

Annual Financial Statements 2016



CENTRAL
SECURITIES
DEPOSITORY

CeKB 
CSD GmbH

Content

Management report	4
Business environment in 2016	4
Development of business in 2016	6
Financial and non-financial performance indicators	8
Risk management system	10
Preview for 2017	13
Annual financial statements 2016	14
Balance sheet as at 31.12.2016	14
Income statement for the financial year 2016	16
Notes to the annual financial statements	17
General Information	17
Notes to the balance sheet	19
Notes to the income statement	23
Supplementary disclosures	24
Additional disclosures pursuant to the BWG	26
Managing Directors and Supervisory Board	27
Auditor's report	28
Publication information	31

Management report

Business environment in 2016

A key aspect during the 2016 financial year was OeKB CSD GmbH's (OeKB CSD) preparations for its planned application for a CSD licence pursuant to the CSDR (Central Securities Depository Regulation [EU] No. 909/2014) in the third quarter of 2017. Another focus was the planned launch of the T2S (TARGET2-Securities) IT platform, a solution developed and operated by Eurosystem for the provision of securities account management and settlement services, at the beginning of February 2017.

Preparations for the CSD licence application pursuant to the CSDR

Regulation (EU) No. 909/2014, which is intended to improve securities deliveries and settlement in the European Union and through central depositories and which amends Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR), went into force on 17 September 2014.

The objective of the CSDR is to ensure the reliable functioning of the system-relevant services of central securities depositories (CSDs) and to thereby increase the stability of the financial markets. It governs the organisation of CSDs and defines what services a CSD may render.

The regulation and implementation standards that were developed for the CSDR by the ESMA and EBA are expected to come into force in the first quarter of 2017. This will mark the beginning of a six-month period during which OeKB CSD must submit applications to the FMA for a licence as a CSD pursuant to the CSDR and for a licence for the provision of banking-type ancillary services.

The five functions of OeKB CSD

In accordance with the framework specified in the CSDR, OeKB CSD implemented a structure on the basis of a functional model in 2016 that now forms the basis for its organisational structure and structure of operations as well as for its operational documentation and the legal relationships with its customers (general terms and conditions). As part of the capital market infrastructure, OeKB CSD fulfils the functions of notary services and safekeeping, securities account management, cash account management, settlement, and asset servicing.

Notary services and safekeeping

Notary services and safekeeping covers all tasks in the core service specified Section A (1) of the Annex to Regulation (EU) No. 909/2014 (CSDR) "Initial recording of securities in a book-entry system ('notary service')". Within this function, OeKB CSD accepts securities to hold and administer them as an issuer CSD. The accepted securities certificates are kept in the vault at OeKB CSD.

Securities account management

Securities account management covers all tasks of the core service in Section A (2) "Providing and maintaining securities accounts at the top tier level ('central maintenance service')". Within this function, OeKB CSD maintains securities accounts for banks that manage securities accounts, securities firms, central depositories, central counterparties, and special-purpose institutions. OeKB CSD holds a licence pursuant to § 1 (1) 5 BWG (custody business) so that it can fulfil the securities account management function.

The cash account management function covers all tasks related to the banking-type ancillary services listed in Section C lit. a of the Annex to the CSDR “Providing cash accounts to, and accepting deposits from, participants in a securities settlement system and holders of securities accounts, within the meaning of point 1 of Annex I to Directive 2013/36/EU”, with the exception of accepting deposits. In this function, OeKB CSD manages cash accounts in euros and major foreign currencies. OeKB CSD holds a licence pursuant to § 1 (1) 2 BWG (current account business) so that it can fulfil the cash account management function.

Cash account management

Settlement covers all tasks in the core service specified in Section A (3) of the Annex to the CSDR “Operating a securities settlement system (‘settlement service’)”. Within this function, OeKB CSD executes instructions (booking orders) issued to it by the holders of securities accounts and cash accounts at OeKB CSD. OeKB CSD is a system pursuant to § 2 (2) Settlement Finality Act.

Settlement

Asset servicing covers all the tasks related to the non-banking-type ancillary service listed in Section B (2) lit. b of the Annex to the CSDR “Supporting the processing of corporate actions, including tax, general meetings and information services”. For securities that OeKB CSD holds and administer itself as an issuer CSD, OeKB CSD redeems maturing securities and handles corporate measures itself within this function. OeKB CSD holds a licence pursuant to § 1 (1) 7 lit. e BWG (securities business) so that it can fulfil individual tasks that fall under this function.

Asset Servicing

The implementation project to prepare for the launch of the T2S IT platform that was begun after the conclusion of an agreement with Eurosystem for the provision of IT services (T2S framework agreement) was completed for the most part in 2016, as planned. OeKB CSD will go online with T2S together with five other CSDs in the fourth migration wave at the beginning of February 2017.

