

# Annual Financial Statements 2017



**CENTRAL  
SECURITIES  
DEPOSITORY**

**CeKB**   
**CSD GmbH**



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# Management report

## Business environment in 2017

Key projects during the 2017 financial year were the startup of the T2S (TARGET2-Securities) IT platform that was developed and is operated by Eurosystem and the filing of an application for a licence for OeKB CSD GmbH (OeKB CSD) as a central securities depository (CSD) pursuant to the CSDR (Central Securities Depository Regulation [EU] No. 909/2014).

### Startup of T2S

OeKB CSD went live with T2S at the beginning of February 2017 as part of the fourth migration wave together with five other European CSDs. Peripheral systems were created and adapted alongside these efforts. The migration and subsequent operation were successful.

Because of structural changes in the issuance and processing of instructions (booking orders) in T2S, the fee model of OeKB CSD was also adapted upon the startup of T2S. Fee calculation was shifted to a separate billing module that provides customers with detailed information about the fees that have been charged. Invoices are generated and fee and commission income recognised based on the data from the billing module.

The T2S implementation project was oriented towards five objectives, all of which were met, to maximise the benefits from the use of T2S. OeKB CSD will use T2S for securities account administration and settlement for all securities categories held in safekeeping at OeKB CSD. This prevents redundant structures and allows the systems previously used for securities account administration and settlement to be shut down. OeKB CSD is providing its customers the functionality of T2S and all technical connections that are permitted by T2S in accordance with the T2S standards.

### Central Securities Depository Regulation

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 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 general terms and conditions of OeKB CSD were amended in line with the requirements of the CSDR. In particular, rules for a User Committee were added and the criteria for access to the services of OeKB CSD were defined more precisely. In accordance with OeKB CSD's business strategy, under which the company only provides standardised services on the basis of standardised business processes and interfaces, the legal relationships between the Bank and its customers are still governed by the general terms and conditions of OeKB CSD including all annexes.

Because of the increased requirements under the CSDR for central depository connections through which OeKB CSD holds securities in accounts at other CSDs as an Investor CSD, a number of such account connections to other CSDs were closed during the reporting period. This is in line with OeKB CSD's business strategy, under which the company will focus on its role as an Issuer CSD and under which it will hold securities in safekeeping and administer them itself.

A User Committee was also set up as required by the CSDR.

OeKB CSD filed an application with the Financial Market Authority (FMA) for a licence as a CSD pursuant to the CSDR and for a licence for the provision of banking-type ancillary services in good time on 21 September 2017. An improvement request from the FMA was also answered on 15 December 2017.

## **New projects**

With its "Digital transfer of global certificates" project, OeKB CSD will offer issuers an electronic interface in future. This interface will allow the delivery of digital securities certificates to OeKB CSD, thus eliminating the need for the delivery of physical certificates. The project is expected to be completed in the middle of 2018.

The objective of the "MegaCor Phase 2" project is to replace the existing IT systems for capital measures by expanding the existing MegaCor system, as well as to facilitate the more efficient, secure, and customer-friendly settlement of capital measures. The project is expected to be completed in the first half of 2019.

## Business development in 2017

Business developed better than expected for OeKB CSD in 2017. A slight increase in the custody volume and a strong increase in the number of processed transactions generated fee and commission income of €19,448,384.95 up by 6% over the previous year (€18,276 thousand).

### Safekeeping and administration

		31.12.2015	31.12.2016	31.03.2017	30.06.2017	30.09.2017	31.12.2017	
Securities with Nominal Value in Euro million	Issuer CSD	293,496	303,394	296,857	304,958	309,657	312,985	
	Investor CSD	6,600	12,356	11,694	13,495	13,187	15,508	
Unit-listed securities	Market value in Euro million	Issuer CSD	219,400	241,182	254,224	271,617	276,583	282,231
		Investor CSD	3,100	1,906	2,020	1,912	1,886	3,275
	Units in million	Issuer CSD	9,816	9,733	9,826	9,061	8,911	8,908
		Investor CSD	650	387	354	354	355	420
Number of securities categories	Issuer CSD	13,367	14,542	18,159	18,189	16,144	14,510	
	Investor CSD	6,997	1,391	1,025	1,125	1,195	1,414	

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 3.2% to €312,985 million, and the volume of unit-listed securities rose by 17.1% to a value of €282,231 million while the number of units declined by 8.5% to 8,908 million. The number of securities categories held as an Issuer CSD came to 14,510 at the end of the year, nearly exactly the same level as in the prior year.

The securities listed at nominal value held and administered by OeKB CSD at other custodians as an Investor CSD rose by 25.5% to €15,508 million. The volume of unit-listed securities rose by 71.8% to a value of €3,275 million, and the number of units increased by 8.5% to 420 million. The number of securities categories held at custodians remained more or less stable at 1,414.

