

Annual Financial Statements 2019



**CENTRAL
SECURITIES
DEPOSITORY**

CeKB 
CSD GmbH

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Legend

A rounded actual value of less than EUR 500 is shown as "0" in the tables. If no numerical value is available, the item is shown with "-". Rounding may result in calculation differences.

Management report

Business environment 2019

2019 was characterised by a constant to positive business environment. Existing projects were successfully continued and new projects were initiated.

The key factors for our clients were service enhancements in the division of Corporate Actions and new functionalities in the settlement of securities transactions. Together with our clients, OeKB CSD GmbH (OeKB CSD) was involved in the preparation of the national implementation of SRD II (revised Shareholder Rights Directive) and Settlement Discipline according to CSDR (Central Security Depository Regulation).

As stipulated in the CSDR, the Financial Market Authority as the competent authority carried out the annual review of OeKB CSD for the first time.

Projects

The project „MegaCor Phase 2“ was continued. The aim of the project is to replace the applications for corporate actions by an enhancement of the MegaCor system and on the other hand to settle corporate actions more efficient and secure. The project is expected to be completed by mid-2020.

The project „Settlement Discipline“ was launched. Within this project, OeKB CSD implements the comprehensive measures defined in the CSDR for the prevention of failed settlements and for reporting and penalizing failed settlements. The corresponding provisions of the CSDR will enter into force on 14 September 2020 (in some cases not until November 2020).

The SRD II obliges custodian banks on request of a joint-stock company to disclose the names of the securities account holders (shareholders or custodians) with a holding in their shares. In addition, issuers are obliged to report event data on securities in electronic form to the respective central securities depository (Issuer CSD). In order to implement these requirements, the “SRD” project was started which is to be completed in the second half of 2020.

Within the framework of the project “3i” (3 Issuer CSD), the selection of providers was completed in a preliminary project. The aim is to digitise the notary lifecycle management, taking into account the dematerialization of securities that is mentioned in the government programme 2020-2024 and the income collection for securities due as well as the creation of standardized electronic interfaces to issuers and their agents.

Business development 2019

The business development 2019 was largely constant. During the year the custody volume fluctuated only slightly and at the end of the year it was approximately at the same level as at the end of 2018. The number of transactions processed in all quarters was above the average for 2018.

The operating income amounted to Euro 19,451,769.10 and was in line with the expectations, but 5.6 % below the previous year. Although the operating profit of Euro 5,923,134.25 is above the budgeted amount, it is 21.0 % below the exceptionally good result of 2018.

Safekeeping and administration

		31.12.2017	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019	
Securities with Nominal Value in Euro million	Issuer CSD	312,985	312,390	310,614	309,515	314,320	308,516	
	Investor CSD	15,508	14,032	12,068	11,952	11,326	10,791	
Unit-listed securities	Market Value in Euro million	Issuer CSD	282,231	263,565	266,740	253,648	259,929	268,348
		Investor CSD	3,275	1,827	1,944	1,964	2,042	2,038
	Units in million	Issuer CSD	8,908	7,801	7,566	7,425	7,421	7,429
		Investor CSD	420	398	406	393	419	396
Number of Securities Categories	Issuer CSD	14,510	14,285	14,642	14,261	14,481	13,885	
	Investor CSD	1,414	1,383	1,216	1,223	1,204	1,200	

The volume of securities with a nominal value kept and administered as Issuer CSD declined by 1.2 % compared with 31.12.2018 to Euro 308,516 million nominal value. By contrast, the market value of the unit-listed securities increased by 1.8 % to Euro 268,348 million. The total custody volume at the end of the year is thus almost at the same level as at the beginning of the year. The number of securities categories kept and administered as Issuer CSD came to 13,885 at the end of the year, 2.8 % below the previous year. The change is due to the decline in certificate issues by one issuer in December.