Preparations for the launch of T2S

The T2S implementation project was oriented towards five objectives, all of which were met in full, to maximise the benefits from the use of T2S. OeKB CSD will use T2S for securities account management and settlement for all securities categories held in safekeeping at OeKB CSD without exception. This will prevent redundant structures and will allow the systems previously used for securities account management and settlement to be shut down. OeKB CSD is providing the full functionality of T2S to its customers entirely in accordance with the T2S standards. All possible technical interfaces to the T2S system are also available to customers.

Development of business in 2016

Business developed as expected for OeKB CSD in 2016. Net fee and commission income came to € 18,276,013.61 in 2016, virtually the same level as in 2015 (€ 18,309 thousand), with a slight increase in the volume of assets held in custody and a stagnating number of handled transactions.

Safekeeping and administration

		31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016	
Securities with Nominal Value in Bn EUR	Issuer CSD	293,5	303,5	305,4	296,5	303,4	
	Investor CSD	6,6	5,5	5,2	4,9	12,4	
Unit-listed securities	Market value in Bn EUR	Issuer CSD	219,4	222,4	221,4	232,8	241,2
		Investor CSD	3,1	2,7	1,8	2,0	1,9
	Units in Bn	Issuer CSD	9,8	9,7	9,8	9,8	9,7
		Investor CSD	0,7	0,7	0,5	0,4	0,4
Number of securities categories	Issuer CSD	13.367	13.897	13.493	14.680	14.542	
	Investor CSD	6.997	7.038	1.694	1.342	1.391	

For the securities held and administered by OeKB CSD itself as an issuer CSD, the volume in custody of securities listed at nominal value rose by 3.4% to € 303.4 billion, and the volume of unit-listed securities rose by 9.9% to a value of € 241.2 billion while the number of units declined by 1.0%. The number of securities categories held as an issuer CSD rose by 8.8% to 14,542 categories.

For the securities held and administered by OeKB CSD at depositories as an investor CSD, a temporary atypical situation led to a nominal value increase of 87.9% for the securities listed at nominal value to € 12.4 billion and a 38.7% decrease in the market value and a 42.9% decrease in the number of units of unit-listed securities held despite the planned and implemented reduction of the depository network and despite the implementation of the group strategy of a key customer. The number of securities categories held at depositories fell by 80.1% to 1,391 securities categories.

Settlement

		ØM 2015	ØM 01-03/2016	ØM 04-06/2016	ØM 07-09/2016	ØM 10-12/2016	ØM 2016	Σ 01-12/2016	
Number of Transactions (averager per month/total)	Internal	91.678	94.984	89.118	88.491	90.827	90.855	1.090.258	
	External	5.497	5.481	3.694	652	500	2.582	30.985	
settled volume	Nominal value in Bn EUR	Internal	34,0	43,6	35,6	37,3	49,1	41,4	496,8
		External	0,5	0,4	0,3	0,1	4,5	1,3	15,9
	Units in Bn EUR	Internal	0,9	0,7	0,9	0,7	0,7	0,7	8,9
		External	0,3	2,0	1,7	0,4	0,002	1,0	12,4

OeKB CSD handled a total of 1.0 million internal transactions in 2016, 0.9% fewer than in 2015. This equated to a settled nominal volume of €496.8 billion for securities listed at nominal value, a 21.6% increase over 2015, and a 20.4% year-on-year decrease in the volume of unit-listed securities to 8.9 billion units.

The number of external transactions handled through to the middle of the year fell by half compared with 2015 to just under 31,000 as a direct result of the implementation of the group strategy at a key customer and the reduction of the depository network. Because of an atypical situation in the fourth quarter, the total volume of external transactions settled involving securities listed at nominal value came to €15.9 billion (nominal) in 2016 as a whole, substantially more than in 2015. Because of the high volume in the first half of the year, transactions settled with unit-listed securities more than tripled compared with 2015 to reach 12.5 billion units.

Income statement

Net interest income came to minus € 94,425.40 in 2016 (2015: minus € 18 thousand), primarily as a result of the negative interest applied to deposits at Oesterreichische Nationalbank.

Net interest income
Securities account
management

OeKB CSD generated net fee and commission income of € 18,276,013.61 (2015: € 18,309 thousand) during the financial year. This is primarily the result of custodian fees in the amount of € 13,529,443.56 (2015: € 13,474 thousand) and transaction fees in the amount of € 4,125,275.05 (2015: € 4,157 thousand).

Net fee and commission
income

The net income from financial operations came to € 7,993.74 (2015: € 9 thousand) and was the result of foreign exchange differences.