### Settlement

		ØM 2015	ØM 2016	ØM 2017	ØM 01-03/2017	ØM 04-06/2017	ØM 07-09/2017	ØM 10-12/2017	Σ 01-12/2017
Number of Transactions	Intra	91.678	90.855	101.839	100.519	100.602	98.855	107.381	1.222.070
	Cross/External	5.497	2.582	1.177	652	531	1.072	2.454	14.129
Settled Volume Nominal Value in Euro million	Intra	34.023	41.399	55.693	58.681	49.160	59.223	58.421	668.320
	Cross/External	543	1.325	2.763	2.808	3.344	2.428	2.486	33.154
Settled Volume Units in Euro million	Intra	933	743	955	1.220	1.026	698	923	11.463
	Cross/External	339	1.032	11	17	6	5	18	131

OeKB CSD processed over 1.2 million Intra transactions in 2017, 12.1% more than in 2016. This equated to a settled nominal volume of €668,320 million for securities listed at nominal value, a 34.5% increase over 2016, and a 28.5% year-on-year increase in the volume of unit-listed securities to 11,463 million units.

Because of the effective reduction in the size of the depository network that impacted the entire financial year, the number of Cross and External transactions declined by 54.4% in annual comparison to just under 14,000 transactions. Despite this, the volume of Cross and External transactions involving securities listed at nominal value rose by a substantial 54.4% over 2016 to €33,154 million while the volume relating to unit-listed securities fell to only 131 million units.

## Income statement

**Net interest income** came to minus €116,371.30 in 2017 (2016: minus €94 thousand), primarily as a result of the negative interest applied to deposits at Oesterreichische Nationalbank.

**Net fee and commission income** came to €19,448,384.95 in 2017, a year-on-year increase of 6.4% (2016: €18,276 thousand). This increase was based mostly on the good development of the volume of securities held by OeKB CSD at other custodians as an Investor CSD, which contributed significantly to the 10.4% increase in the income from custodian fees to €14,931,890.18 (2016: €13,529 thousand). The income from transaction fees also grew by 6.9% to €4,409,174.30 (2016: €4,125 thousand) as a result of the 12.1% increase in the number of Intra transactions.

The **net income from financial operations** came to minus €2,904.13 (2016: plus €8 thousand) and was the result of foreign exchange differences.

**Operating income** amounted to €19,581,409.88 (2016: €18,208 thousand).

The 4.2% increase in **general administrative expenses** to €13,604,505.93 (2016: €13,061 thousand) stemmed largely from increased expenses for IT projects, including relating to the startup of the T2S IT platform. These costs can be found in the other administrative expenses (2017: €9,284,569.42; 2016: €8,916 thousand). The general administrative expenses also include the staff costs charged by OeKB AG in the amount of €4,319,936.51 (2016: €4,146 thousand). All staff are employees of OeKB AG and are delegated to OeKB CSD.

**Operating expenses** came to €13,808,492.80 (2016: €13,541 thousand).

The **operating profit** (profit before tax) totalled €5,772,917.08 (2016: €4,666 thousand). After income tax, the **profit for the year** amounted to €4,327,955.80 (2016: €3,499 thousand).

A total of €848,691.37 was allocated to the retained earnings in 2017 (2016: €0 thousand). The **profit available for distribution** was reported at €3,266,555.81 (2016: €3,324 thousand). Statutory reserves in the amount of €217,000.00 (2016: €175 thousand) were allocated in the financial year.



## Balance sheet

The **assets** of OeKB CSD as at 31 December 2017 stemmed primarily from balances at central banks in the amount of €23,552,191.82 (2016: €23,135 thousand), receivables from banks in the amount of €4,399,263.43 (2016: €3,313 thousand), and other assets in the amount of €2,759,517.81 (2016: €2,846 thousand). The receivables from banks consist mostly of foreign currency balances for redeemed claims (coupons, redemptions, dividends) that have not yet been paid out. The other assets consist largely of receivables from customers relating to custodian fees and transaction fees for the month of December and claims against the tax office for value added tax.

The reported **liabilities** consist primarily of payables to banks in the amount of €3,856,150.32 (2016: €2,131 thousand), especially relating to redeemed claims that have not yet been paid out (coupons, redemptions, dividends), of other liabilities in the amount of €1,141,447.73 (2016: €2,039 thousand), and of the equity of OeKB CSD in the amount of €25,502,524.61 (2016: €24,494 thousand).

The **total assets** at 31 December 2017 amounted to €31,399,047.01 (2016: €29,875 thousand).

## Financial performance indicators

The cost/income ratio (operating expenses/operating income) was 70.5% at the reporting date (2016: 74.4%).