For the securities kept and administered by OeKB CSD with a custodian as an Investor CSD, the securities with a nominal value declined by 23.1 % to Euro 10,791 million and the unit-listed securities increased by 11.5 % to a market value of Euro 2,038 million. The number of securities categories kept with a custodian also fell by 13.2 % to 1,200 categories. The decline in the securities with a nominal value and the number of securities categories is in particular the result of the termination of links in France, Belgium and Hungary.

Settlement

		Monthly Average 2017	Monthly Average 2018	Σ 01-12/ 2018	Monthly Average 2019	Monthly Average 01-03/2019	Monthly Average 04-06/2019	Monthly Average 07-09/2019	Monthly Average 10-12/2019	Σ 01-12/ 2019
Number of Transactions	Intra	101,839	106,759	1,281,106	112,059	113,743	112,255	111,407	110,829	1,344,703
	Cross/External	1,177	2,978	35,734	3,102	3,249	3,066	3,081	3,013	37,226
Settled Volume Nominal Value in Euro million	Intra	55,693	54,580	654,956	38,153	45,807	35,207	31,313	40,286	457,838
	Cross/External	2,763	272	3,263	341	683	137	267	275	4,088
Market Value in Euro million	Intra	-	-	-	14,616	13,433	16,383	12,256	16,391	175,392
	Cross/External	-	-	-	150	130	203	126	139	1,796
Unit-listed securities	Units in million	955	675	8,100	555	501	582	523	615	6,663
	Cross/External	11	8	91	17	9	26	20	13	206

OeKB CSD processed nearly 1.3 million of the transaction type Intra in 2019, 5.0 % more than in 2018. This equated to a settled volume of Euro 457.84 billion for securities with a nominal value, a 30.1 % decrease over 2018, and a 17.8 % year-on-year decrease in the volume of unit-listed securities to 6.66 billion units.

The number of the transaction types Cross and External rose by 4.2 % in annual comparison to approximately 37,000 transactions. The settled volume of securities with a nominal value increased by 25.3 % to Euro 4.09 billion compared to 2018. An increase of 126.4 % to 206 million units was recorded for the unit-listed securities.

Income statement

Net interest income came to minus Euro 86,983.62 in 2019 (2018: minus Euro 80 thousand), primarily as a result of the negative interest applied to deposits at Oesterreichische Nationalbank.

Net fee and commission income came to Euro 19,429,010.22 in 2019, a year-on-year decrease of 2.7 % (2018: Euro 19,976 thousand). This decline mainly results from the decrease of the volume of securities with a nominal value and the low market values on the Vienna Stock Exchange compared to the previous year. As a result, the income out of custodian fees decreased by 4.2 % to Euro 14,768,070.44 (2018: Euro 15,419 thousand). Despite a 5.0 % increase in the number of transactions of the transaction type Intra, the income from transaction fees also decreased by 1.0 % to Euro 4,644,517.61 (2018: Euro 4,692 thousand) as a result of a price reduction.

The **net income from financial operations** came to Euro 322.76 (2018: minus Euro 1 thousand) and was the result of foreign exchange differences.

Operating income amounted to Euro 19,451,769.10 (2018: Euro 20,608 thousand).

The **general administrative expenses** increased by 3.4 % to Euro 13,193,600.51 (2018: Euro 12,762 thousand). The other administrative expenses amount to Euro 8,122,232.02 (2018: Euro 8,187 thousand), including expenses for IT operations, software maintenance, IT workplace equipment of Euro 5,287,321.10 (2018: Euro 4,774 thousand) as well as project costs in the amount of Euro 915,664.50 (2018: Euro 1,105 thousand). The general administrative expenses also include the staff costs charged by Oesterreichische Kontrollbank AG (OeKB AG) in the amount of Euro 5,071,368.49 which have increased by 10.8 % compared to the previous year (2018: Euro 4,575 thousand) due to increased personnel provisions and staff recruitment. All staff are employees of OeKB AG and are delegated to OeKB CSD.

Operating expenses came to Euro 13,528,634.85 (2018: Euro 13,110 thousand).