Financial operations

Operating income amounted to € 18,207,567.63 (2015: € 18,300 thousand).

Operating income

The general administrative expenses in the amount of € 13,061,497.15 (2015: € 13,391 thousand) included staff costs passed on by OeKB totalling € 4,145,979.57 (2015: € 3,988 thousand) and other administrative expenses of € 8,915,517.58 (2015: € 9,404 thousand). All staff are employees of OeKB and were assigned to OeKB CSD.

Administrative
expenses

Operating expenses came to € 13,541,264.25 (2015: € 13,604 thousand).

Operating expenses

The operating profit and profit before tax both total € 4,666,303.38 (2015: € 4,696 thousand). After income tax, the profit for the year amounted to € 3,499,291.38 (2015: € 3,521 thousand).

Operating profit/
profit for the year

No new allocation was made to retained earnings in 2016 (2015: allocation of € 221 thousand). The profit available for distribution was reported at € 3,324,291.38 (2015: € 3,300 thousand). Statutory reserves in the amount of € 175,000.00 were allocated in the financial year.

Profit available for
distribution

Balance sheet

The assets of OeKB CSD at 31 December 2016 stemmed primarily from balances at central banks in the amount of € 23,135,212.51 (2015: € 25,025 thousand) and receivables from banks totalling € 3,313,265.35 (2015: €3,007 thousand). The reported liabilities consist primarily of payables to banks of € 2,131,412.11 (2015: € 3,924 thousand), other liabilities amounting to € 2,039,038.52 (2015: € 2,507 thousand), and the equity of OeKB CSD in the amount of € 24,494,568.81 (2015: € 24,295 thousand).

Total assets The total assets at 31 December 2016 amounted to € 29,875,281.41 (2015: € 32,014 thousand).

Financial and non-financial performance indicators

Financial performance indicators

The cost/income ratio (operating income/operating expenses) was 74.4% at the reporting date (2015: 74.3%).

The available regulatory capital pursuant to the Capital Requirements Regulation (CRR) came to € 20,615,797.51 in 2016 (2015: € 20,033 thousand). Allocations to reserves are generally not recognised as regulatory capital until the adoption of the annual financial statements. No free retained earnings were allocated in financial year 2016.

The tier 1 capital totalled € 20,615,797.51 at the end of 2016 (2015: € 20,033 thousand). OeKB CSD is exempt from parts 3, 5, 6, and 7 of Regulation (EU) No. 575/2013 pursuant to § 3 (1) 12 BWG (central depository). Because of this, the total risk-weighted assets pursuant to the CRR are zero.

The return on equity (profit for the year after tax/average equity) was 14.3% in 2016 (2015: 14.5%).

The equity ratio (equity/total capital) was 82% in 2016 (2015: 75.9%).

Non-financial performance indicators

Staff

OeKB CSD has a staff of 34 employees who have been assigned by OeKB. A further two employees are on parental leave.

OeKB CSD has concluded service agreements with OeKB that cover functions including accounting, IT, and cash account management.

The assigned employees are subject to the collective bargaining agreement for the banking industry, as are the other staff at OeKB, and the remuneration policy of OeKB is applied. This means that the variable pay components depend both on individual performance as well as various performance indicators of the company. In general, importance is placed on a balanced combination of fixed and variable pay components.

Internal and external training is offered and funded to enhance the capabilities of the individual employees. There are also annual performance reviews in which the preceding year is analysed, constructive feedback is given, and goals for the new year are agreed.

Employees of OeKB CSD are entitled to discounts at the OeKB employee cafeteria. Further employee benefits consist of the services of the company physician including the immunisation campaigns and health week, a company daycare centre, and the use of the sport centre.

OeKB offers all of its employees, including those assigned to other institutions, flexible working hours. There are no benefits that are available only to full-time employees.

Environmental issues

Operational ecology figures for the Strauchgasse site are carefully complied with and monitored (EMAS, GRI) as part of the sustainability management programme of OeKB Group. These can be found in the 2016 integrated annual report of OeKB Group.

Research and development

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

Branches

As in the previous year, OeKB CSD had no branches during the financial year under review.

Action for damages

There were no known actions for damages or pending legal cases at the reporting date.

Risk management system

OeKB CSD risk management system (RMS)

Risk management objective

The objectives of the RMS are to ensure the continued operation of OeKB CSD, to enable the company objectives to be met even in the event of adverse developments, and to increase the value of the company. This system includes processes and behaviours that are intended to manage OeKB CSD with regards to its risks and identifies, analyses, and assesses potential risks that could impact the asset, financial, and earnings position of OeKB CSD over the medium or long term.

