

Annual Report 2019

Funding tomorrow's prosperity



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OeEB

Oesterreichische Entwicklungsbank AG

Quick facts and figures

Financial year ended 31 December 2019

Oesterreichische Entwicklungsbank AG (OeEB)

The official development bank of the Austrian government

Member of the Association of European Development Finance Institutions (EDFI)

Founded in 2008 in Vienna

Wholly owned subsidiary of Oesterreichische Kontrollbank AG

Share capital of EUR 5,000,000

65 active employees, plus 4 on parental leave (as of 31 Dec. 2019)

Key financials

Total assets	EUR 1,024.5 million
Profit for the year	EUR 5,756,174
Unallocated profit for the year	EUR 103,174
Total portfolio as of 31 Dec. 2019	EUR 1.37 billion

New projects signed in 2019

Investment Finance	EUR 319.2 million
Equity Investments	EUR 3 million
Business Advisory Services	EUR 0.44 million

Contribution to development

OeEB's projects contribute towards the achievement of the Sustainable Development Goals (SDGs), particularly SDG 1 (fighting poverty in all its forms), 7 (access to sustainable energy), 8 (sustainable economic growth), 13 (combating climate change) and 17 (global partnership for sustainable development).

With its projects, OeEB helps create better work and income opportunities for people in developing and transition countries. Through the private sector investment financed by OeEB, countries also gain higher tax revenues. By its strategic focus on renewable energy and resource efficiency, OeEB ensures better and environmentally friendly energy supplies, and through its collaboration with local financial institutions it provides access to financial services.

The development performance indicators at portfolio level can be found at www.oe-eb.at/en.

Standard & Poor's long-term issuer rating: AA+; S&P short-term issuer rating: A-1+

In the interest of readability, this report may in some cases use wording that is gender-specific. However, all references to positions, titles and people should be construed to include masculine, feminine and neuter as the context permits.

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A. Management report

I. Business and financial review

i. Nature of business activities and terms of reference

Acting on behalf of the Austrian federal government, Oesterreichische Entwicklungsbank AG (OeEB) supports the development and expansion of private sector projects in developing and newly industrialised countries.

The legislative basis for the activities of OeEB was created by an amendment to Austria's Export Guarantees Act (in German: Ausfuhrförderungsgesetz, or AusfFG). OeEB is also committed to the goals and principles of the Development Cooperation Act.

On this legal foundation, OeEB backs projects in the private sector that require long-term financing and have the ability to repay such funding out of their own resources. Every project must also have a positive sustainable impact on local economic development.

OeEB provides solutions not offered by commercial banks in the respective developing countries; its role is thus complementary to that of commercial banks. OeEB offers the full range of financing options, from long-term credit finance to equity investments. Additionally, as project support, OeEB provides non-repayable grants that improve projects' development impacts in particular. In principle, any company based in an industrialised or developing country can become a client of OeEB.

Working with its clients, OeEB develops solutions that are tailored precisely to the specific project, the current financial and business situation and the risk profile of the country in question.

A key aspect of client selection is the application of responsible-finance principles. In this regard, OeEB bears in mind environmental and social criteria as well as transparency and corporate governance standards.

Development transactions by their nature entail high project and country risks. Before individual deals are presented for approval to the full Executive Board and the Supervisory Board and to the panels specified for this purpose by law, the project risk and country risk are carefully analysed.

In June 2019, OeEB's Supervisory Board adopted the new strategy for 2019 to 2023, "Financing our Shared Future". With this strategy, OeEB positions itself as a thematically focused, specialised institution with a broad geographic reach. Besides many projects contracted on its own, OeEB also collaborates with institutions internationally, especially the European development banks (currently numbering 15 in total) – the so-called European Development Finance Institutions (EDFI) – whose goal is to jointly finance private sector projects in developing countries and transition economies. OeEB also works closely with multilateral development banks, like the World Bank's International Finance Corporation (IFC).

ii. Business in the year

Investment Finance segment

Overall in the 2019 financial year, 20 transactions with a total volume of EUR 319.2 million were signed. Fifteen of these deals were concluded bilaterally between OeEB and the respective client, and five were transacted together with proven financing partners.

OeEB's strategic goals for new business under the new strategy adopted in 2019 provided for the expansion of business activity in the areas of renewable energy, financial inclusion and infrastructure. Of the year's financing volume, 92% was extended in these focus areas.

EUR 22.5 million was invested in projects in Africa and EUR 6.7 million was employed in the poorest developing countries according to the OECD DAC list (Least Developed Countries, or LDCs). Experience has shown that transactions in Africa and in LDCs are usually significantly more protracted or suffer delays. Thus, additional transactions in Africa/LDCs with a total volume of more than EUR 100 million have already been approved, but not yet concluded.

Nine of the 20 deals, with a contract value of EUR 140 million (44% of the total transaction volume) were concluded in the real economy, i.e., with private sector businesses or project companies in developing countries. The other 56% of the transaction volume, worth EUR 180 million, was contracted in collaboration with local financial intermediaries (such as microfinance funds and financial institutions) which make loans into the real economy under OeEB guidelines.

The local businesses and financial intermediaries receive a range of ongoing technical assistance from OeEB over the entire credit period, with continual support regarding expertise-building, environmental and social management, development issues and economic sustainability.

Cross-cutting themes of climate protection and gender

The OeEB strategy also attaches critical importance to the topics of climate protection and gender equality. Of the total of 20 transactions closed in the year by the Investment Finance segment, eleven deals with an aggregate volume of EUR 162 million qualify to be counted as climate finance. This represented 51% of the total transaction volume in 2019. Eight projects with a volume of EUR 83 million, or 26% of the total financing volume, had a gender dimension.

Equity Investments segment

Under the Equity Investments mechanism, OeEB acts as a trustee for the Austrian Federal Ministry of Finance (the trustor), entering into equity investments by acquiring direct interests or by purchasing fund shares. As OeEB did not receive any budget funds for equity investments from the Federal Ministry of Finance for 2019, no new equity investment projects were entered into from monies held in trust.

An equity investment of EUR 3 million funded by OeEB itself, with a capital preservation guarantee under Austria's Export Guarantees Act, was concluded in the Gutmann OeEB Impact Fund, a fund of funds for developing and newly industrialised countries with a focus on the promotion of SMEs and financial inclusion.

The Gutmann OeEB Impact Fund, a joint project between OeEB and Bank Gutmann, achieved its first closing in December 2019. In this collaboration, OeEB Impact GmbH, a wholly owned subsidiary of OeEB, acts as a sub-advisor to Bank Gutmann and is responsible for identifying and examining investment opportunities and managing the investments made. The fund has another 12 to 18 months to mobilise additional capital. A total of ten investments in funds in the areas of SMEs and financial inclusion are to be made over a four-year investment period.

In addition, the African-Austrian SME Investment Facility (AAIF) was implemented, a new investment facility of EUR 10 million (by the end of 2021), which was initiated by the Ministry of Finance at the High-Level Forum Africa-Europe in December 2018 and which OeEB was commissioned to manage. The aim of the AAIF is to support SMEs from Austria or the European Union in setting up businesses or developing projects in Africa and thus to create local jobs and contribute to sustainable development.

Disbursements to the project partners are made incrementally for overheads at fund level, or for investee companies at portfolio level, and via capital increases in the case of direct equity investments. The project status and the general and development performance and financial results of the equity investments are regularly documented. In most equity projects, OeEB also takes an active role on the respective supervisory board or in a similar oversight function.