The **operating profit** (profit before tax) totalled Euro 5,923,134.25 (2018: Euro 7,498 thousand). After income tax, the **profit for the year** amounted to Euro 4,441,876.25 (2018: Euro 5,623 thousand).

A total of Euro 1,000,000.00 was allocated to the retained earnings in 2019 (2018: Euro 740 thousand). The **profit available for distribution** was reported at Euro 3,226,110.48 (2018: Euro 4,607 thousand). Statutory reserves in the amount of Euro 223,000.00 (2018: Euro 282 thousand) were allocated in the financial year.

Balance sheet

The **assets** of OeKB CSD as at 31 December 2019 stemmed primarily from balances at central banks in the amount of Euro 23,188,088.05 (2018: Euro 17,370 thousand), receivables from banks in the amount of Euro 3,730,329.79 (2018: Euro 10,556 thousand), and other assets in the amount of Euro 1,958,456.99 (2018: Euro 2,306 thousand). The receivables from banks consist primarily of credit balances of OeKB CSD at OeKB AG. The remainder consists 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 clients 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 Euro 279,612.81 (2018: Euro 1,693 thousand), especially relating to redeemed claims that have not yet been paid out (coupons, redemptions, dividends), of other liabilities in the amount of Euro 1,499,476.14 (2018: Euro 909 thousand), and of the equity of OeKB CSD in the amount of Euro 26,810,079.28 (2018: Euro 27,865 thousand).

The **total assets** at 31 December 2019 amounted to Euro 29,514,259.64 (2018: Euro 30,734 thousand).

Financial performance indicators

The cost/income ratio (operating expenses/operating income) was 69.5 % at the reporting date (2018: 63.6 %).

The available regulatory capital pursuant to the Capital Requirements Regulation (CRR) came to Euro 22,857,544.27 in 2019 (2018: Euro 22,048 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 Euro 1,000,000.00 (2018: Euro 740 thousand) was made to the retained earnings and an allocation of Euro 223,000.00 (2018: Euro 282 thousand) to the statutory reserves during the financial year.

The tier 1 capital totalled Euro 22,857,544.27 at the end of 2019 (2018: Euro 22,048 thousand). OeKB CSD is exempt from parts 3, 5, 6 and 7 of Regulation (EU) No. 575/2013 pursuant to Article 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 16.0 % in 2019 (2018: 21.1 %).

The equity ratio (equity/total capital) was 93.9 % in 2019 (2018: 90.7 %).

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 38 (2018: 36) employees who have been delegated by OeKB AG, one employee is on maternity 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 2019 sustainability report of OeKB Group.