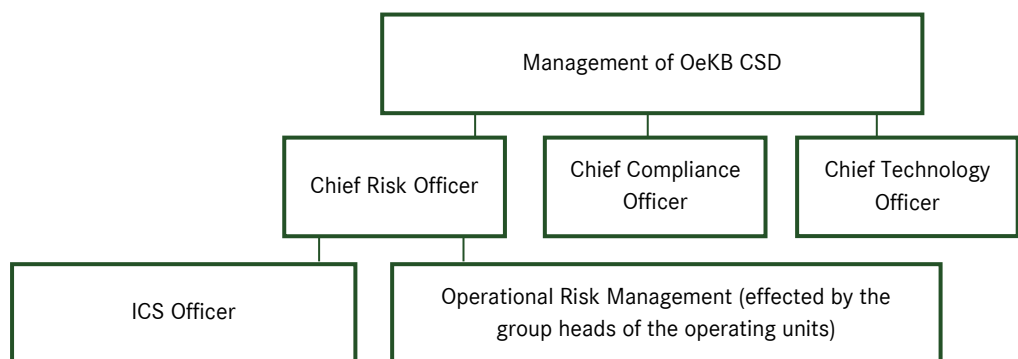
Risk management guidelines

OeKB CSD is subject to its own risk policy and risk strategy and also applies the guidelines and regulation of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) in the following areas:

- Risk policy and risk strategy of OeKB Group
- Internal Capital Adequacy Assessment Process (ICAAP) of OeKB Group
- Liquidity risk management
- Information security
- Operational risk
- Internal control system (ICS)

Organigramm Risikomanagement

In addition to the Risk Management Committee (RMC), the relevant functions for risk management at OeKB CSD are as follows:



Risk situation during the 2016 financial year

Risk for the purposes of managing the bank group

Pursuant to § 39a (4) BWG, OeKB CSD is exempt from § 39a (1) and (2) BWG because OeKB as its parent bank meets these requirements on the basis of the consolidated financial situation. OeKB CSD does not perform a separate ICAAP but is integrated into the group ICAAP of OeKB Group.

In order to enable part of the equity to be invested in floater government bonds, the following risk budgets were decided for OeKB CSD by the Risk Management Committee of OeKB effective 1 January 2016:

Risk budget

Risk budget for credit risk:	€ 0.5 million
<u>Risk budget for market risk::</u>	<u>€ 0.3 million</u>
Total:	€ 0.8 million

All of the risk indicators calculated in the group ICAAP for OeKB CSD as at 31 December 2016 came to zero.

Risk indicators

Credit risk

In line with the definition used in the OeKB bank group, OeKB CSD defines credit risk as the risk of loss due to the unexpected failure of a counterparty to fulfil a contractual payment obligation. Credit risk includes counterparty or default risk, investment risk, and concentration risk.

Definition

OeKB CSD does not extend loans and also permits no intraday overdrafts in the sense of intraday loans on the cash accounts provided by OeKB CSD. OeKB CSD also engages in no derivative transactions and holds no interests in other companies.

The credit risks of OeKB CSD consist of counterparty and default risks and are limited to:

Counterparty/default risk

- Claims against banks managing accounts in relation to credit balances, which can solely arise in connection with amounts received for maturing securities that are to be redeemed, as a result of customer credit balances at OeKB CSD that have not been withdrawn, and in connection with the investment of own capital;
- Claims against issuers of securities as a result of the investment of own capital;
- Claims against customers arising from fees for services rendered.

The credit risk of OeKB CSD is accounted for in the group ICAAP of OeKB using credit value at risk. There was no credit risk in the sense of the ICAAP at the end of 2016.

Liquidity risk

Liquidity risk is the risk of not being able to meet present or future payment obligations fully as they fall due.

Because of the business model of OeKB CSD, the only liquidity needs of OeKB CSD arise from the payment of the monthly invoices of its suppliers and service providers. OeKB CSD uses the revenue from its monthly billing of fees and commissions for this.

Liquidity needs

Operational risk

Operational risk is the risk of loss caused by the inadequacy or failure of internal processes, personnel, and systems or by external events, including legal risks. Operational risks are managed in OeKB CSD through comprehensive guidelines and regulations and also monitored through the ICS by means of a loss incident database.

Factors relating to operational risk

IT failures and the T2S implementation project are the most important operational risk factors at present. The loss incidents identified during the reporting period are documented in the loss incident database. As indirect loss incidents, they only caused internal expenses. There are no claims for damage compensation from customers.

Internal control system (ICS)

OeKB CSD maintains an effective ICS that includes in-depth process analyses and risk and control assessments for all risk-critical processes.