Approximately EUR 12.51 million was paid out in 2019, including disbursements to partners for projects signed in prior years. About EUR 11.56 million of this total represented the portfolio held in trust for the Ministry of Finance.

Business Advisory Services segment: funding for technical assistance

Through the use of non-repayable grants for technical assistance (TA) under OeEB's Business Advisory Services (BAS), projects are prepared and refined to enhance their development effectiveness. Examples of measures eligible for support through these monies are studies, fees to hire specialists, project-related training and upgrading of qualifications, as well as the introduction of international standards.

In the 2019 financial year the funding for new TA measures came entirely from OeEB itself. The budget available for this is set at 10% of the prior year's profit for the year plus unused budget funds from the prior year, and amounted to EUR 0.883 million in the year under review. Out of this amount, 15 projects with a combined volume of EUR 0.880 million were approved. The remaining approximately EUR 0.003 million are available for new projects in 2020.

In 2019, OeEB concluded contracts for ten TA projects totalling EUR 0.44 million. Of these, eight were approved in 2019 and two in 2018.

Most of the TA projects newly approved and contracted in the year under review related directly to projects financed by OeEB's Investment Finance segment or supported by its Equity Investment segment. For example, support was provided for measures to take greater account of gender aspects in projects and processes and for the deployment of environmental and social experts in selected projects.

In 2019, OeEB disbursed EUR 0.6 million of its own TA monies to project partners. In addition, it paid out EUR 0.05 million of Ministry of Finance funds for projects from prior years (projects under so-called Advisory Programmes). All disbursements are tied to the progress of the respective projects in order to help ensure the achievement of development objectives.

Financial results

Profit for the year was EUR 5,756,174 (prior year: EUR 6,761,118). After transfers to reserves and before distribution or retention, unallocated profit for the year was EUR 103,174 (prior year: EUR 135,118).

As a result of the higher project volume, operating income rose from the prior year's EUR 19.41 million to EUR 20.01 million. Major income components were net interest income and the item "income from securities and share of profit of outside companies", at a combined total of about EUR 26.07 million (prior year: EUR 22.42 million). Net fee and commission expense amounted to approximately EUR 6.71 million (prior year: net expense of EUR 3.54 million). Fee and commission income, which was approximately EUR 6.83 million (prior year: EUR 7.19 million), includes various fees from financings and fees for OeEB's management services rendered as a trustee in the equity investment projects for the Ministry of Finance. Fee and commission expense, amounting to about EUR 13.53 million in the financial year (prior year: EUR 10.73 million), consists mainly of the guarantee fees paid or accrued as payable to the Ministry of Finance for the guarantees for political and commercial risks (guarantees under section 9 (3) Export Guarantees Act).

The operating expenses of about EUR 11.61 million (prior year: EUR 9.46 million) reflected the bank's growth and consisted largely of staff costs of EUR 6.96 million (prior year: EUR 5.82 million) and other administrative expenses of EUR 4.60 million (prior year: EUR 3.58 million). The increase in personnel expenses resulted from a rise in the number of employees and from higher provisions and social security expenses.

In the year under review there were nine loss events with four clients; the claims for all of these were honoured by the Ministry of Finance under the above guarantees for political and commercial risks. A claim for a further loss event was submitted to the Ministry of Finance; its approval is pending.

The resulting operating profit in the financial year was about EUR 8.39 million, compared with EUR 9.95 million in the prior year. After valuation effects of EUR 0.61 million (prior year: EUR 0.89 million) and taxes of EUR 2.02 million (prior year: EUR 2.30 million), profit for the year was approximately EUR 5.76 million (prior year: EUR 6.76 million). On the basis of an agreement between the Ministry of Finance and OeEB dated 17 November 2016 on the use of OeEB's earnings, an amount equivalent to 10% of the 2019 profit for the year was set aside for use in the implementation of Business Advisory Services projects. Due to the good profit result, EUR 5.65 million (prior year: EUR 6.63 million) was transferred to reserves.

Profit available for distribution was EUR 149,473 in the year under review (prior year: EUR 180,800).

iii. Office locations

The registered office of OeEB is located at Strauchgasse 3, 1010 Vienna, Austria. OeEB has no branch offices in Austria or other countries.

iv. Financial and non-financial performance indicators

Financial performance indicators

Earnings per share

As profit for the year was EUR 5,756,174 and the share capital is divided into 50,000 no par-value registered shares, earnings per share amounted to EUR 115.12.

Financial ratios

The increased cost-income ratio (operating expenses as a percentage of operating income) of 58.05% (prior year: 48.73%) was attributable mainly to the further growth of the bank and the resulting higher operating expenses. This metric also includes OeEB's expenses for the internal funding it provides since the beginning of 2017 for Business Advisory Services projects, which leads to additional operating expenses that, in themselves, exert an upward effect on the cost-income ratio compared to previous periods.

The Tier 1 capital ratio (CRR Tier 1 capital as a percentage of risk-weighted assets) in 2019 was 103.27% (prior year: 91.64%) and the leverage ratio (Tier 1 capital as a percentage of total exposure) was 85.18% (prior year: 84.35%).

Return on equity (profit for the year as a percentage of average equity), at 13.37%, was below the prior-year level of 18.31%.

Non-financial performance indicators

Staff

OeEB had an average of 65 active employees in the year under review (prior year: 60), plus four employees on parental leave (prior year: six).

Motivated staff members who provide service to a high standard of quality and professionalism, and do so in a cost- and risk-conscious manner, are critical to OeEB's sustained success as Austria's official development bank.

OeEB's employees are responsible for developing new business (notably project acquisition, structuring, risk assessment, compliance tasks, negotiation and conclusion of new contracts, and processing of all transactions for these projects) and for the ongoing management of the existing portfolio of projects. Besides handling the banking and financing side of the transactions, the project lead personnel must also assess the development relevance of the projects, in consultation with OeEB's development experts. Important roles here are the formulation and implementation of ways to improve development relevance where necessary; and development-related communication and policy work.

OeEB has a service agreement with Oesterreichische Kontrollbank AG (OeKB) under which various services are procured from OeKB. This ensures access to proven know-how and raises additional synergies.

The outsourcing of services is approved by the Financial Market Authority and includes finance & planning, human resources, information technology services, internal audit and treasury. As well, OeEB is authorised to outsource the compliance officer function for those business segments covered by the Standard Compliance Code (SCC) and the SCC's minimum standards (securities compliance). The function of the anti-money laundering/anti-terrorism finance officer has also been outsourced to OeKB.

Many OeEB employees bring to their jobs a wealth of experience from their various previous work in Austria and abroad. Personal and professional qualifications are used as the sole evaluation criteria, and for all employees, pay is independent of gender. OeEB applies the collective agreement for the banking sector to all staff and offers every employee flextime without core hours, as well as various flexible work time models. For graduates of vocational schools and higher educational institutions, the salary scale starts above collective agreement levels.

The bank's compensation policy uses both performance criteria and market benchmarks. Care is taken to ensure an appropriate relationship between fixed and variable pay. The variable component is based partly on individual performance as discussed in the performance appraisal interview, and partly on various corporate-level performance indicators. Appropriate controls ensure that variable compensation is paid only when the bank's earnings allow it. This approach is followed for all levels of the organisation, including senior management.