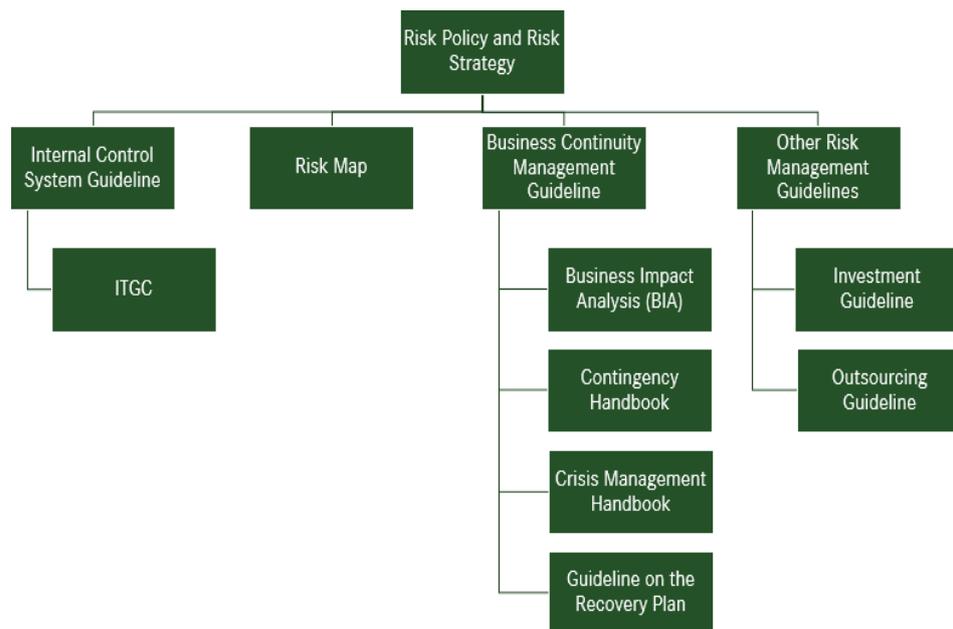
Branches

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 2019

A total of 38 risks were evaluated and documented in a risk map in 2019. The material risks are the following two 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

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

To concretise and control the risk acceptance levels, OeKB CSD has defined Key Risk Indicators (KRI) with appropriate limits for the risks documented in the risk map. These are monitored on a quarterly basis.

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 Euro 5 million per year according to the general terms and conditions of OeKB CSD.

Because of limitations in its business model, OeKB CSD has no or only very low traditional banking risks such as market, credit, and liquidity risk.

Operational risks slightly improved in 2019. The number of damages dropped from 25 in 2018 to 17 in 2019, whereby, with one exception, these only concerned indirect damages (with only internal expenses), which mainly resulted from IT incidents.

	2019	2018
Number of damage incidents	Total: 17	Total: 25
- Near losses	0	1
- Indirect damages	16	23
- Direct damages	1	1
Expenses for damage incidents	Total: Euro 16,860	Total: Euro 17,800
- Near losses	Euro 0	Euro 500
- Indirect damages	Euro 14,550	Euro 16,300
- Direct damages	Euro 2,310	Euro 1,000

Risk for the purposes of managing the bank group

Pursuant to Article 39a (4) BWG, OeKB CSD is exempt from Article 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 2019:

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

All of the risk indicators calculated in the group ICAAP for OeKB CSD as at 31.12.2019 came to zero.

Risk-bearing capacity according to CSDR

OeKB CSD is exempt from parts 3, 5, 6 and 7 of Regulation (EU) No. 575/2013 pursuant to Article 3 (1) 12 BWG and is subject to the minimum regulatory capital requirements of the CSDR and Delegated Regulation (EU) 2017/390: Title I: Art. 1–7. The minimum regulatory capital requirement calculated on this basis came to Euro 16.6 million as at 31.12.2019.

The capital instruments available as of 31.12.2019 according to Article 2 of the Delegated Regulation 2017/390 in the amount of Euro 24,480,968.80 are above the thresholds for the restructuring “equity base”.

The following table shows the restructuring indicators and thresholds as defined in the directive for the restructuring plan of OeKB CSD along with current values in form of the figures from the financial statements as at 31.12.2019.

Restructuring indicator	Threshold Triggering restructuring plan	Threshold / early warning level	Current value
Equity base (according to Art. 2 of Delegated Regulation 2017/390)	Euro 16.6 million (according to CSDR and Delegated Regulation)	Euro 20.9 million	Euro 24.5 million (according to Art. 2 of Delegated Regulation 2017/390)
Return on equity (RoE)	2.5 %	7.5 %	16.0 %

Preview for 2020

The projects “MegaCor Phase 2”, “SRD” and “Settlement Discipline” will be completed in 2020 and the implementation project “3i” will be started.

Analysis will also focus on the Eurosystem’s “T2/T2S Consolidation” and “ECMS” (European Collateral Management System) project.

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

Vienna, 13 February 2020

OeKB CSD GmbH

Managing Directors

PETER FELSINGER m.p.

GEORG ZINNER m.p.