Outsourcing risk

As part of its operations, OeKB CSD purchases support services that are not among its principal business activities (i.e. core services) from external providers. This outsourcing includes services in the areas of IT, accounting and controlling, personnel management, and support in the management of cash accounts. In this, OeKB CSD only selects companies that are financially sound, whose management is of good repute, that have a good reputation, and whose services are in line with the prevailing market standards. The selected external service providers are subject to a review every three years or whenever the need arises.

Custody risk

OeKB CSD holds securities in physical form because Austrian law does not provide for the holding of securities in intangible form. The vault at OeKB CSD in which the securities are held in safekeeping and the process for the reconciliation of the holding records are examined regularly by the Internal Audit department as part of its general audit plan. Ad hoc audits are also performed by the Internal Audit department. The Legal, Compliance, and Risk departments and the Legal Officer also continuously monitor changes in the legal framework and in the applicable laws.

Risk-bearing capacity

Because of OeKB CSD's exemption from Part 3 of Regulation (EU) No. 575/2013 pursuant to § 3 (1) 12 BWG, OeKB CSD does not calculate minimum regulatory capital requirements.

Risk coverage capital and tolerable error

The tertiary and quaternary risk coverage potential for 2016 was € 3.2 million and € 24.4 million, respectively. The tolerable error for 2016 was € 0.1 million.

Preview for 2017

OeKB CSD will submit an application to the FMA in 2017 for a licence as a CSD pursuant to the CSDR and for a licence for the provision of banking-type ancillary services.

Another focus in 2017 will be the startup of the T2S IT platform for the fulfilment of the securities account management and settlement functions. OeKB CSD plans to take T2S online in the fourth migration wave at the beginning of February 2017 together with five further CSDs.

We wholeheartedly thank all our employees for their commitment and their contribution to our success.

Vienna, 13 February 2017

OeKB CSD GmbH

Managing Directors

PETER FELSINGER m.p.

GEORG ZINNER m.p.

Annual financial statements 2016

Balance sheet as at 31.12.2016

Balance sheet as at		31.12.2016	31.12.2015
ASSETS		€	€ thousand
01	Cash and balances at central banks	23,135,212.51	25,025
02	Receivables from banks	3,313,265.35	3,007
	Repayable on demand	3,313,265.35	3,007
03	Receivables from customers	0.00	0
04	Non-current intangible assets	554,479.92	741
05	Property and equipment	1,969.04	2
06	Other assets	2,846,343.54	3,239
07	Prepayments and accrued income	24,011.05	-
	Total assets	29,875,281.41	32,014
Memo items		31.12.2016	31.12.2015
Assets		€	€ thousand
1	Foreign assets	1,241,370.70	2,254

Balance sheet as at		31.12.2016	31.12.2015
LIABILITIES AND EQUITY		€	€ thousand
01	Payables to banks	2,131,412.11	3,924
	Repayable on demand	2,131,412.11	3,924
02	Payables to customers (other liabilities)	14,220.37	56
	<i>Of which:</i>		
	Repayable on demand	14,220.37	56
03	Other liabilities	2,039,038.52	2,507
04	Provisions	1,196,041.60	1,232
	a) Tax provisions	1,166,637.00	1,174
	b) Other	29,404.60	58
05	Subscribed share capital	20,000,000.00	20,000
06	Unallocated capital reserves	773,968.80	774
07	Retained earnings	396,308.63	221
	a) Statutory reserve	175,000.00	-
	b) Other reserves	221,308.63	221
08	Profit available for distribution	3,324,291.38	3,300
	Total liabilities and equity	29,875,281.41	32,014

Memo items		31.12.2016	31.12.2015
Liabilities and equity		Euro	Tsd. Euro
1	Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	20,615,797.51	20,033
2	Minimum regulatory capital requirement pursuant to Article 92 of Regulation (EU) No. 575/2013	0.00	-
	Minimum regulatory capital requirement pursuant to Article 92 (1) lit. a of Regulation (EU) No. 575/2013 (core tier 1 ratio in %)	0,00 %	0.00%
	Minimum regulatory capital requirement pursuant to Article 92 (1) lit. b of Regulation (EU) No. 575/2013 (tier 1 ratio in %)	0,00 %	0.00%
	Minimum regulatory capital requirement pursuant to Article 92 (1) lit. c of Regulation (EU) No. 575/2013 (total capital ratio in %)	0,00 %	0.00%
3	Foreign liabilities	404,030.20	1,225

* OeKB CSD GmbH is exempt from parts 3, 5, 6, and 7 of Regulation (EU) No. 575/2013 pursuant to § 3 (1) 12 BWG (central depository).

