early on the basis of the hedging strategy. The gain realised from early termination came to € 11,507,325.42.

Notes to the income statement

Condensed income statement

	2016	2015	Change	
	€	€ thousand	€ thousand	in %
Net interest income and income from securities and investments	73,114,966.64	67,945	5,170	7.6%
Net fee and commission income	24,865,531.67	25,810	-944	-3.7%
Financial operations and other operating income	21,250,362.74	20,694	557	2.7%
Operating income	**119,230,861.05**	**114,448**	**4,783**	**4.2%**
Staff costs including social security and pension costs	54,442,327.77	48,846	5,596	11.5%
Other administrative expenses	17,081,215.36	19,455	-2,374	-12.2%
Impairment losses on property and equipment and intangible assets	5,031,450.94	5,071	-40	-0.8%
Other operating expenses	2,567,695.88	1,619	949	58.6%
Operating expenses	**79,122,689.95**	**74,992**	**4,131**	**5.5%**
Operating profit	**40,108,171.10**	**39,456**	**652**	**1.7%**
Net gain on the measurement of current loans and advances, and securities and on the disposal of interests in investments other than subsidiaries	27,778,106.39	15,506	12,272	79.1%
Profit before tax	**67,886,277.49**	**54,962**	**12,925**	**23.5%**
Income tax	10,480,202.79	12,010	-1,530	-12.7%
Profit for the year	**57,406,074.70**	**42,952**	**14,454**	**33.7%**
Transfer to reserves	-37,190,000.00	22,694	-14,496	63.9%
Unallocated profit for the year	**20,216,074.70**	**20,258**	**-42**	**-0.2%**
Profit brought forward from the previous year	12,733.24	10	2	23.7%
Profit available for distribution	**20,228,807.94**	**20,268**	**-39**	**-0.2%**

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 € 698 thousand to € 57,343,693.08. The net interest income includes one-off effects for OeKB‘s share of the breakage cost for early credit repayments in the Export Financing Scheme in the amount of € 7,553,103.01 (2015: € 3,286 thousand).

The negative and positive interest reported separately in the income statement pertains 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 positive interest rates in the refinancing transactions through the employment of derivatives for hedging purposes.

The **income from unconsolidated investments** comprises dividends and profit disbursements from the interests in investments other than subsidiaries. The increase is primarily the result of the higher dividend from CEESEG Aktiengesellschaft.

The **dividends from subsidiaries** rose from € 5,670 thousand to € 9,856,200.00. This increase is primarily due to the first-time disbursement (€ 3,300,000.00) from the subsidiary OeKB CSD, which was established in the previous year.

The **fee and commission income** declined by € 2,217 thousand to € 28,398,156.03 (2015: € 30,304 thousand). The following table shows the changes in fee and commission income in the individual segments. The **fee and commission expenses** fell by € 963 thousand to € 3,532,624.36.

Fee and commission income

	31 Dec 2016	31 Dec 2015
	€	€ thousand
Credit operations	2,968,171.30	3,318
Securities services	9,744,205.38	9,845
Guarantees	12,064,737.56	13,113
Energy clearing	2,627,591.88	2,831
Other services	993,449.91	1,198
Total	**28,398,156.03**	**30,304**

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 increase to € 21,268,493.83 (2015: € 20,335 thousand) is primarily the result of the conclusion of a sub-lease for businesses premises no longer needed by the Bank. The rental costs for this property also increased (reported under other operating expenses).

The **staff costs** include one-off effects for the expenses in connection with generation management in the amount of € 3,471,241.76.

The **other operating expenses** in the amount of € 2,567,695.88 (2015: € 1,619 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 and on the disposal of interests in investments other than subsidiaries** increased by 79.1% to € 27,778,106.39 largely due to the write-up of securities.

Income tax

	31 Dec 2016	31 Dec 2015
	€	€ thousand
Corporate income tax for financial years	10,236,000.13	8,480
Corporate income tax for previous years	595.94	-
Income from prepaid capital gains tax from investment funds	-6,793.78	-
Change in deferred tax assets due to the RÄG 2014	2,808,750.00	-
Change in deferred tax assets from the financial year	-2,558,349.50	3,530
Change in deferred tax assets	250,400.50	3,530
Income tax	**10,480,202.79**	**12,010**

The **return on assets** (profit for the year/total assets) of OeKB came to 0.29% for 2016 (2015: 0.19%).