OeEB ensures that its staff undergoes regular and practice-oriented further training. In the year under review, in addition to in-house seminars delivered among other ways through the OeKB Academy, participation in external seminars in Austria and abroad was selectively offered, as well. Occasionally, training stays of several months at other development banks are also arranged.

Committed to being a responsible employer, OeEB uses appropriate staff development tools to help create the right conditions for employee satisfaction and productivity. The employee interview discusses performance against productivity objectives set in the prior period, as well as work quality and team relations. Performance objectives and the conditions required to achieve them are set anew each year. Sustainability targets are also agreed.

In the financial year, a comprehensive staff development programme, "Fit to Develop", was set up (including 270-degree feedback and focus groups), and action steps were derived from it for the next year. For the first time, OeEB and OeKB were jointly awarded the Work & Family Audit certificate. OeEB offers its employees a range of fringe benefits, such as reduced prices at the staff cafeteria, use of a medical centre or company doctor, a health budget, participation in vaccination campaigns and mass screenings, a wide range of sports courses, subsidised use of the company kindergarten and OeKB sports centre at low residual cost, group accident insurance, an external pension fund, preferential rates for supplementary health insurance, and employee assistance programmes.

Environmental responsibility

As it is OeEB's mandate to contribute to sustainable development, consideration of the environmental dimension both in the project work and in the operation of the Strauchgasse office is integral to the bank's activities. The credit financing projects and fiduciary equity investment projects undergo an environmental and social impact assessment. In the project business, OeEB also specifically supports the use of renewable energy.

As part of the sustainability management system of the OeKB Group, environmental performance parameters for the Strauchgasse premises are carefully adhered to and monitored (EMAS, GRI). The resulting sustainable operations data can be found in the 2019 sustainability report of the OeKB Group.

In keeping with the international nature of OeEB's activities, almost all of its business travel is by air. OeEB offsets the CO₂ emissions from its air travel by supporting climate protection projects conducted by Vienna's University of Natural Resources and Applied Life Sciences (see <https://boku.ac.at/en/nachhaltigkeit/boku-co2-kompensationssystem/klimaschutzprojekte/uganda-clean-air-and-safe-drinking-water>).

II. Outlook and risks for the bank

i. Business outlook

In June 2019, OeEB's Supervisory Board adopted the new strategy for 2019 to 2023, titled "Financing our Shared Future". With this strategy, OeEB positions itself as a thematically focused, specialised institution with a broad geographic reach. In the new strategy period, 80% of new business is to be concluded in the three thematic focus areas of "renewable energy", "micro, small and medium-sized enterprises (MSMEs)/financial inclusion" and "infrastructure". The two topics of climate protection and gender equality are being established as new cross-cutting themes.

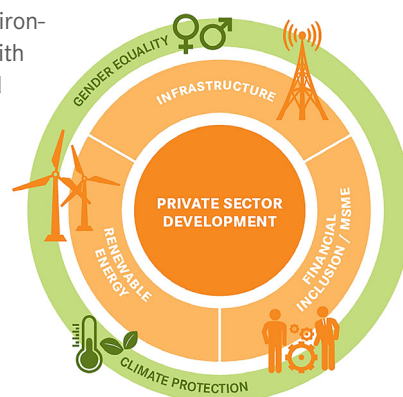
At the Paris climate conference, Austria committed to provide at least half a billion euros for climate finance between 2015 and 2020. OeEB sees a comparative strength in its ability, through the instruments at its disposal, to contribute to this climate financing goal in a particularly efficient and effective manner. For the next five years, OeEB has therefore set itself the goal of investing at least 40% of new business in projects that qualify as climate financing.

No quantitative targets have been set for the cross-cutting issue of gender for the time being. In a first step, gender mainstreaming will be implemented within the thematic priority "MSME/financial inclusion" and integrated into the social and environmental assessment. To this end, OeEB in 2019 built up internal capacity with external support, organised training courses for employees and developed standardised tools for OeEB's clients. In December 2019, a Gender Action Plan was adopted, which will guide the gradual implementation of the new cross-cutting theme.

Geographically speaking, OeEB can operate in all developing countries on the OECD DAC list, but in the next five years it intends specifically to expand its involvement in the poorest countries (LDCs) to 25%, and in African countries to 20%, of new business. After two years (i.e., at the beginning of 2021), OeEB's target levels will be evaluated and adjusted if necessary.

To improve the measurement and evaluation of development impacts, the Business Policy Rating Tool (GPR) was replaced in 2019 with the new DERa (Development Effectiveness Rating Tool) developed by Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), the German development finance institution.

OeEB believes it is well prepared for the challenges in its sphere of activity, and expects to achieve moderate continuing growth in 2020.



ii. Significant risks and uncertainties

The environment for the financing of projects in developing countries remains challenging. Commercial banks continue to be selective and restrictive in their lending both as a result of regulatory requirements and adjustments to their business models, and in the face of existing regional uncertainties. But carrying out development projects is important for growth in these countries. The role of development banks is to be stable and dependable partners and to go where the need is.

The growth prospects for the global economy in 2020 are subdued and the downside risks tend to predominate. Numerous developing and transition countries face the challenge of adjusting their economic structures to changing conditions (especially in connection with climate change among other factors), diversifying their economic output and reducing their dependence on natural resources. At the same time, the debt situation in some of these countries has become more strained in recent years and the risk of capital outflows from emerging markets has risen. In addition, there has been a sustained deterioration in the global political environment. Protectionist trends, which have already led to open trade conflicts, hamper the cross-border economic integration that is particularly important for developing countries. The instability in the Middle East, local conflicts, security risks and persistent social unrest worldwide pose additional challenges. Against this backdrop, the business trend in OeEB's individual target countries remains difficult to forecast.

iii. Risk management

Introduction

OeEB is a specialised institution for the financing of commercially viable, developmentally effective private sector investment projects in developing and newly industrialised countries. It is Austria's official development bank.

The focus of risk management activities in the year under review was on supporting the process implementation of the new African-Austrian SME Investment Facility (AAIF) and the new Gutmann OeEB Impact Fund. In addition, the implementation of the EBA Guidelines on outsourcing was also driven forward.

Strategic approach to risk management

When assessing project risks, environmental and social risks are comprehensively and thoroughly examined in accordance with international standards, as are economic risks.

To cover the very high project and country risks, OeEB receives a full guarantee from the Austrian government under the Export Guarantees Act for every credit financing deal. Financing extended on behalf of the Austrian government represents the great majority of the bank's assets. For this portion of its total assets, OeEB, like its parent OeKB, is exempt from the provisions of relevant legislation such as the Capital Requirements Regulation (the CRR, or EU Regulation 575/2013) and the Capital Requirements Directive IV (CRD IV).

As a result of the backing by the Republic of Austria through government guarantees, OeEB's share capital of EUR 5 million represents and meets the minimum requirement under the Austrian Banking Act. Although the equity base was already strengthened in the past, equity investments without a federal guarantee are undertaken only in accordance with the investment policies approved by the Supervisory Board or – if exceeding the relevant threshold levels that trigger the need for Supervisory Board approval – are made on the basis of specific individual approvals by the Supervisory Board.