Income statement for the financial year 2016

Income statement for the financial year		2016	2015
		€	€ thousand
01.	Interest and similar income	93.27	-93,836.07
	Less negative interest from balances at central banks	-93,929.34	
02.	- Interest and similar expenses		589.33
I.	Net interest income		-94,425.40
03.	+ Fee and commission income		19,735,183.21
04.	- Fee and commission expenses		1,459,169.60
05.	+/- Income/expenses from financial operations		7,993.74
06.	+ Other operating income		17,985.68
II.	Operating income		18,207,567.63
07.	- Administrative expenses		13,061,497.15
	a) Staff costs passed on	4,145,979.57	3,988
	b) Other administrative expenses	8,915,517.58	9,404
08.	- Impairment losses on asset items 4 and 5		188,077.61
09.	- Other operating expenses		291,689.49
III.	Operating expenses		-13,541,264.25
IV.	Operating profit		4,666,303.38
V.	Profit before tax		4,666,303.38
10.	- Income tax		1,167,012.00
11.	- Other taxes not reported in item 10		0.00
VI.	Profit for the year		3,499,291.38
12.	- Transfer to reserves		175,000.00
VII.	Unallocated profit for the year		3,324,291.38
VIII.	Profit available for distribution		3,300

Notes to the annual financial statements

General Information

Recognition and measurement methods

The annual financial statements were prepared by the management according to the provisions of the Austrian Uniform Commercial Code (UGB) and the special provisions of the Austrian Banking Act (BWG).

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

The individual assets and liabilities were all measured individually in accordance with the going concern principle.

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

The closed financial year corresponds to the calendar year.

Receivables and other assets

Receivables from banks, receivables from customers, and other assets are recognised at their nominal values. Impairment losses are recognised for identified risks.

Non-current intangible assets

Intangible assets are recognised on the balance sheet when they have been purchased. They are recognised at cost less scheduled amortisation and impairment charges. Internally produced intangible assets and low-value assets (individual acquisition cost below € 400) are immediately recognised as expenses.

Scheduled amortisation is applied on a straight-line basis assuming a useful life of 4–5 years.

Impairment charges are applied to bring the asset in question to its lower fair value when the reasons for the impairment are expected to be other than temporary.

Property and equipment

Scheduled depreciation is applied on a straight-line basis assuming a useful life of 5 years.

Liabilities

Liabilities are recognised at their settlement amount.

Provisions

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.

As the company has no direct employees, no employee benefit provisions are formed. These provisions are formed by the company assigning the personnel (OeKB) and allocated to OeKB CSD in the amount of the expenses or income incurred in the year for the duration of the assignment.

Foreign currency translation

The reporting currency is the euro. Foreign currency items are generally measured using the ECB reference rate.

Notes to the balance sheet

Receivables

Receivables from banks

	Affiliates	
	31.12.2016	31.12.2015
Receivables payable on demand	€	€ thousand
In €	1,067,058.90	1,209
In foreign currencies	2,246,206.45	1,797
Total	3,313,265.35	3,007

Receivables from customers

	31.12.2016	31.12.2015
Receivables payable on demand	€	€ thousand
In €	0.00	0*
In foreign currencies	0.00	0
Summe	0.00	0

* Receivables from customers totalled €465.00 in the previous year.

Property, equipment, and non-current intangible assets

The changes in the individual non-current asset items and a breakdown of the depreciation and amortisation in the financial year by asset item are presented below.

Non-current assets in 2016 - Cost

€	Cost at 1.1.2016	Additions	Of which interest	Transfers	Disposals	Cost at 31.12.2016
Non-current intangible assets	927.013,20*	0.00	0.00	0.00	0.00	927,013.20
Property and equipment	2,121.56	604.94	0.00	0.00	0.00	2,726.50
Low-value assets	0.00	1,265.67	0.00	0.00	1,265.67	0.00
Total	2,121.56	1,870.61	0.00	0.00	1,265.67	929,739.70

* This item includes book values of € 773,968.80 from the spin-off.

Non-current assets in 2016 - Accumulated depreciation and amortisation

€	Accumulated depreciation and amortisation 1.1.2016	Additions	Write-ups	Transfers	Disposals	Accumulated depreciation and amortisation 31.12.2016
Non-current intangible assets	186,266.64	186,266.64	0.00	0.00	0.00	372,533.28
Property and equipment	212.16	545.30	0.00	0.00	0.00	757.46
Low-value assets	0.00	1,265.67	0.00	0.00	1,265.67	0.00
Total	186,478.80	188,077.61	0.00	0.00	1,265.67	373,290.74

Net book value of property, equipment, and intangibles

€	Book value at 31.12.2015	Book value at 31.12.2016
Non-current intangible assets	740,746.56	554,479.92
Property and equipment	1,909.40	1,969.04
Low-value assets	0.00	0.00
Total	742,655.96	556,448.96

Other assets

	31.12.2016	31.12.2015
	€	€ thousand
Other domestic receivables	1,199,276.54	1,292
Other foreign receivables	645,438.90	576
Receivables from tax authorities	1,001,628.10	1,371
Total	2,846,343.54	3,239

The item “other assets” consists largely of receivables from banks relating to custodian fees and transaction fees for the month of December and claims against the tax office for value added tax. All other assets are not payable until the next year and have a remaining maturity of less than one year, as was the case in the previous year.