The available regulatory capital pursuant to the Capital Requirements Regulation (CRR) came to €20,854,258.31 in 2017 (2016: €20,616 thousand). Allocations to reserves are generally not recognised as regulatory capital until the adoption of the annual financial statements. An allocation in the amount of €848,691.37 was made to the retained earnings and an allocation of €217,000.00 to the statutory reserves during the financial year.

The tier 1 capital totalled €20,854,258.31 at the end of 2017 (2016: €20,616 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) and therefore calculates no regulatory capital requirements. 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 17.3% in 2017 (2016: 14.3%).

The equity ratio (equity/total capital) was 81.2% in 2017 (2016: 82%).

## Research and development

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

# Non-financial performance indicators

## Staff

OeKB CSD has a staff of 34 employees who have been delegated by OeKB AG. One other employee is on parental leave. The delegated employees are subject to the collective bargaining agreement for the banking industry.

Regulation (EU) No. 909/2014, which is intended to improve securities deliveries and settlement in the European Union and through central depositories, specifies in Article 26 (1) that a central depository must have a dedicated remuneration policy. Even though all employees are employed by OeKB AG and delegated to OeKB CSD, the remuneration policy of OeKB CSD applies to them.

The remuneration policy specifies 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 AG 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 AG 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 2017 sustainability report of OeKB Group.

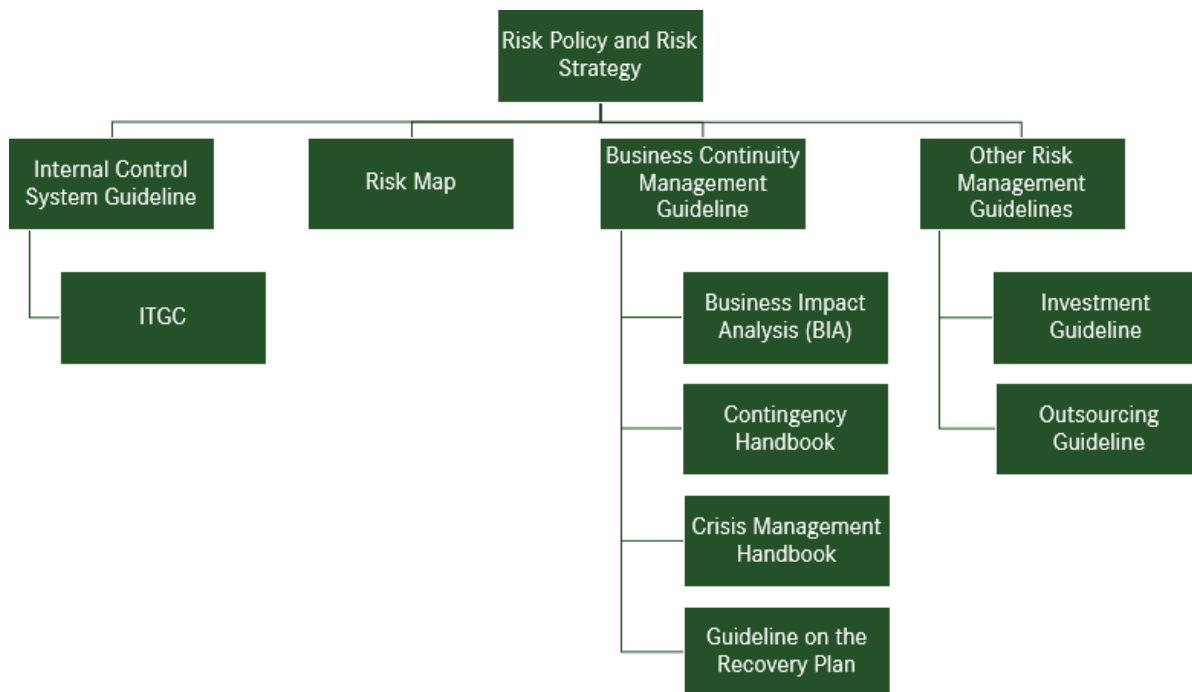
## Branches

As in the previous year, OeKB CSD had no branches during the reporting period.

# OeKB CSD risk management system (RMS)

## Overview of the RMS

The RMS consists of the documents shown below, which define and govern the risk management process at OeKB CSD:



The risk policy and risk policy principles of OeKB CSD are intended to ensure a stable return on equity over the long term.

## Summary risk analysis results in 2017

A total of 35 risks were evaluated and documented in a risk map in 2017. The material risks are the following three inherent and strategic risks:

- the medium- to long-term business and business model risk,
- the systemic risk inherent to OeKB CSD because of its position on the capital market,
- the strategic IT risk,

as well as the operational risks (including IT risks).