Annual Financial Statements 2019

Balance sheet as at 31.12.2019

Balance sheet as at		31.12.2019	31.12.2018
ASSETS		Euro	Euro thousand
01	Cash and balances at central banks	23,188,088.05	17,370
02	Receivables from banks	3,730,329.79	10,556
	Repayable on demand	3,730,329.79	10,556
03	Equity investments	1,070.00	0
04	Non-current intangible assets	623,424.53	470
05	Property and equipment	1,534.85	3
06	Other assets	1,958,456.99	2,306
07	Prepayments and accrued income	11,355.43	30
	Total assets	29,514,259.64	30,734
Memo items			
1	Foreign assets	729,642.94	895

Balance sheet as at		31.12.2019	31.12.2018
LIABILITIES AND EQUITY		Euro	Euro thousand
01	Payables to banks	279,612.81	1,693
	Repayable on demand	279,612.81	1,693
02	Payables to customers	14,591.41	109
	<i>Of which:</i>		
	Repayable on demand	14,591.41	109
03	Other liabilities	1,499,476.14	909
04	Provisions	13,500.00	158
	c) Tax provisions	-	125
	b) Other	13,500.00	33
05	Subscribed share capital	20,000,000.00	20,000
06	Unallocated capital reserves	773,968.80	774
07	Retained earnings	3,707,000.00	2,484
	a) Statutory reserve	897,000.00	674
	b) Other reserves	2,810,000.00	1,810
08	Profit available for distribution	3,226,110.48	4,607
	Total liabilities and equity	29,514,259.64	30,734

Memo items

1	Available regulatory capital pursuant to Part 2 of Regulation (EU) No. 575/2013	22,857,544.27	22,048
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	327,825.65	1,192

* 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 2019

Income statement for the financial year		2019	2018
		Euro	Euro thousand
01.	Interest and similar income	0.75	-86,964.96
	Less negative interest from balances at central banks	-86,965.71	-80
02.	Interest and similar expenses		-18.66
I.	Net interest income	-86,983.62	-80
03.	Fee and commission income		20,960,202.66
04.	Fee and commission expenses		-1,531,192.44
05.	Income/expenses from financial operations		322.76
06.	Other operating income		109,419.74
II.	Operating income	19,451,769.10	20,608
07.	Administrative expenses		-13,193,600.51
	a) Staff costs passed on	-5,071,368.49	-4,575
	b) Other administrative expenses	-8,122,232.02	-8,187
08.	Impairment losses on asset items 4 and 5		-219,935.62
09.	Other operating expenses		-115,098.72
III.	Operating expenses	-13,528,634.85	-13,110
IV.	Operating profit	5,923,134.25	7,498
V.	Profit before tax	5,923,134.25	7,498
10.	Income tax		-1,481,258.00
VI.	Profit for the year	4,441,876.25	5,623
11.	Transfer to reserves		-1,223,000.00
VII.	Unallocated profit for the year	3,218,876.25	4,601
12.	Profit brought forward from the previous year		7,234.23
VIII.	Profit available for distribution	3,226,110.48	4,607

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 central securities depository (CSD) according to the CSD Regulation (Regulation [EU] No. 909/2014).

In a decision dated 1 August 2018, the FMA authorised OeKB CSD as a central depository according to Article 17 of Regulation (EU) No. 909/2014 and granted the licence for the provision of banking-type ancillary services according to Article 54 of Regulation (EU) No. 909/2014 and to "provide cash accounts for participants in a securities delivery and settlement system and holders of securities accounts and to accept deposits from these parties in the sense of Annex I Number 1 of Directive 2013/36/EU" according to section C lit. a) of the Annex to Regulation (EU) No. 909/2014 (CSDR) in conjunction with Article 1 (1) BWG.

The securities delivery and settlement system operated by OeKB CSD is recognised under the Settlement Finality Act.

OeKB CSD is a company of public interest pursuant to Article 189a of the Austrian Uniform Commercial Code (UGB).

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;
- Process of instructions from investors for the settlement of their securities transactions;
- Coordinating of the payments from the issuers to investors to settle their claims to issuers as evidenced by the securities.

The aim and task 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 2019 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. Where applicable, the classification corresponds to Annex 2 of Article 43 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.

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 previous recognition and measurement methods were retained.

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 Euro 400) are immediately recognised as expenses.