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 2016

€	2017	2017-2021
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**

Non-current liabilities 2015

€	2016	2016-2020
Rent	903,635.90	4,519,279.50
Leasing	361,113.99	1,805,569.95
Total	**1,264,749.89**	**6,324,849.45**

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 € 3,539,112,518.03 shown as memo items relate to undrawn credit facilities and commitments to lend, most of which are related to the Export Financing Scheme (2015: € 3,016,234 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: € 1,217,860,288.26 (2015: € 1,838,370 thousand)
- Liabilities: € 15,239,289,976.24 (2015: € 16,649,912 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 2016	31 Dec 2015
	€	€ thousand
Own account		
Loans and advances to banks	3,204,178.78	5,750
Bonds and other fixed-income secrities	28,378,960.00	24,280
Deposits from banks	14,722,667.29	15,621
Export financing		
Loans and advances to banks	10,813,195,412.24	13,550,770

Loans and advances to and deposits from subsidiaries and other investments

Loans, advances, and deposits

	Subsidiaries		Other interests	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
	€	€ thousand	€	€ thousand
Own account				
Loans and advances to banks	30,000,000.00	67,200	0.00	-
Deposits from banks	72,933,331.10	64,196	0.00	-
Deposits from customers	46,238,579.52	38,363	11,521,102.90	9,385
Export financing				
Loans and advances to banks	1,669,464,773.88	1,462,081	0.00	-

Staff costs

	2016	2015
Average number of employees pursuant to the UGB	354	356

	€	€ thousand
Staff costs in items dd, ee and ff of the income statement		
Executive Board members (including former members or their surviving dependants)	2,913,871.06	2,674
Senior managers	2,180,535.59	1,206
Other employees	4,352,278.97	2,541
Total	**9,446,685.62**	**6,421**
Contributions to pension funds (included in 'Expenses for retirement and other post-employment benefits')	860,915.85	1,631
Contributions to termination benefit funds (included in 'Expenses for termination benefits and contributions to termination benefit funds')	165,152.56	144
Aggregate compensation paid to officers		
Executive Board members: Not disclosed pursuant to § 241(4) UGB	Not disclosed	Not disclosed
Supervisory Board members	197,992.00	235
Former members of the Executive Board or their surviving dependants	1,024,975.68	948

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 € 8,420,617.21 (2015: € 4,645 thousand) and defined-contribution commitments in the amount of € 1,026,068.41 (2015: € 1,776 thousand).

There were no transactions with key management personnel.

Action for damages

The test case in connection with MEL was decided in favour of OeKB by the Supreme Court in 2016. The Bank was aware of no other 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

	2016	2015
	€	€ thousand
Total risk-weighted assets	**783,843,625.50**	**653,031**
Minimum regulatory capital requirement for credit risk (8% of the total risk-weighted assets)	39,201,168.11	31,620
Minimum regulatory capital requirement for foreign exchange risk	5,345,807.10	1,538
Minimum regulatory capital requirement for operational risk (Basic Indicator Approach)	18,160,514.83	19,085
Risk-weighted item amounts	**62,707,490.04**	**52,242**
Available regulatory capital pursuant to Part 2 CRR		
Paid-up capital instruments	130,000,000.00	130,000
Retained earnings and reserves	389,462,594.93	352,273
Less transfer to retained earnings [1]	-36,938,000.00	-22,920
Deductible deferred tax assets that depend upon future profitability and that result from temporary differences	-491,690.92	-
Other intangible assets	-1,180,167.00	-1,127
Common equity tier 1 (CET 1)	**480,852,737.01**	**458,225**
Tier 2 capital (reserve for general banking risks pursuant to § 57 BWG), weighted at 60% (2015: 70%) of the 2013 basis [2]	76,200,000.00	88,900
Tier 2 capital (T2)	**76,200,000.00**	**88,900**
Total regulatory capital resources	**557,052,737.01**	**547,125**
Surplus regulatory capital	494,345,246.97	494,883

[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

	2016		2015	
In %	Minimum ratio	Actual ratio	Minimum ratio	Actual ratio
Core tier 1 ratio	5.125	61.350	4.500	70.170
Tier 1 ratio	6.625	61.350	6.000	70.170
Total capital ratio	8.625	71.070	8.000	83.780

The net debt ratio (tier 1 capital/risk-weighted assets pursuant to Art. 429 of Regulation [EU] No. 575/2013) was 45.00% in 2016 (2015: 55.08%).

Calculation of the actual ratio

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

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

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

The minimum ratio for OeKB is as follows:

In %	2016	2015
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	0.625	0.000
Core tier 1 ratio pursuant to Art. 92(1) lit. a of Regulation (EU) No. 575/2013 including buffer requirements	5.125	4.500
Tier 1 ratio pursuant to Art. 92(1) lit. b of Regulation (EU) No. 575/2013 including buffer requirements	6.625	6.000
Total capital ratio pursuant to Art. 92(1) lit. c of Regulation (EU) No. 575/2013 including buffer requirements	8.625	8.000

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. The necessary ratios for the previous year are from Art. 92(1) of regulation (EU) No. 575/2013.