The evaluated risks are mitigated through a comprehensive set of measures (including insurance). In addition, all damages to be reimbursed to customers in a single calendar year arising from slight negligence or failure to act on the part of OeKB CSD employees and agents are limited to a maximum of €5 million per year according to the general terms and conditions of OeKB CSD. The total of all net damages in 2017 came to around €2000.

OeKB CSD has no or only very low traditional banking risks such as market, credit, and liquidity risk, in particular because of the following limitations in the business model:

- OeKB CSD extends no loans pursuant to § 1 (1) 3 BWG (lending business) and permits no overdrafts on the cash accounts provided by OeKB CSD.
- The majority of the transactions processed by OeKB CSD are settled through the DCA accounts of the customers at the euro central banks.
- OeKB CSD uses no derivative financial instruments, issues no securities, and has no equity holdings (aside from a €70 stake in Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H.).

### ***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 AG 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 AG effective 1 January 2017:

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 2017 came to zero.

### **Risk-bearing capacity**

The minimum regulatory capital requirement for OeKB CSD is calculated pursuant to Article 47 of Regulation (EU) No. 909/2014 (CSDR) and according to Delegated Regulation (EU) No. 2017/390 Articles 1–7 and totalled €13,777,159.88 in 2017.

The tertiary and quaternary risk coverage potential for 2017 was €2.6 million and €24 million, respectively. The tolerable error for 2017 is €0.1 million.

## Preview for 2018

The FMA is expected to assess the completeness of the applications filed on 21 September 2017 for a licence as a CSD under the CSDR and for a licence for the provision banking-type ancillary services as well as of the answer to the improvement request submitted on 15 December 2017 at the beginning of 2018. Once a confirmation of completeness is issued by the FMA, an in-depth review of the applications by the FMA can be expected. The granting of a licence as a CSD pursuant to the CSDR and of a licence for the provision of banking-type ancillary services is expected at some point starting in the middle of 2018.

The “Digital transfer of global certificates” project should be completed in the middle of 2018. The “MegaCor Phase 2” project will be continued in 2018 and is expected to be finished in the first half of 2019.

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

Vienna, 14 February 2018

OeKB CSD GmbH

Managing Directors

PETER FELSINGER m.p.

GEORG ZINNER m.p.

# Annual Financial Statements 2017

## Balance sheet as at 31.12.2017

Balance sheet as at		31.12.2017	31.12.2016
<b>ASSETS</b>		€	€ thousand
01	Cash and balances at central banks	23,552,191.82	23,135
02	Receivables from banks	4,399,263.43	3,313
	Repayable on demand	4,399,263.43	3,313
03	Equity investments	70.00	-
04	Non-current intangible assets	533,019.12	554
05	Property and equipment	3,551.66	2
06	Other assets	2,759,517.81	2,846
07	Prepayments and accrued income	30,267.59	24
08	Deferred tax assets	121,165.58	-
	<b>Total assets</b>	<b>31,399,047.01</b>	<b>29,875</b>
<b>Memo items</b>		31.12.2017	31.12.2016
<b>Assets</b>		€	€ thousand
1	Foreign assets	939,138.89	1,241

Balance sheet as at		31.12.2017	31.12.2016
LIABILITIES AND EQUITY		€	€ thousand
<b>01</b>	<b>Payables to banks</b>	<b>3,856,150.32</b>	<b>2,131</b>
	Repayable on demand	3,856,150.32	2,131
<b>02</b>	<b>Payables to customers</b>	<b>13,717.02</b>	<b>14</b>
	<i>Of which:</i>		
	Repayable on demand	13,717.02	14
<b>03</b>	<b>Other liabilities</b>	<b>1,141,447.73</b>	<b>2,039</b>
<b>04</b>	<b>Provisions</b>	<b>885,207.33</b>	<b>1,196</b>
	c) Tax provisions	286,608.00	1,167
	b) Other	598,599.33	29
<b>05</b>	<b>Subscribed share capital</b>	<b>20,000,000.00</b>	<b>20,000</b>
<b>06</b>	<b>Unallocated capital reserves</b>	<b>773,968.80</b>	<b>774</b>
<b>07</b>	<b>Retained earnings</b>	<b>1,462,000.00</b>	<b>396</b>
	a) Statutory reserve	392,000.00	175
	b) Other reserves	1,070,000.00	221
<b>08</b>	<b>Profit available for distribution</b>	<b>3,266,555.81</b>	<b>3,324</b>
	<b>Total liabilities and equity</b>	<b>31,399,047.01</b>	<b>29,875</b>

Memo items		31.12.2017	31.12.2016
Liabilities and equity		€	€ thousand
1	Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	20,854,258.31	20,616
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	761,682.24	404