OeEB is a wholly-owned subsidiary of OeKB and follows a risk policy and strategy consistent with that of the OeKB Group. In addition to the Group-level risk assessment, OeEB's banking risks are also measured at the individual-institution level. Moreover, internal control systems under the Austrian Banking Act have been developed together with OeKB for OeEB's major business processes – Investment Finance, Equity Investments, Business Advisory Services, problem engagements, and the management of existing projects. These systems of internal control are reviewed annually and enable risk management at the level of the OeKB Group.

As OeKB is its sole owner, OeEB is covered by the Group ICAAP, or Internal Capital Adequacy Assessment Process. No ICAAP is performed at the level of OeEB. The key metric in the measurement and management of risk – the calculated economic capital required (for the going concern and gone concern views) – is compared against the economic capital available at different levels of scenario severity. At the individual-institution level, OeEB opts not to perform a Pillar II calculation of risk coverage. However, despite the relative insignificance of the risk, economic capital is determined for the investment risk arising from OeEB's own investment portfolio (the banking book), using the Value at Risk concept.

Risk management organisation

Under the Austrian Banking Act, the full Executive Board is responsible for managing OeEB's risks relating to banking transactions and banking operations, for ensuring capital adequacy in respect of the risks taken, and for establishing the organisation that this requires. A basic principle of risk management at OeEB is the strict separation of risk origination and risk oversight. The risk management functions reside with the Executive Board member responsible for risk management. Taking into account the principle of proportionality, OeEB's risk management is appropriate to the business model, strategy, risk situation and internal operational requirements.

The Risk Management Committee decides on appropriate actions and processes for implementing the risk policy and strategy set by the Executive Board and approved by the Supervisory Board.

Operational risk management by OeEB involves the monitoring and control of the operational risk profile, the development of strategies and processes for the control of operational risk, and business continuity management in collaboration with OeKB's operational risk manager.

For emergencies and various crisis scenarios, the operational risk management policy identifies emergency and crisis response teams and sets out responsibilities and procedures.

The role of assuring the compliance of the internal control system (ICS) with legal requirements is contractually outsourced to OeKB. The ICS compliance officer at OeKB works together with the ICS process owners at OeEB. Operational risk management is performed in close cooperation with the operational risk manager at OeKB and the Organisation section of OeKB's Organisation, Construction, Environment and Safety (OBUS) department. Like the bank's risk management as a whole, the internal control system is subject to ongoing scrutiny by Internal Audit.

Under an agreement with OeKB, the functions of the securities compliance officer and of the anti-money laundering/anti-terrorism finance officer are outsourced to OeKB. However, there is a (separate) contact person at OeEB for each of these two functions. To mitigate the legal risk of business transactions, OeEB's Legal department usually works with local law firms.

Risk types considered in bank-wide risk management

The most important financial risks are credit risk, market risk, liquidity risk and operational risk.

Credit risk

Credit risk is defined as the risk of loss due to the unexpected non-performance of contractual payment obligations by counterparties. In view of its business structure, OeEB distinguishes the following types of credit risk:

- **Counterparty risk/default risk:** The risk of loss as a result of a borrower's failure to honour its payment obligations or of the default of a counterparty (such as a borrower). All loan exposures are covered by an Austrian government guarantee for commercial and political risk.
- **Investee risk:** The risk of loss from self-funded equity investments.
- **Concentration risk:** The risk of loss as a result of high credit exposure to individual borrowers or groups of related borrowers. Country limits and customer limits are in place and are reviewed on an ongoing basis.
- **Foreign exchange risk from imperfect hedges:** the risk of loss as a result of currency translation differences arising from delayed compensation by the Ministry of Finance in credit events with US dollar exposures.

The credit risk budget of EUR 10 million for the Group ICAAP was not exceeded in 2019.

Market risk

Market risk is the risk of loss as a result of changes in market parameters. It can be subdivided into interest rate risk, currency risk, equity risk and other price risks. Credit financing extended by OeEB is as a rule funded at rates compliant with the OECD's Commercial Interest Reference Rate (CIRR). OeEB has no other significant exposure to market risks.

The market risk budget of EUR 7.5 million for 2019 was not exceeded.

Liquidity risk

Liquidity risk can be divided into term liquidity risk and withdrawal/call risk, as well as structural risk (funding liquidity risk).

Liquidity is currently managed and made available on a project basis in coordination between OeEB and OeKB. Term liquidity risk is the risk of change in the length of time for which capital is committed to or by OeEB. Withdrawal/call risk is the risk that deposits received are unexpectedly withdrawn or that loan commitments to borrowers are unexpectedly utilised. Both term liquidity risks and withdrawal/call risks are low as a result of OeEB's business structure and contractual arrangements. Liquidity is monitored and controlled with the aid of weekly cash flow projections.

As OeEB's funding is obtained largely through OeKB, the latter's standing in the market facilitates the availability of financing to OeEB at any time.

Operational risk

Operational risk is the risk of loss resulting from the inadequacy or failure of internal processes, people or systems, or from external events. Operational risk includes legal risk.

The central integration of operational risk management (including information security) into the OeKB Group's bank-wide management of risk, as well as the corporate culture, business continuity plans, insurance cover and similar centrally manageable measures, together form the framework within which the individual staff members are required to exercise personal responsibility for everyday risk management in their sphere of accountability. In these areas, OeEB, which has its offices within OeKB's premises, works very closely with OeKB.

For emergencies and various crisis scenarios, the operational risk management policy identifies emergency and crisis response teams and sets out responsibilities and procedures; an emergency response manual is also in place.

Other risks

Other risks include the following non-financial risks, among others:

- **Strategic risk:** The risk of negative impacts on capital or earnings as a result of strategic business decisions and/or changes in the business environment.
- **Reputation risk:** The risk of adverse consequences from how the organisation is perceived by stakeholders (the shareholder, staff, clients, the Austrian government, and others).
- **Business risk:** The risk of deterioration in earnings as a result of unexpected changes in business volume or margins.

Strategic risks and reputational risks to OeEB arise primarily from its special position. As a result of its mandate, OeEB's only principal is the Republic of Austria. A quantitative assessment of the risk associated with this would be difficult to perform and none is planned. OeEB continually monitors potential changes in its operating environment that have fundamental significance for its business activities and considers such developments in its business strategy.

Key features of the internal control system in relation to the accounting process

OeEB outsources all accounting activities to its parent institution, Oesterreichische Kontrollbank Aktiengesellschaft (OeKB). The specific requirements are defined in a service agreement. In terms of the accounting process, the internal control system thus meets the same standard as does that of OeKB.

Within OeEB's Executive Board, Michael Wancata has responsibility for the accounting function and for the establishment and design of a system of internal control and of risk management in relation to the accounting processes that meets the bank's needs. The internal control system is implemented jointly with OeKB or by OeKB, according to the specific requirements of OeEB.

The key features of the internal control system can be described based on the definition of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework consists of five interrelated components: the control environment, risk assessment, control activities, information and communication, and monitoring.

The purpose of the internal control system is to support management so as to enable it to ensure effective and continually improving internal controls. This purpose should not be limited to the accounting system but also extend to all major business processes, in order to safeguard the economic efficiency and effectiveness of business activities, the reliability of the business information (including non-financial reporting, such as on corporate responsibility aspects), and adherence to policies and regulations (compliance).

The Group-level Internal Audit function (performed by the OeKB Group's Internal Audit department) independently and regularly verifies the adherence to internal policies and procedures, including the accounting rules. The head of Group Internal Audit reports the findings directly to the Executive Board of OeEB. The Internal Audit activities are outsourced to OeKB under a service agreement.