Scheduled depreciation is applied on a straight-line basis assuming a useful life of 3 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. Write-ups are made if the reasons for write-downs no longer apply.

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 Euro. Foreign currency items are measured using the ECB reference rate as of 31.12.2019.

Notes to the balance sheet

Receivables

Receivables from banks

	31.12.2019	31.12.2018
	Euro	Euro thousand
Receivables payable on demand		
In Euro	3,583,152.13	8,896
In foreign currencies	147,177.66	1,660
Total	3,730,329.79	10,556

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 2019 - Cost

Euro	Acquisition costs				31.12.2019
	01.01.2019	Additions	Transfers	Disposals	
Software	1,111,916.04	0.00	0.00	0.00	1,111,916.04
Assets under construction	121,931.37	372,061.17	0.00	0.00	493,992.54
Non-current intangible assets	1,233,847.41	372,061.17	0.00	0.00	1,605,908.58
Fixtures, fittings, and equipment	5,085.98	0.00	0.00	0.00	5,085.98
Property and equipment	5,085.98	0.00	0.00	0.00	5,085.98
Equity investments	70.00	1,000.00	0.00	0.00	1,070.00
Total	1,239,003.39	373,061.17	0.00	0.00	1,612,064.56

Non-current assets in 2019 - Accumulated depreciation and amortisation

Euro	Accumulated depreciation			Amorisation		
	01.01.2019	Additions	Disposals	31.12.2019	31.12.2018	31.12.2019
Software	763,556.84	218,927.21	0.00	982,484.05	348,359.20	129,431.99
Assets under construction	0.00	0.00	0.00	0.00	121,931.37	493,992.54
Non-current intangible assets	763,556.84	218,927.21	0.00	982,484.05	470,290.57	623,424.53
Fixtures, fittings, and equipment	2,542.72	1,008.41	0.00	3,551.13	2,543.26	1,534.85
Property and equipment	2,542.72	1,008.41	0.00	3,551.13	2,543.26	1,534.85
Equity investments	0.00	0.00	0.00	0.00	70.00	1,070.00
Total	766,099.56	219,935.62	0.00	986,035.18	472,903.83	626,029.38

The assets under construction relate to the project “MegaCor Phase 2“ (software), which is expected to go live in mid-2020.

Deferred taxes

As of 31.12.2019 and 31.12.2018 there were no new differences between values for tax purposes and under commercial law.

Other assets

	31.12.2019	31.12.2018
	Euro	Euro thousand
Other domestic receivables	1,194,264.01	1,240
Other foreign receivables	705,887.30	731
Receivables from tax authorities	58,290.61	334
Others	15.07	0
Total	1,958,456.99	2,306

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

	31.12.2019	31.12.2018
	Euro	Euro thousand
Liabilities payable on demand		
In Euro	170,050.73	165
In foreign currencies	109,562.08	1,528
Total	279,612.81	1,693

Payables to customers

	31.12.2019	31.12.2018
	Euro	Euro thousand
Liabilities payable on demand		
In Euro	9,028.43	9
In foreign currencies	5,562.98	101
Total	14,591.41	109

Other liabilities

	31.12.2019	31.12.2018
	Euro	Euro thousand
Other domestic liabilities	1,320,967.09	804
Other foreign liabilities	178,497.38	105
Others	11.67	0
Total	1,499,476.14	909

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 (Euro 1,254,221.77; 2018: Euro 754 thousand). As in the previous year, all other liabilities have a remaining maturity of up to three months.

Provisions

Other provisions

	31.12.2019	31.12.2018
	Euro	Euro thousand
Legal consulting, tax consulting, and audit of annual financial statements	10,000.00	15
Custodian fees and other fees	3,500.00	11
Other administrative expenses	-	7
Other provisions	13,500.00	33

Provisions for taxes

The tax provisions as of 31.12.2019 relate to provisions for corporate income tax.