\* 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 2017

Income statement for the financial year		2017	2016
		€	€ thousand
01.	Interest and similar income	2.89	-116,033.41
	Less negative interest from balances at central banks	-116,036.30	-94
02.	- Interest and similar expenses		337.89
<b>I.</b>	<b>Net interest income</b>		<b>-116,371.30</b>
03.	+ Fee and commission income		20,928,849.38
04.	- Fee and commission expenses		1,480,464.43
05.	+/- Income/expenses from financial operations		-2,904.13
06.	+ Other operating income		252,300.36
<b>II.</b>	<b>Operating income</b>		<b>19,581,409.88</b>
07.	- Administrative expenses		13,604,505.93
	a) Staff costs passed on	4,319,936.51	4,146
	b) Other administrative expenses	9,284,569.42	8,916
08.	- Impairment losses on asset items 4 and 5		187,666.42
09.	- Other operating expenses		16,320.45
<b>III.</b>	<b>Operating expenses</b>		<b>-13,808,492.80</b>
<b>IV.</b>	<b>Operating profit</b>		<b>5,772,917.08</b>
<b>V.</b>	<b>Profit before tax</b>		<b>5,772,917.08</b>
10.	- Income tax		1,444,961.28
<b>VI.</b>	<b>Profit for the year</b>		<b>4,327,955.80</b>
11.	- Transfer to reserves		1,065,691.37
<b>VII.</b>	<b>Unallocated profit for the year</b>		<b>3,262,264.43</b>
12.	+ Profit brought forward from the previous year		4,291.38
<b>VIII.</b>	<b>Profit available for distribution</b>		<b>3,266,555.81</b>



# Notes to the annual financial statements

## General disclosures

### Legal basis

OeKB CSD GmbH (OeKB CSD) is a limited liability company domiciled in the first district of Vienna, Austria.

OeKB CSD is a credit institution pursuant to § 1 (1) of the Austrian Banking Act (BWG) and a custodian bank pursuant to § 1 (3) in conjunction with § 28 (2) of the Securities Deposit Act (DepG). According to the decision of the FMA dated 15 December 2015 (GZ: FMA-KI23 5181/0001-SGB/ 2015), OeKB CSD is authorised to engage in current account business pursuant to § 1 (1) 2 BWG, securities account business pursuant to § 1 (1) 5 BWG, and securities business pursuant to § 1 (1) 7 lit. e) BWG, each limited to the extent necessary for the performance of the function of a central depository of securities.

### The activities of OeKB CSD

The activities of OeKB CSD cover the following central services for the capital market:

- Acceptance of securities for safekeeping and administration;
- Execution of posting orders from investors to settle their securities transactions;
- Handling of the payments from issuers to investors to satisfy the investor claims against the issuers evidences in the securities.

The mandate and purpose of OeKB CSD are the long-term fulfilment of its responsibilities as the CSD on the Austrian capital market while generating an appropriately stable profit.

### Recognition and measurement methods

The annual financial statements as at 31 December 2017 were prepared by the management according to the provisions of the Austrian Uniform Commercial Code (UGB) and the Austrian Banking Act (BWG), each as amended.

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.

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

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

The closed financial year corresponds to the calendar year.

## Receivables and other assets

Receivables from banks 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 depreciation and impairment charges. Internally produced intangible assets and low-value assets (individual acquisition cost below €400) are immediately recognised as expenses.

Scheduled depreciation is applied on a straight-line basis assuming a useful life of 4 to 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. The following useful life is assumed:

### Useful life

	Years
Fixtures, fittings, and equipment	3 to 10
Computer hardware	3 to 5
Software	3 to 5

## Equity investments

Equity investments are recognised at cost less any write-downs made to recognise material impairment that is other than temporary in nature.

## 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 AG) 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 measured using the ECB reference rate.

## Deferred taxes

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.

# Notes to the balance sheet

## Receivables

### Receivables from banks

	31.12.2017	31.12.2016
Receivables payable on demand	€	€ thousand
in €	686,688.90	1,067
In foreign currencies	3,712,574.53	2,246
<b>Total</b>	<b>4,399,263.43</b>	<b>3,313</b>

## Non-current intangible assets, property and equipment, and equity investments

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 2017 - Cost

€	Cost at 1.1.2017	Additions	Of which interest	Transfers	Disposals	Cost at 31.12.2017
Software	927,013.20*	0.00	0.00	0.00	0.00	927,013.20
Assets under construction	0.00	164,805.84	0.00	0.00	0.00	164,805.84
<b>Non-current intangible assets</b>	<b>927,013.20</b>	<b>164,805.84</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,091,819.04</b>
Fixtures, fittings, and equipment	2,726.50	2,359.48	0.00	0.00	0.00	5,085.98
Low-value assets	0.00	622.92	0.00	0.00	622.92	0.00
<b>Property and equipment</b>	<b>2,726.50</b>	<b>2,982.40</b>	<b>0.00</b>	<b>0.00</b>	<b>622.92</b>	<b>5,085.98</b>
<b>Equity investments</b>	<b>0.00</b>	<b>70.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>70.00</b>
<b>Total</b>	<b>929,739.70</b>	<b>167,858.24</b>	<b>0.00</b>	<b>0.00</b>	<b>622.92</b>	<b>1,096,975.02</b>