Control environment

The most fundamental aspect of the control environment is the corporate culture in which management and employees operate. OeEB continually works to improve communication and the transmission of its basic corporate values.

The manner of implementation of the internal control system in respect of the accounting process is set out in the written internal policies and procedures of the accounting function. The responsibilities in relation to the internal control system have been adjusted to fit the company's organisational structure in order to ensure a satisfactory control environment that meets the requirements.

Risk assessment

Risks related to the accounting process are identified and monitored by OeKB Group management and OeEB management, with a focus on material risks.

The preparation of the financial statements regularly requires the use of estimates. This involves the inherent risk that actual future developments will differ from these estimates. As all loans extended by OeEB are secured by guarantees of the Republic of Austria, this estimation risk is particularly relevant to matters/items in the financial statements relating, for example, to the stability of the value of equity interests.

Control activities

In addition to the Supervisory Board and Executive Board, the general control environment also encompasses middle management, such as the department heads.

All control activities are applied "in-process" during the regular ongoing operation of the business processes in order to ensure that potential errors in financial and other reporting are detected and corrected.

The Executive Board, working with OeKB, is responsible for ensuring that the levels of the reporting hierarchy are structured such that a given activity and the controls on the activity are not performed by the same person (i.e., ensuring the strict separation of responsibilities).

Control activities concerning information technology security are a cornerstone of the internal control system. Thus, the segregation of sensitive responsibilities is supported by the restrictive assignment of IT privileges. SAP ERP software is used for accounting and financial reporting. The functioning and effectiveness of this accounting system is assured, among other ways, by automated IT controls installed in the system. OeEB's IT function has been outsourced to OeKB; as a result, the same high security standards are applied as at the parent institution.

Information and communication

The financial reporting requirements are regularly updated by management and communicated to all staff concerned.

As well, the (Group) accounting staff members involved receive frequent training regarding changes in international accounting practices in order to be able to detect risks of inadvertent reporting deficiencies at an early stage.

Monitoring

Ultimate responsibility for the enterprise-wide ongoing monitoring of business processes rests with management and the Supervisory Board. The respective department heads are responsible for the monitoring of the relevant areas of activity; for example, checks and validations are conducted at regular intervals.

Group Internal Audit is also involved in the monitoring process. The system of internal control likewise performs a monitoring and oversight function.

The Audit Committee, established in September 2016, has the following responsibilities among others:

- Monitoring the effectiveness of the internal control system, the internal audit system and the risk management system
- Reviewing the annual financial statements and preparing their adoption, reviewing the proposal for the appropriation of profit and reviewing the management report
- Carrying out the procedure for selecting the external independent auditor and recommending the auditor for nomination by the Supervisory Board

In the 2019 financial year the Audit Committee met twice.

The findings of the monitoring activities are reported to management and the Supervisory Board. The Executive Board regularly receives summarised financial reports, such as monthly financial statements as well as risk reports. Financial statements intended for publication undergo a final review by accounting management staff (at Group and OeEB level) and by the OeEB Executive Board before being forwarded to the OeEB Supervisory Board.

III. Research & development

As a result of its particular mandate, OeEB does not conduct research and development (R&D).

Vienna, 12 February 2020

Sabine Gaber
Member of the Executive Board

Michael Wancata
Member of the Executive Board

B. Financial statements

1. Balance sheet at 31 December 2019

Assets

	31 DEC. 2019 EUR	31 DEC. 2018 EUR '000
01 Balances at central banks	1,547.57	1
02 Loans and advances to banks	408,421,469.39	353,147
a) Repayable on demand	35,115,156.89	33,973
b) Other loans and advances	373,306,312.50	319,174
03 Loans and advances to customers	378,603,229.07	279,995
04 Bonds and other fixed income securities	8,125,428.91	8,045
a) Of other issuers (i.e., non-public sector issuers)	8,125,428.91	8,045
05 Equity shares and other variable income securities	227,259,792.65	187,696
06 Interests in outside companies	32,170.00	32
07 Interests in subsidiaries	35,000.00	0
08 Non-current intangible assets	52,900.00	78
09 Property and equipment	299.00	0
10 Other assets	1,265,476.72	6,096
11 Prepaid expenses	300,625.87	188
12 Deferred tax assets	364,907.38	385
Total assets	1,024,462,846.56	835,663
Off-balance sheet items		
1. Foreign assets	988,195,393.92	801,243
2. Fiduciary assets	135,769,820.11	130,912

Liabilities and equity

	31 DEC. 2019 EUR	31 DEC. 2018 EUR '000
01 Deposits from banks	943,735,566.13	758,271
a) With agreed maturity or notice period	943,735,566.13	758,271
02 Deposits from customers	22,960,480.65	27,210
a) Non-savings deposits	22,960,480.65	27,210
Of which aa) With agreed maturity or notice period	22,960,480.65	27,210
03 Other financial liabilities	6,112,848.61	2,627
04 Accruals and deferred income	3,677,843.73	3,149
05 Provisions	2,118,953.95	4,170
a) Termination benefit provisions	317,219.00	184
b) Other provisions	1,801,734.95	3,986
06 Share capital	5,000,000.00	5,000
07 Retained earnings	40,691,000.00	35,038
a) Statutory reserve	500,000.00	500
b) Other reserves	40,191,000.00	34,538
08 Liability reserve under section 57 (5) Banking Act	16,680.48	17
09 Profit available for distribution	149,473.01	181
Total liabilities and equity	1,024,462,846.56	835,663
Off-balance sheet items		
1. Contingent liabilities (guarantee obligations incurred and assets pledged as collateral security)	57,164,232.23	66,310
2. Off-balance sheet credit risks	211,860,061.15	208,737
3. Liabilities from fiduciary activities	135,769,820.11	130,912
4. Available regulatory capital under part 2 of Regulation (EU) No 575/2013	38,834,315.17	32,858
5. Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013	37,112,511.29	35,113
Regulatory capital requirement under article 92 (1) (a) of Regulation (EU) No 575/2013 (Common Equity Tier 1 ratio in %)	103.27	91,64
Regulatory capital requirement under article 92 (1) (b) of Regulation (EU) No 575/2013 (Tier 1 capital ratio in %)	103.27	91,64
Regulatory capital requirement under article 92 (1) (c) of Regulation (EU) No 575/2013 (total capital ratio in %)	104.64	93,58
6. Foreign liabilities	42,266,028.79	46,660

2. Income statement for the year ended 31 December 2019

	2019 EUR	2018 EUR '000
1. Interest and similar income	36,244,260.30	28,583
Of which from fixed income securities	363,987.29	226
2. Interest and similar expense	-18,746,088.71	-13,136
I. Net interest income	17,498,171.59	15,447
3. Income from securities and share of profit of outside companies	8,574,854.69	6,975
a) Income from equity shares, other ownership interests and variable income securities	8,574,854.69	6,975
4. Fee and commission income	6,826,173.76	7,186
5. Fee and commission expense	-13,534,561.14	-10,734
6. Net income (+) or expense (-) from financial operations	155,612.83	133
7. Other operating income	487,134.30	400
II. Operating income	20,007,386.03	19,407
8. Administrative expenses	-11,561,910.67	-9,401
a) Staff costs	-6,960,159.43	-5,820
Of which		
aa) Salaries	-5,172,509.68	-4,459
bb) Statutory social security costs, pay-based levies, and pay-based other compulsory contributions	-1,227,967.19	-1,076
cc) Other social expenses	-226,663.88	-87
dd) Expenses for retirement and other post-employment benefits	-110,472.61	-99
ee) Expenses for termination benefits and contributions to termination benefit funds	-222,546.07	-98
b) Other administrative expenses	-4,601,751.24	-3,581
9. Impairment on asset items 8 and 9	-26,020.54	-29
10. Other operating expenses	-26,169.77	-28
III. Operating expenses	-11,614,100.98	-9,457
IV. Operating profit	8,393,285.05	9,950