Equity

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

Unallocated capital reserves relate to shareholder contributions of OeKB AG in the course of the spin-off in 2015. The profit for the year came to Euro 4,441,876.25 (2018: Euro 5,623 thousand). The statutory reserve increased to Euro 897,000 as of 31.12.2019 (2018: Euro 674 thousand) due to the allocation of an amount of Euro 223,000.00 (2018: Euro 282 thousand) from the profit for the year. Other reserves increased to Euro 2,810,000 as of 31.12.2019 (2018: Euro 1,810 thousand) due to the allocation of an amount of Euro 1,000,000.00 (2018: Euro 740 thousand) from the profit for the year. This resulted in an unallocated profit for the year of Euro 3,218,876.25 (2018: Euro 4,601 thousand). Including the profit brought forward from the previous year of Euro 7,234.23 (2018: Euro 7 thousand) the profit available for distribution as at 31.12.2019 is Euro 3,226,110.48 (2018: Euro 4,607 thousand). The return on total capital (net profit / total assets) for 2019 amounts to 15.0 % (2018: 18.3 %).

Proposal for the appropriation of profits

	2019	2018
	Euro	Euro thousand
Unallocated profit for the year	3,218,876.25	4,601
Profit brought forward from the previous year	7,234.23	6
Profit available for distribution	3,226,110.48	4,607
Use		
Disbursement of a dividend of	3,200,000.00	4,600
To be carried forward	26,110.48	7

Notes to the income statement

Fee and commission income and expenses

	01-12/2019	01-12/ 2018
	Euro	Euro thousand
Fee and commission income from custodian fees	14,768,070.44	15,419
Fee and commission income from transaction fees	4,644,517.61	4,692
Other fee and commission income from securities services	169,946.64	188
Other fee and commission income (cash account management, communication fees, minor differences)	1,377,667.97	1,365
Fee and commission income	20,960,202.66	21,664
Fee and commission expenses from custodian fees	1,354,420.48	1,512
Other fee and commission expenses from securities services	145,132.15	130
Other fee and commission expenses (payment transactions)	31,639.81	45
Fee and commission expenses	1,531,192.44	1,688
Net fee and commission income	19,429,010.22	19,976

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 38 employees (2018: 36) to OeKB CSD, including the management, at the reporting date. The annual average was 37 (2018: 35).

Other administrative expenses

The administrative expenses consist primarily of IT operations, software maintenance, IT workplace equipment and project costs.

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

	01-12/2019	01-12/2018
	Euro	Euro thousand
Corporate income tax	1,481,258.00	1,754
Corporate income tax for previous years	0.00	0
Change in deferred tax assets	0.00	121
Income tax	1,481,258.00	1,875

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 Euro 271,585.08 for 2020 (2018 for 2019: Euro 257 thousand) and to Euro 1,357,925.40 (2019-2023: Euro 1,286 thousand) for the next five years (2020-2024). As in the previous year, these obligations are solely to OeKB AG.

Disclosures on derivative financial instruments

As it 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 Article 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: 149,534.89 Euro (2018: Euro 1,662 thousand)

Liabilities: 115,136.73 Euro (2018: Euro 1,629 Tsd.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 Article 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 85749 b, 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 website (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

	31.12.2019	31.12.2018
	Euro	Euro thousand
Receivables from banks	3,571,694.32	8,750
Other assets	5,371.02	7
Payables to banks	300.00	0
Other liabilities	1,254,221.77	754
	01-12/2019	01-12/2018
	Euro	Euro thousand
Interest income	-9,657.47	-
Net fee and commission income	49,786.80	49
Staff costs passed on	-5,071,368.49	-4,575
Other administrative expenses	-4,386,505.30	-4,837

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 Article 3 (1) 12 BWG (central depository).

	31.12.2019	31.12.2018
	Euro	Euro thousand
Share capital	20,000,000.00	20,000
Retained earnings and reserves	4,480,968.80	3,258
Less transfer to retained earnings ¹	-1.000.000,00*	-740
Non-current intangible assets	-623,424.53	-470
Common equity tier 1 (CET 1)	22,857,544.27	22,048
Total regulatory capital resources	22,857,544.27	22,048
Surplus regulatory capital	22,857,544.27	22,048

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 (2019: Euro 223,000.00) 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 was granted the licence as a central depository according to the CSDR on 1 August 2018 by FMA. Because of this, the following minimum regulatory capital requirements apply as at 31 December 2019.