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

### Non-current assets in 2017 - Accumulated depreciation and amortisation

€	Accumulated depreciation and amortisation 1.1.2017	Additions	Write-ups	Transfers	Disposals	Accumulated depreciation and amortisation 31.12.2017
Software	372,533.28	186,266.64	0.00	0.00	0.00	558,799.92
Assets under construction	0.00	0.00	0.00	0.00	0.00	0.00
<b>Non-current intangible assets</b>	<b>372,533.28</b>	<b>186,266.64</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>558,799.92</b>
Fixtures, fittings, and equipment	757.46	776.86	0.00	0.00	0.00	1,534.32
Low-value assets	0.00	622.92	0.00	0.00	622.92	0.00
<b>Property and equipment</b>	<b>757.46</b>	<b>1,399.78</b>	<b>0.00</b>	<b>0.00</b>	<b>622.92</b>	<b>1,534.32</b>
<b>Equity investments</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total</b>	<b>373,290.74</b>	<b>187,666.42</b>	<b>0.00</b>	<b>0.00</b>	<b>622.92</b>	<b>560,334.24</b>

### Net book value of property, equipment, and intangibles

€	31.12.2016	31.12.2017
Software	554,479.92	368,213.28
Assets under construction	0.00	164,805.84
<b>Non-current intangible assets</b>	<b>554,479.92</b>	<b>533,019.12</b>
Fixtures, fittings, and equipment	1,969.04	3,551.66
Low-value assets	0.00	0.00
<b>Property and equipment</b>	<b>1,969.04</b>	<b>3,551.66</b>
<b>Equity investments</b>	<b>0.00</b>	<b>70.00</b>
<b>Total</b>	<b>556,448.96</b>	<b>536,640.78</b>

## Deferred taxes

The deferred tax assets at the reporting date were formed for temporary differences in the amount of €484,662.30 (2016: €0) between the values of the other provisions for tax purposes and under commercial law. The resulting deferred taxes as at 31 December 2017 (25%) came to €121,165.58. There are no other differences between values for tax purposes and under commercial law.

## Other assets

	31.12.2017	31.12.2016
	€	€ thousand
Other domestic receivables	1,306,011.68	1,199
Other foreign receivables	741,215.43	645
Receivables from tax authorities	712,290.70	1,002
<b>Total</b>	<b>2,759,517.81</b>	<b>2,846</b>

The item “other assets” consists largely of receivables from customers 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

	31.12.2017	31.12.2016
	€	€ thousand
Liabilities payable on demand		
in €	188,555.96	82
In foreign currencies	3,667,594.36	2,050
<b>Total</b>	<b>3,856,150.32</b>	<b>2,131</b>

### Payables to customers

	31.12.2017	31.12.2016
	€	€ thousand
Liabilities payable on demand		
in €	10,372.90	13
In foreign currencies	3,344.12	1
<b>Total</b>	<b>13,717.02</b>	<b>14</b>

### Other liabilities

	31.12.2017	31.12.2016
	€	€ thousand
Other domestic liabilities	1,035,213.18	2,015
Other foreign liabilities	105,954.91	24
Others	279.64	0
<b>Total</b>	<b>1,141,447.73</b>	<b>2,039</b>

The item “other domestic liabilities” consists primarily of liabilities from the service agreement with OeKB AG (payables to banks) that are not payable until the next year (€838,446.02; 2016: €1,887 thousand). As in the previous year, all other liabilities have a remaining maturity of less than one year.

## Provisions

### Other provisions

	31.12.2017	31.12.2016
	€	€ thousand
Legal consulting, tax consulting, and audit of annual financial statements	13,000.00	15
Custodian fees and other fees	550,349.33	6
Supervisory fees	-	9
Other administrative expenses	35,250.00	0
<b>Other provisions</b>	<b>598,599.33</b>	<b>29</b>

The provisions for custodian fees and other fees contain a provision for repayment claims of a customer in the amount of €484,662.30. The provision was classified as current on the reporting date because the matter is expected to be resolved in the first quarter of 2018.

## Equity

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

The profit for the year came to €4,327,955.80 (2016: €3,499 thousand). Of this, €217,000,00 (2016: €175 thousand) were allocated to the statutory reserve and €848,691.37 to the retained earnings. This results in a profit available for distribution of €3,262,264.43 (2016: €3,324 thousand). The proposal for the appropriation of profits for the 2017 financial year amounts to €3,260,000.00 (2016: €3,320 thousand). The return on assets (profit for the year/total assets) for 2017 is 13.8% (2016: 11.7%).