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
Rudolf Scholten	1 May 1997	31 Jul 2016

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	Thomas Uher	12 May 2015	AGM 2020
Member	Rainer Borns	19 May 2016	AGM 2017
Member	Dieter Hengl	25 May 2011	AGM 2021
Member	Herbert Messinger	18 Dec 2012	AGM 2021
Member	Heinrich Schaller	19 May 2016	AGM 2017
Member	Karl Sevelda	24 Sep 2013	AGM 2018
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	Robert Wieselmayer	19 May 2016	AGM 2021
Member	Robert Zadrazil	19 May 2009	AGM 2021
Member	Franz Zwickl	20 May 1999	AGM 2021
Member	Helmut Bernkopf	19 May 2009	31 Mar 2016
Member	Michael Glaser	22 May 2012	30 Sep 2016
Member	Andreas Gottschling	12 May 2015	19 May 2016
Member	Susanne Wendler	12 May 2015	19 May 2016

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 Griebl	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

Government commissioners

under section 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 section 6 of the Export Financing Guarantees Act.

Government commissioners

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

Position	Name	Term of office since
Commissioner	Beate Schaffer	1 Nov 2013
Deputy Commissioner	Edith Wanger	1 Jun 1997

Vienna, 28 February 2017

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 statement of financial position as of 31 December 2016, the income statement for the year then ended, and the notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2016, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the regulations of the Austrian Banking Act.

Basis for our Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. These standards require the audit to be conducted in accordance with International Standards on Auditing (ISA). Our responsibilities pursuant to these rules and standards are described in the 'Auditors' Responsibility' section of our report. We are independent of the Company within the meaning of Austrian commercial law, banking- and professional regulations, and have fulfilled our other responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole and we do not express an opinion on these individual matters.

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

Refer to notes page 17ff (Chapter: Legal basis of the Export Financing Guarantees and the Export Financing Scheme).

Risk for the Financial Statements

As of 31 December 2016 loans and advances to banks and to customers of the Export Financing Scheme (EFS) amount to € 16,181.9 million, or 82.9% 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 verifcation 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 analysed the processes in the respective operating departments and tested the effectiveness of the internal controls relevant for the audit of the financial statements. Internal IT specialists were also part of our audit team. In assessing and testing of 'design & implementtation' as well as „operating effectiveness"of the directors' key controls in these area we focused 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

OeKB GROUP

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

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

Management is also responsible for assessing the Company's ability to continue as a going concern, and, where appropriate, to disclose matters that are relevant to the Company's ability to continue as a going concern and to apply the going concern assumption in its financial reporting, except in circumstances in which liquidation of the Company or closure of operations is planned or cases in which such measures appear unavoidable.

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

Auditors' Responsibility

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

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

Moreover:

- We identify and assess the risks of material misstatements – intentional or unintentional – in the financial statements, we plan and perform procedures to address such risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk that material misstatements due to fraud remain undetected is higher than that of material misstatements due to error, since fraud may include collusion, forgery, intentional omissions, misleading representation or override of internal control.
- We consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates as well as related disclosures made by management.

- We conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In case we conclude that there is a material uncertainty about the entity's ability to continue as a going concern, we are required to draw attention to the respective note in the financial statements in our audit report or, in case such disclosures are not appropriate, to modify our audit opinion. We conclude based on the audit evidence obtained until the date of our audit report. Future events or conditions however may result in the Company departing from the going concern assumption.
- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.
- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.
- We report to the audit committee that we have complied with the relevant professional requirements in respect of our independence and that we will report any relationships and other events that could reasonably affect our independence and, where appropriate, related measures taken to ensure our independence.
- From the matters communicated with the audit committee we determine those matters that required significant auditor attention in performing the audit and which are therefore key audit matters. We describe these key audit matters in our audit report except in the circumstances where laws or other legal regulations forbid publication of such matter or in very rare cases, we determine that a matter should not be included in our audit report because the negative effects of such communication are reasonably expected to outweigh its benefits for the public interest.

Report on Other Legal Requirements

Management Report

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

The legal representatives of the Company are responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles.

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

Opinion

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

Statement

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

Other Information

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

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

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

Auditor in Charge

The auditor in charge is DDr. Martin Wagner.

Vienna, 28 February 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Signed by:

MARTIN WAGNER

Austrian Chartered Accountants

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.

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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, as well as presenting examples for reference and links to more detailed information in the Online Report.

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