Liabilities

Payables to banks

	31.12.2016	31.12.2015
	€	€ thousand
Liabilities payable on demand		
in €	81,713.19	2,423
In foreign currencies	2,049,698.92	1,500
Total	2,131,412.11	3,924

Payables to customers

	31.12.2016	31.12.2015
	€	€ thousand
Liabilities payable on demand		
in €	13,286.34	51
In foreign currencies	934.03	4
Total	14,220.37	56

Other liabilities

	31.12.2016	31.12.2015
	€	€ thousand
Other domestic liabilities	2,015,087.61	2,483
Other foreign liabilities	23,749.12	17
Others	201.79	6
Total	2,039,038.52	2,507

The item “other domestic liabilities” consists primarily of liabilities from the service agreement with OeKB (payables to banks) that are not payable until the next year (€1,887,471.30; 2015: €2,360 thousand). As in the previous year, all other liabilities have a remaining maturity of less than one year.

Provisions

Other provisions

	31.12.2016	31.12.2015
	€	€ thousand
Legal consulting, tax consulting, and audit of annual financial statements	15,000.00	15
Custodian and other fees	5,784.60	21
Supervisory fees	8,500.00	22
Other administrative expenses	120.00	-
Other provisions	29,404.60	58

Equity

The share capital of OeKB CSD totals €20,000,000.00.

The profit for the year came to €3,499,291.38 (2015: €3,521 thousand). Of this, €175,000.00 was allocated to the retained earnings. This results in a profit available for distribution of €3,324,291.38 (2015: €3,300 thousand). The proposal for the appropriation of profits for the 2016 financial year amounts to €3,320,000.00 (2015: €3,300 thousand). The return on assets for 2016 is 11.7% (2015: 11%).

Proposal for the appropriation of profits

	2016	2015
	€	€ thousand
Unallocated profit for the year	3,324,291.38	3,300
Profit brought forward from the previous year	0.00	-
Profit available for distribution	3,324,291.38	3,300
Use		
Disbursement of a dividend of	3,320,000.00	3,300
To be carried forward	4,291.38	-

Notes to the income statement

Fee and commission income and expenses

	01-12/2016	01-12/ 2015
	€	€ thousand
Fee and commission income from custodian fees	13,529,443.56	13,474
Fee and commission income from transaction fees	4,125,275.05	4,157
Other fee and commission income from securities services	205,473.00	195
Other fee and commission income (AGM services, account management, minor differences)	1,874,991.60	1,535
Fee and commission income	19,735,183.21	19,360
Fee and commission expenses from custodian fees	734,475.38	718
Other fee and commission expenses from securities services	217,377.51	330
Other fee and commission expenses (payment transactions)	507,316.71	2
Fee and commission expenses	1,459,169.60	1,051
Net fee and commission income	18,276,013.61	18,309

Staff costs passed on

The staff costs passed on stem entirely from the personnel assignment agreement with OeKB

Other administrative expenses

The administrative expenses consist primarily of rent expenses and expenses for services such as IT and legal compliance.

The disclosure of expenses for the financial auditor is being omitted here and can be found in the consolidated financial statements of OeKB Group.

Employees

OeKB had assigned 34 employees (2015: 33) to OeKB CSD, including the management, at the reporting date.

Income Tax

	01-12/2016	01-12/2015
	€	€ thousand
Corporate income tax	1,167,012.00	1,175
Income tax	1,167,012.00	1,175

Supplementary disclosures

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

The future rent obligations from the use of assets not reported on the balance sheet come to € 256,419.76 for 2017 and to € 1,282,098.80 for the next five years. As in the previous year, these obligations are solely to OeKB.

Disclosures on derivative financial instruments

As was the case in the previous year, the company held no derivative financial instruments at the reporting date.

Trading book

The company does not hold a trading portfolio and therefore has no trading book.

Disclosures on off-balance-sheet transactions pursuant to § 238 (1) 10 UGB

The company had no contingent liabilities at the reporting date.