## Proposal for the appropriation of profits

	2017	2016
	€	€ thousand
Unallocated profit for the year	3,262,264.43	3,324
Profit brought forward from the previous year	4,291.38	0
<b>Profit available for distribution</b>	<b>3,266,555.81</b>	<b>3,324</b>
<b>Use</b>		
Disbursement of a dividend of	3,260,000.00	3,320
To be carried forward	6,555.81	4



## Notes to the income statement

### Fee and commission income and expenses

	01-12/2017	01-12/ 2016
	€	€ thousand
Fee and commission income from custodian fees	14,931,890.18	13,529
Fee and commission income from transaction fees	4,409,174.30	4,125
Other fee and commission income from securities services	225,643.93	205
management, minor differences)	1,362,140.97	1,875
<b>Fee and commission income</b>	<b>20,928,849.38</b>	<b>19,735</b>
Fee and commission expenses from custodian fees	1,299,441.09	734
Other fee and commission expenses from securities services	105,883.19	217
Other fee and commission expenses (payment transactions)	75,140.15	507
<b>Fee and commission expenses</b>	<b>1,480,464.43</b>	<b>1,459</b>
<b>Net fee and commission income</b>	<b>19,448,384.95</b>	<b>18,276</b>

The fees are calculated in a separate billing module. The raw data for calculating the fees are provided to the billing module by the peripheral systems, in particular by the account management and settlement system. The invoices are generated and the fee and commission income posted in SAP based on the data from the billing module.

The billing module provides customers with detailed information about the fees that have been charged.

### Staff costs passed on

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

OeKB AG had delegated 34 employees (2016: 34) to OeKB CSD, including the management, at the reporting date.

### 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.

## Income tax

	01-12/2017	01-12/2016
	€	€ thousand
Corporate income tax	1,566,699.00	1,167
Corporate income tax for previous years	-572.14	0
Change in deferred tax assets	-121,165.58	0
<b>Income tax</b>	<b>1,444,961.28</b>	<b>1,167</b>

## 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 €255,957.11 for 2017 (2016: €256 thousand) and to €1,279,785.55 (2016: €1,282 thousand) for the next five years. As in the previous year, these obligations are solely to OeKB AG.

### 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: €3,714,605.46 (2016: €2,246 thousand)

Liabilities: €3,671,075.39 (2016: €1,947 thousand)

The difference between the assets and liabilities is the result of cash account administration, which is an ancillary service to the administration 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 AG, 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 AG. Further information on this can be found on the OeKB AG web site ([www.oekb.at](http://www.oekb.at)).

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

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

### Related-party transactions with shareholders of OeKB CSD GmbH

	31.12.2017	31.12.2016
	€	€ thousand
Receivables from banks	500,488.80	500
Other assets	6,259.74	5
Payables to banks	300.00	600
Other liabilities	838,446.02	1,887

	01-12/2017	01-12/2016
	€	€ thousand
Net interest income	-	0
Net fee and commission income	48,772.71	43
Staff costs passed on	-4,319,936.51	-4,146
Other administrative expenses	-5,807,861.38	-5,971

## Action for damages

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

## Events after the balance sheet date

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

# Additional disclosures

## Total regulatory capital resources

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

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).

	31.12.2017	31.12.2016
	€	€ thousand
Share capital	20,000,000.00	20,000
Retained earnings and reserves	2,235,968.80	1,170
Less transfer to retained earnings <sup>1</sup>	-848.691,37*	0
Non-current intangible assets	-533,019.12	-554
<b>Common equity tier 1 (CET 1)</b>	<b>20,854,258.31</b>	<b>20,616</b>
<b>Total regulatory capital resources</b>	<b>20,854,258.31</b>	<b>20,616</b>
Surplus regulatory capital	20,854,258.31	20,616

<sup>1</sup> 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 (2017: €217,000.00) are recognised immediately in equity.

## Regulatory capital pursuant to Regulation (EU) No. 909/2014 (CSDR) and Delegated Regulation 2017/390 Articles 1–7

The CSDR sets supervisory requirements for central depositories to ensure that they are on solid footing and that they meet the regulatory capital requirements at all times. These regulatory capital requirements, which are found in Delegated Regulation 2017/390 Articles 1–7, ensure that central depositories have adequate capital at their disposal at all times. This is intended to protect against risks to which they are exposed and to allow for the orderly winding down or restructuring of their business operations, if necessary.

OeKB CSD filed an application with the Financial Market Authority (FMA) for a licence as a CSD pursuant to the CSDR and for a licence for the provision of banking-type ancillary services on 21 September 2017. An improvement request from the FMA was also answered on 15 December 2017. The granting of a licence as a CSD pursuant to the CSDR and of a licence for the provision of banking-type ancillary services is expected at some point starting in the middle of 2018. The minimum regulatory capital requirements indicated here do not apply until a licence is granted by the FMA.