	2019 EUR	2018 EUR '000
11. Impairment losses and write-downs related to loans and advances	-787,821.85	-5
12. Gain on reversal of impairment losses on loans and advances	170,000.00	170
13. Impairment and disposal losses on securities measured as non-current financial assets	-53.71	-1,054
14. Gain on reversal of impairment losses on securities measured as non-current financial assets	3,346.05	0
V. Profit before tax	7,778,755.54	9,061
15. Income tax	-2,022,582.04	-2,300
VI. Profit for the year	5,756,173.50	6,761
16. Transfer to reserves Of which transfer to liability reserve	-5,653,000.00 0.00	-6,626 0
VII. Unallocated profit for the year	103,173.50	135
17. Profit brought forward from the prior year	46,299.51	46
VIII. Profit available for distribution	149,473.01	181

3. Notes to the financial statements

3.1 Legislative basis of operations

The Austrian Federal Minister of Finance is authorised by section 9 (1) Export Guarantees Act (German name of the Act: Ausfuhrförderungsgesetz, or AusffG) to grant to Oesterreichische Entwicklungsbank AG (OeEB), a subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB), the public mandate for establishing and providing the services of an Austrian development bank.

Principal activities of OeEB are the longer-term financing of sustainable investment in developing countries and the management of federal government activities for supporting the preparation and implementation of private sector projects in developing countries.

OeEB is bound by Austria's development aims and principles under the Development Cooperation Act, Federal Law Gazette I Vol. 49/2002, as amended (German name of the Act: Entwicklungszusammenarbeitsgesetz, or EZA-G) and is required to consider Austria's foreign trade objectives.

OeEB operates primarily in developing countries. A guide for the geographic scope of its activities is the respective current list of Official Development Assistance (ODA) Recipients published by the OECD Development Assistance Committee (DAC). OeEB mainly supports private sector projects in developing countries. These projects must meet development criteria, satisfy international environmental and social standards and conform with Austrian and international law.

To implement the projects, OeEB employs three mechanisms: Investment Finance transactions, project support measures under Business Advisory Services, as well as Equity Investments, which are federally funded or OeEB-funded equity and near-equity investments in funds and companies.

The Investment Finance transactions are reported primarily in the balance sheet items "other loans and advances" (to banks), "loans and advances to customers", and "equity shares and other variable income securities". In addition, there are risk participations in the Investment Finance business segment that are recognised as contingent liabilities, and credit risks in the form of credit facilities and securities purchase obligations.

For every Investment Finance transaction conducted under the Export Guarantees Act, the Republic of Austria provides a guarantee for political and commercial risks (pursuant to section 9 (3) Export Guarantees Act).

The balance sheet item "equity securities and other variable income securities" also includes projects in the Equity Investments segment that are funded by OeEB itself. Information on the associated guarantee is provided in section 3.2.2 below.

The equity investments that are federally funded are recognised below the balance sheet (i.e., off-balance sheet) in the items "fiduciary assets" and "liabilities from fiduciary activities" (see section 3.2.10). In the federally funded Equity Investments mechanism, the Republic of Austria, acting as trustor, makes the investment funding available for the entire duration of the investment; the risk of loss is therefore borne directly by the Republic of Austria.

3.2 Accounting policies

3.2.1 Basis of presentation and general principles applied

The annual financial statements of Oesterreichische Entwicklungsbank AG (“OeEB”, “the bank”) at and for the year ended 31 December 2019 were prepared by the Executive Board of OeEB in accordance with the provisions of the Austrian Commercial Code (in German: Unternehmensgesetzbuch, or UGB), as amended, and the bank-specific provisions of the Austrian Banking Act (in German: Bankwesengesetz, or BWG), as amended. In accordance with Austrian publication regulations, the financial statements are filed with the commercial court of business registration and published in the official gazette “Amtsblatt zur Wiener Zeitung”. The structure of the balance sheet and income statement is as specified in Annex 2 to section 43 Austrian Banking Act.

OeEB is classified as a public interest entity under section 43 (1a) Austrian Banking Act in conjunction with section 189a Austrian Commercial Code.

The financial statements were drawn up in accordance with accounting principles generally accepted in Austria and with the guiding principle of presenting a true and fair view of the bank’s financial position, results of operations and cash flows. The financial statements were prepared in accordance with the principle of **completeness**.

In measuring the individual assets and liabilities, the principle of **individual measurement** was observed and the bank’s **continuing operation** was assumed.

The principle of prudence was observed by reporting only those profits realised at the balance sheet date. All identifiable risks and impending losses which arose by the balance sheet date were recognised.

According to the size classes defined in section 221 (3) Austrian Commercial Code, OeEB is categorized as a large corporation.

The same measurement and presentation methods were applied as in the prior year, with the exception of the changes indicated below within the notes to the individual line items.

Estimates are based on prudent judgement. To the extent that statistically determinable experience from comparable situations exists, it has been taken into account in arriving at estimates.

The financial year under review was the full calendar year.

3.2.2 Securities

Bonds and other fixed income securities used as liquid investments (classified as current assets) are measured using the conservative lower-of-cost-or-market approach, i.e., measured at the lower of cost or the quoted market price at the balance sheet date (section 207 Austrian Commercial Code). Impairment losses are reversed if the reasons for the impairment no longer apply.

In the 2019 financial year, the securities classified as non-current assets that were shown in this item until 2018, which relate to investment financing and are not listed, were allocated to the balance sheet item “loans and advances to customers”.

The bank does not hold securities for trading and therefore does not maintain a trading book.

Equity shares and other variable income securities are measured using the modified lower-of-cost-or-market approach, i.e., are measured at cost or, if permanently impaired, at a lower quoted market price at the balance sheet date. They are classified as non-current assets.

In the case of the fund shares acquired for investment finance purposes, the guarantees (under section 9 (3) Export Guarantees Act) for political and commercial risks cover not just the principal amount underwritten by OeEB but also its target rate of return up to the documented funding costs plus the guarantee fee. As a result of the full government guarantee, the expected dividends and interest income for the year under these transactions are recognised in the balance sheet item “equity shares and other variable income securities” on an accrual basis up to the maximum amount guaranteed.

Within the Equity Investments segment, for OeEB’s self-funded investments in private equity funds, the guarantees (under section 9 (3) Export Guarantees Act) for political and commercial risks cover the capital invested by OeEB for the purchase of fund shares, up to a maximum amount, by way of a capital preservation guarantee. These transactions too are included in the balance sheet item “equity shares and other variable income securities”.

3.2.3 Interests in outside companies and interests in subsidiaries

Interests in outside companies and in subsidiaries are measured at cost, less any lasting material impairment losses. Impairment losses are reversed if the reasons for the impairment no longer apply.