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

	31.12.2019	31.12.2018
	Euro	Euro thousand
Equity pursuant to		
Operational risks pursuant to Art. 4	2,982,070.75	2,920
Investment risks pursuant to Art. 5	212,815.13	329
Business risks pursuant to Art. 6	3,277,518.22	3,452
Settlement risks pursuant to Art. 7	10,146,476.14	9,833
Minimum regulatory capital requirement	16,618,880.24	16,534

The capital requirements are thus lower than the existing capital instruments pursuant to Article 2 of the Delegated Regulation 2017/390 in the amount of Euro 24,48,968.80 (31.12.2018: Euro 23,258 thousand).

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 Article 242 UGB.

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

Angelika Sommer-Hemetsberger (Chairwoman)
Helmut Bernkopf (Deputy Chairman)
Maria Doralt
Birgit Kuras (until June 2019)
Anneliese Blasl-Müller (since July 2019)
Markus Schmidt

Attendance fees of Euro 1,200.00 were paid for the 2019 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 13 February 2020

OeKB CSD GmbH

Managing Directors

PETER FELSINGER m.p.

DR. GEORG ZINNER m.p.

Auditor's Report

Report on Financial Statements

Audit Opinion

We have audited the financial statements of

**OeKB CSD GmbH,
Vienna,**

which comprise the balance sheet as of 31 December 2019, 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 2019, and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles, and other legal or regulatory requirements.

Basis for our Opinion

We conducted our audit in accordance with EU Regulation 537/2014 ("AP Regulation") and the 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 company and banking law as well as 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 section "General Conditions 2019".

Risk for the Financial Statements

OeKB CSD's fee and commission income in 2019 mainly comprises fee and commission income from custodian fees and from transaction fees and amount to 20.960 kEUR, primarily based on OeKB CSD's activity as Austria's Central Securities Depository.

There is an inherent risk on the financial statements regarding completeness, accuracy and allocation in proper period of fee and commission income recorded, given the complexity of related IT systems, the large volume of data processed as well as the impact of changing pricing models. Therefore, to monitor this, management has established processes and internal controls. Control failures in these processes may have a material impact on the operating profit of the financial statements of OeKB CSD.

Our Audit Approach

We analyzed and assessed the design and implementation of the process, its ability to recognize fee and commission income completely, accurately and appropriate to the period in the financial statements of OeKB CSD.

Furthermore, we examined the relevant processes and key controls within these processes in the respective operating departments. We assessed the design & implementation as well as – based on a random sample - the "operating effectiveness" of the relevant key controls in these areas. With the involvement of our IT specialists we evaluated internal controls over automatic reconciliation of deposit fees in sub-systems, automatic calculation of transaction fees and deposit fees as well as general IT controls for related systems in use.

Based on substantive analytical procedures, we evaluated the development of fee and commission income from custodian fees and from transaction fees. We compared our expected values with the fee and commission income recorded to identify unexpected deviations or developments and to analyze their causes.

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

Report on Other Legal Requirements

Management Report

In accordance with Austrian company law, 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 Austrian company law.

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 under Article 10 AP Regulation

At the Annual General Meeting dated 15 March 2018, we were elected as auditors for the financial statements of the year ended 31 December 2019. We were appointed by the Supervisory Board on 15 March 2018.

Furthermore, at the Annual General Meeting dated 14 March 2019, we were elected as auditors for the financial statements of the year ending 31 December 2020. We were appointed by the Supervisory Board on 14 March 2019.

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 AP Regulation.

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

Engagement Partner

The engagement partner is Mr. Wilhelm Kovsca.

Vienna, 13 February 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by
Wilhelm Kovsca
Wirtschaftsprüfer
(Austrian Chartered Accountant)

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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.