### Indicators pursuant to Delegated Regulation 2017/390 Articles 1–7

	31.12.2017	31.12.2016
	€	€ thousand
Equity pursuant to Art. 3	22,235,968.80	21,170
Operational risks pursuant to Art. 4	2,804,458.30	2,738
Investment risks pursuant to Art. 5	569,163.80	530
Business risks pursuant to Art. 6	3,499,291.38	3,401
Settlement risks pursuant to Art. 7	6,904,246.40	6,802
<b>Minimum regulatory capital requirement</b>	<b>13,777,159.88</b>	<b>13,471</b>

## Officers of the company

The operations of the company were directed by the following general managers during the financial year:

Peter Felsinger  
Georg Zinner

The company is represented by two general managers together. The wages for the management are included in the staff costs passed on by OeKB. The wages for management are not broken down pursuant to § 242 UGB.

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

Angelika Sommer-Hemetsberger (Chairwoman)  
Helmut Bernkopf (Deputy Chairman)  
Markus Schmidt  
Maria Doralt  
Birgit Kuras

Attendance fees of €1,200.00 were paid for the 2017 financial year.

The Audit Committee consists of the following Supervisory Board members:

Helmut Bernkopf, Chairman  
Angelika Sommer-Hemetsberger  
Markus Schmidt

The following members are assigned to the Remuneration Committee:

Angelika Sommer-Hemetsberger, Chairwoman  
Helmut Bernkopf  
Markus Schmidt

The following members are assigned to the Risk Committee:

Helmut Bernkopf, Chairman  
Angelika Sommer-Hemetsberger  
Markus Schmidt

Vienna, 14 February 2018

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,**

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

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

### Basis for our Opinion

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

### Key Audit Matters

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

### **Recognition of fee and commission income**

Refer to notes section "Notes to the income statement (Fee and commission income and expenses)" and to the management report chapter "General Conditions 2017".

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

OeKB CSD's fee and commission income in 2017 mainly comprises the fee and commission income from custodian fees, from transaction fees and from communication fees and amount to 20.929 kEUR, or 106,9 % of the operating profit.

Fee and commission income results from various services provided by OeKB CSD as Austria's Central Securities Depository; they are based on several datastreams and the related IT systems, which process a large volume of data per day.

Fee and commission income and related IT systems were important for our audit because of the inherent risk regarding completeness and accuracy of fee and commission income recorded given the complexity of related IT systems and the large volume of data processed as well as the impact of changing pricing models. Therefore management established processes and internal controls heavily dependent on complex IT systems. Failures within this processes can lead to material misstatements on the operating profit of the financial statements of OeKB CSD.

### **Our Response**

We analyzed the design and implementation of the billing process and its effectiveness in respect of the complete and accurate accrued recognition of the fee and commission income of the financial statements of OeKB CSD.

Furthermore we analyzed the relevant processes and key controls within these processes in the respective operating departments. We assessed and tested – sample based – the "design & implementation" as well as "operating effectiveness" of the directors' key controls in these areas. 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

Based on a sample of billing runs we performed substantive audit procedures related to manual controls before the recognition of the billing runs as well as inspection of already recognised invoices. The sample selection was made using a random selection approach considering billing runs in business year 2017.



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

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

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

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

## Auditor's Responsibilities

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

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

Moreover:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks and obtain sufficient and appropriate audit evidence to serve as a basis for our audit opinion. The risk of not detecting material misstatements resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- We conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the respective note in the financial statements. If such disclosures are not appropriate, we will modify our audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of our audit as well as significant findings, including any significant deficiencies in internal control that we identify during our audit.
- From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit i.e. key audit matters. We describe these key audit matters in our auditor’s report unless laws or other legal regulations preclude public disclosure about the matter or when in very rare cases, we determine that a matter should not be included in our audit report because the negative consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

## Report on Other Legal Requirements

### Management Report

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

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

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

### Opinion

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

### Statement

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

### Additional Information in accordance with Article 10 EU Regulation

At the Annual General Meeting dated 8 March 2016, we were elected as auditors. We were appointed by the supervisory board on 8 March 2016. We have been the Company's auditors from the year ended 31 December 2015, without interruption.

We declare that our opinion expressed in the "Report on the Financial Statements" section of our report is consistent with our additional report to the audit committee, in accordance with Article 11 EU Regulation.

We declare that we have not provided any prohibited non-audit services (Article 5 Paragraph 1 EU Regulation) and that we have ensured our independence throughout the course of the audit, from the audited Company.

Vienna, 14 February 2018

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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

# Publication information

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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.