Total assets and liabilities denominated in foreign currencies

The company had foreign currency items with the following equivalent values in euros at the reporting date:

Assets: € 2,246,206.45 (2015: € 1,797 thousand))

Liabilities: € 1,946,673.64 (2015: € 1,508 thousand)

The difference between the assets and liabilities is the result of cash account management, which is an ancillary service to the management of securities accounts. For this, OeKB CSD holds foreign currency amounts of customers received in corresponding accounts (opened in the name of OeKB CSD) at banks. OeKB CSD also holds additional cash in these foreign currency accounts as a buffer to ensure that business operations can be maintained.

Associated and affiliated companies pursuant to § 238 (1) 12 UGB

OeKB CSD has its registered domicile in Vienna (FN 428085m, Vienna Commercial Court), is a 100% subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB, FN 85749b, Vienna Commercial Court), and is included in the consolidated financial statements of the bank group by way of full consolidation.

The disclosures pursuant to Part 8 of the CRR (Regulation [EU] No. 575/2013) are made in the Disclosure Report prepared by OeKB. Further information on this can be found on the OeKB web site (www.oekb.at).

All transactions with associated and affiliated companies in the financial year were concluded with OeKB and were conducted at arm's-length terms.

OeKB CSD has concluded service agreements with OeKB that cover the rendering of services by OeKB. These agreements cover areas such as accounting, controlling, personnel management, IT services, and other services.

Related-party transactions with shareholders of OeKB CSD GmbH

	31.12.2016	31.12.2015
	€	€ thousand
Receivables from banks	499,525.34	519
Other assets	5,174.83	15
Payables to banks	600.00	-
Other liabilities	1,887,471.30	2,360

	01-12/2016	01-12/2015
	€	€ thousand
Net interest income	-16.53	-1
Net fee and commission income	42,992.06	17
Staff costs passed on	-4,145,979.57	-3,988
Other administrative expenses	-5,970,561.14	-7,215

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

Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013

OeKB CSD GmbH is exempt from parts 3, 5, 6, and 7 of Regulation (EU) No. 575/2013 pursuant to § 3 (1) 12 BWG (central depository).

	31.12.2016	31.12.2015
	€	€ thousand
Share capital	20,000,000.00	20,000
Retained earnings and reserves	1,170,277.43	995
Less transfer to retained earnings ¹	0*	-221
Non-current intangible assets	-554,479.92	-741
Common equity tier 1 (CET 1)	20,615,797.51	20,033
Total regulatory capital resources	20,615,797.51	20,033
Surplus regulatory capital	20,615,797.51	20,033

¹ Pursuant to article 26 (2) CRR, earnings for the year are included in common equity tier 1 only after the official adoption of the final annual financial results.

* Statutory reserves (2016: €175,000.00) are recognised immediately in equity.

Managing Directors and Supervisory Board

The operations of the company were directed by the following managing directors during the financial year:

Peter Felsing
Georg Zinner

The company is represented by two managing directors together. The wages for the management are included in the staff costs passed on by OeKB.

The Supervisory Board consisted of the following members during the financial year:

Angelika Sommer-Hemetsberger (Chairwoman)
Helmut Bernkopf (Deputy Chairman) (since 07.09.2016)
Rudolf Scholten (Deputy Chairman) (until 06.09.2016)
Markus Schmidt
Maria Doralt (since 07.09.2016)
Birgit Kuras (since 07.09.2016)

Attendance fees of € 600.00 were paid for the 2016 financial year.

Vienna, 13 February 2017

OeKB CSD GmbH

Managing Directors

PETER FELSINGER m.p.

GEORG ZINNER m.p.

Auditor's report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

**OeKB CSD GmbH,
Vienna, Austria**

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

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

Basis for our Opinion

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

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

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

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

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

Auditors' Responsibility

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

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

Moreover:

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

- We assess the overall presentation, structure and content of the financial statements including the notes as well as whether the financial statements give a true and fair view of the underlying business transactions and events.
- We communicate to the audit committee the scope and timing of our audit as well as significant findings including significant deficiencies in internal control that we identify in the course of our audit.

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.

Vienna, 13 February 2017

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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

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

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

Publication information

Media proprietor and publisher:

OeKB CSD GmbH

Registered domicile: A-1010 Vienna, Strauchgasse 1-3

Trade register number: FN 428085m, Vienna Commercial Court

DVR: 4014540

EU VAT number: ATU 69303158

Sort code: 10.800

SWIFT BIC: OCSDATWW

LEI: 529900UXJ594WXBTF87

FATCA-GIIN: YS6TGM.00003.ME.040

Tel. +43 1 531 27-2100

Fax +43 1 531 27-4100

E-Mail: csd@oekb-csd.at

OeKB CSD GmbH on the Internet: www.oekb-csd.at

These separate financial statements are a translation of the German original.

Gender-neutral formulations were not used in the interests of readability. All functions, offices, and references are intended in a gender-neutral manner unless a specific person is being referred to.