3.2.4 Intangible assets

Intangible assets are recognised in the balance sheet only if they have been acquired by purchase. They are measured at cost less amortisation and impairment. In accordance with tax legislation, a full year’s amortisation is applied to additions made in the first half of the year, and half of a year’s amortisation is applied to additions made in the second half of the year. Intangible assets generated internally are expensed immediately.

Amortisation is provided on a straight-line basis over a useful life of five years, i.e., at a rate of 20% per year.

Impairment losses existing at the balance sheet date are recognised if the impairment is expected to be lasting in nature.

3.2.5 Property and equipment

Items of property and equipment are measured at cost, less depreciation and impairment. Low-value assets (i.e., with an individual acquisition cost of less than EUR 400) are expensed immediately. In accordance with tax legislation, a full year's depreciation is applied to additions made in the first half of the year, and half of a year's depreciation is applied to additions made in the second half of the year.

Depreciation is provided on a straight-line basis over the normal useful life of the assets, which is ten years.

Impairment losses existing at the balance sheet date are recognised if the impairment is expected to be lasting in nature.

3.2.6 Loans and advances and other assets

Loans and advances to banks and customers, and **other assets**, are recognised at face amounts. For identifiable credit risks in respect of borrowers, impairment losses are individually assessed. The valuation method under section 57 Austrian Banking Act is applied.

In view of the guarantees for political and commercial risks under section 9 (3) Export Guarantees Act, the expected interest income is recognised on an accrual basis and recorded in the respective balance sheet item.

3.2.7 Deferred taxes

In accordance with section 198 (9) and (10) Austrian Commercial Code, deferred taxes are recognised using the balance sheet-based temporary concept and without discounting, on the basis of the current corporate tax rate of 25%.

3.2.8 Deposits from banks and customers and other financial liabilities

Deposits from banks, deposits from customers and other financial liabilities are recognised at the amount required to settle the obligation (the higher of the face amount or repayable amount). Accrued interest is included in the respective balance sheet item.

3.2.9 Provisions

Provisions for termination benefits are determined on the basis of generally accepted actuarial principles, using the projected unit credit method in accordance with International Accounting Standard 19. The calculations assume a discount rate of 1.02% (prior year: 1.95%), a salary growth rate of 3.25% (prior year: 3.50%) and an age at retirement of 65 years for men (prior year: 65 years) and 65 years for women (prior year: 65 years), and are based on the computation tables “AVÖ 2018 P” by Pagler & Pagler. Actuarial gains and losses are recognised in the income statement. The interest cost and the effects of a change in the discount rate are reported in staff costs.

The discount rate for termination benefit provisions is determined based on market yields of highly rated corporate bonds at the balance sheet date.

The item “**other provisions**” represents all risks, and all liabilities of uncertain amount or nature, identifiable at the time of preparation of the financial statements, measured as dictated by prudent business judgment.

Non-current provisions are recognised at the amount required to settle the obligation and are discounted if material.

3.2.10 Fiduciary assets and liabilities

The item “fiduciary assets” contains the transactions overseen by OeEB as trustee which are covered in section 3 of the contract concluded pursuant to section 9 (1) Export Guarantees Act. In fulfilling its mandate, OeEB is authorised among other things to acquire interests in investment funds and companies through federally funded equity and near-equity investments. The monies held in trust for these Equity Investments are used by OeEB by investing them in its own name for the account of the Austrian Ministry of Finance. In addition, there is a co-financing with the Austrian Ministry of Sustainability and Tourism for one of the projects. The total for fiduciary assets additionally includes a separate account of the federal government (“trust account”).

Under section 48 (1) Austrian Banking Act, fiduciary assets can be reported off-balance sheet if there is a special arrangement which allows these assets to be segregated from the assets available for distribution in the event of a compulsory liquidation of the bank. Such a right of segregation exists for the fiduciary assets of the federal government reported in the annual financial statements of OeEB, and these assets are therefore disclosed off-balance sheet.

At the same time, the obligation to the Ministry of Finance (incurred by OeEB as a result of the right of segregation under section 48 (1) Austrian Banking Act) to surrender the funds is reported off-balance sheet on the liabilities side.

3.2.11 Foreign currency translation

The reporting currency is the euro. Foreign currency amounts are ordinarily translated at middle rates of exchange.

3.3 Notes to the balance sheet and income statement

3.3.1 Supplementary disclosures

3.3.1.1 Loans and advances

3.3.1.1.1 Loans and advances to banks

	31 DEC. 2019 EUR	31 DEC. 2018 EUR
LOANS AND ADVANCES TO BANKS REPAYABLE ON DEMAND		
Denominated in EUR	35,044,091.59	33,403,298.78
Denominated in USD	71,065.30	569,790.30
Total	35,115,156.89	33,973,089.08
OTHER LOANS AND ADVANCES TO BANKS		
Denominated in EUR	37,079,079.08	58,159,725.85
Denominated in USD	336,482,233.42	261,354,466.67
Less impairment charge under section 57 (1) Banking Act	-255,000.00	-340,000.00
Total	373,306,312.50	319,174,192.52

3.3.1.1.2 Loans and advances to customers

LOANS AND ADVANCES TO CUSTOMERS	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Denominated in EUR	139,865,925.35	91,371,885.86
Denominated in USD	238,992,303.72	188,962,669.48
Less impairment charge under section 57 (1) Banking Act	-255,000.00	-340,000.00
Total	378,603,229.07	279,994,555.34

Beginning in the 2019 financial year, this balance sheet item also includes subordinated unlisted debt securities from the Investment Finance segment in the amount of EUR 12,203,299.55.

3.3.1.2 Securities

For the purposes of section 64 (1) 10 and 11 Austrian Banking Act, the analysis of securities holdings is as follows:

	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Bonds and other fixed income securities		
Listed	8,125,428.91	3,025,333.15
Unlisted	0.00	5,019,109.59
Total	8,125,428.91	8,044,442.74
Of which securities classified as non-current assets	0.00	5,019,109.59
Equity shares and other variable income securities		
Denominated in EUR	87,358,137.66	86,581,075.40
Denominated in USD	139,901,654.99	101,115,363.74
Total	227,259,792.65	187,696,439.14

Bonds and other fixed income securities in the amount of EUR 1,000,000.00 will be redeemed in the subsequent financial year, i.e., in 2020 (prior year's projection for the year under review: EUR 1,000,000.00). Also, interest in the amount of EUR 27,288.91 for 2019 will come due in the subsequent year (prior year's projection for the year under review: EUR 25,102.74).

The unlisted securities held as non-current assets were reclassified to loans and advances to customers in the 2019 financial year.

Disclosures under section 56 Austrian Banking Act:

Section 56 (2) Austrian Banking Act: The difference between cost and repayable amount of securities admitted to trading and listed on an exchange that were held as current assets was EUR 98,140.00 (prior year: EUR 19,340.00).

Section 56 (4) Austrian Banking Act: The difference between market value and cost was EUR 149,470.00 (prior year: EUR 20,250.00).

In the financial year, write-ups of EUR 0.00 to historical cost were performed (prior year: EUR 0.00).

The fund shares reported within "equity shares and other variable income securities" are classified as non-current assets; in an amount of EUR 225,081,087.33, these shares were acquired for the purpose of investment financing (prior year: EUR 186,336,552.14)

In a further amount of EUR 2,178,705.32 (prior year: EUR 1,359,887.00), they represented investments in private equity funds made under an agreement of 17 November 2016 between the Ministry of Finance and OeEB for the purposes of the Equity Investments segment. These projects internally funded by OeEB are to be implemented in its own name and for its own account using available free reserves.

In 2019 and 2018, none of the securities reported under "equity shares and other variable income securities" were admitted to trading on an exchange.

3.3.1.3 Interests in outside companies

At the end of the financial year, OeEB held a 7.63% equity interest in European Financing Partners S.A.; this investment was measured at cost at EUR 25,100.00. OeEB also held a 7.69% equity interest in Interact Climate Change Facility S.A., measured at cost at EUR 6,000.00. Both companies are based in Luxembourg.

Since 2018 OeEB holds an equity interest of 0.1% in Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H. and of 0.1942% in Einlagensicherung AUSTRIA Ges.m.b.H., two deposit insurance entities.

3.3.1.4 Interests in subsidiaries

In January 2019, OeEB founded a wholly owned subsidiary, OeEB Impact GmbH. The subsidiary's equity at 31 December 2019 was EUR 35,000.00 and it had a loss for the year of EUR 8,203.04.

3.3.1.5 Non-current assets

The changes in the individual non-current asset items and the breakdown of depreciation, amortisation and impairment by asset item are presented in the table "Movements in non-current assets" at the end of the notes to the financial statements.

3.3.1.6 Other assets

2019	REMAINING MATURITY		CARRYING AMOUNT EUR
	UP TO 1 YEAR EUR	OVER 1 YEAR EUR	
Other assets outside Austria	309,530.79	50,000.00	359,530.79
Receivables from tax authority	879,585.93	–	879,585.93
Sundry assets	26,360.00	–	26,360.00
Total	1,215,476.72	50,000.00	1,265,476.72

2018	REMAINING MATURITY		CARRYING AMOUNT EUR
	UP TO 1 YEAR EUR	OVER 1 YEAR EUR	
Other assets outside Austria	5,571,777.15	50,000.00	5,621,777.15
Receivables from tax authority	336,056.59	–	336,056.59
Sundry assets	137,975.55	–	137,975.55
Total	6,045,809.29	50,000.00	6,095,809.29

The decrease compared with the prior financial year resulted from the reclassification of outstanding loan assets to the items “loans and advances to banks” and “loans and advances to customers”.

“Other assets” included accrued income of EUR 309,567.15 for 2019 (prior year: EUR 1,352,859.79) to be received after the balance sheet date.

3.3.1.7 Deferred tax assets

The deferred taxes at the balance sheet date consisted only of deferred tax assets and were recognised for temporary differences between the carrying amounts in the financial statements and their tax base, for the following items:

DEFERRED TAXES	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Impairment under section 57 Banking Act	127,500.00	170,000.00
Non-current provisions for employee benefits	88,383.72	54,785.03
Provision for structuring fee for investment fund	149,023.64	160,157.02
Total	364,907.36	384,942.05

The movement in deferred taxes was as follows:

DEFERRED TAXES	2019 EUR	2018 EUR
At 1 January	384,942.05	259,963.90
Change recognised in profit or loss	-20,034.67	124,978.15
At 31 December	364,907.38	384,942.05

The dividend payout restriction under section 235 (2) Austrian Commercial Code (deferred tax assets) does not apply, thanks to sufficient free reserves.

3.3.1.8 Fiduciary assets

The following table presents the fiduciary assets held in connection with Business Advisory Services and with federally funded Equity Investments, which are undertaken pursuant to section 3 of the contract concluded on the basis of section 9 (1) Export Guarantees Act. Also shown is the trust account of the federal government. In addition, in 2019 the federal government acquired an equity interest in connection with a restructuring event in the Investment Financing segment; this stake is also held in trust by OeEB.

	31 DEC. 2019 EUR	31 DEC. 2018 EUR
FIDUCIARY ASSETS		
EUROPEAN FUND FOR SOUTHEAST EUROPE SA, SICAV-SIF Luxembourg	6,000,000.00	6,000
CGFT CAPITAL POOLING GMBH & CO. KG Germany	3,714,110.00	3,714
MICROFINANCE ENHANCEMENT FACILITY SA, SICAV-SIF Luxembourg	3,000,000.00	3,000
REGIONAL MSME INVESTMENT FUND FOR SUB-SAHARAN AFRICA S.A., SICAV-SIF Luxembourg	3,000,000.00	3,000
Total under Business Advisory Services	15,714,110.00	15,714
CEE SPECIAL SITUATIONS FUND, L.P. Jersey	21,299,324.70	20,793
AFRICA RENEWABLE ENGERGY FUND L.P. Mauritius	6,821,705.20	6,293
DWM FUNDS S.C.A SICAV-SIF Luxembourg	5,293,735.06	4,245
CAMBODIA LAOS MYANMAR DEVELOPMENT FUND II L.P. Singapore	4,868,017.39	3,247
WOMEN ´S WORLD BANKING CAPITAL PARTNERS, L.P. USA (United States)	3,659,994.67	3,099
ASCENT RIFT VALLEY FUND LTD. Mauritius	3,330,104.18	2,733
DOLMA IMPACT FUND I Mauritius	3,048,215.64	1,949
SEAF CAUCASUS GROWTH FUND L.P. Cayman Islands	2,633,152.96	2,746
ADENIA CAPITAL IV LP Mauritius	2,580,329.00	1,973
CATALYST MENA CLEAN ENERGY FUND L.P. Guernsey	2,111,066.32	986
CAUCASUS CLEAN ENERGY FUND I Guernsey	1,932,509.21	1,703
THE ENTERPRISE EXPANSION FUND S.A.(ENEF) SICAV-SIF Luxembourg	1,773,235.20	1,616
FRONTIER ENERGY II ALPHA K/S Denmark	1,755,227.58	1,528
EUROPEAN INVESTMENT FUND CENTRAL EUROPEAN FUND OF FUNDS Luxembourg	1,386,653.31	898
RENDCOR GMBH Austria	822,500.00	823
SHORECAP III, LP Mauritius	690,380.99	139
SHORECAP II LIMITED Mauritius	651,474.00	1,080
Total under Equity Investments	64,657,625.41	55,851
CJSC ACCESSBANK Azerbaijan	4,031,571.74	0
Total equity interests from restructurings of Investment Finance facilities	4,031,571.74	0
Trust account balance	51,366,512.96	59,335
Amounts paid to a fund under Equity Investments but not yet invested	0.00	11
Total fiduciary assets	135,769,820.11	130,912

3.3.1.9 Deposits from banks and customers and other financial liabilities

3.3.1.9.1 Deposits from banks

DEPOSITS FROM BANKS	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Denominated in EUR	235,898,011.07	211,480,434.72
Denominated in USD	707,837,555.06	546,790,856.77
Total	943,735,566.13	758,271,291.49

3.3.1.9.2 Deposits from customers

DEPOSITS FROM CUSTOMERS	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Denominated in EUR	22,960,480.65	27,209,801.57
Denominated in USD	0.00	0.00
Total	22,960,480.65	27,209,801.57

3.3.1.9.3 Other financial liabilities

OTHER FINANCIAL LIABILITIES	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Other financial liabilities in Austria	251,579.86	144,598.50
Liabilities to Ministry of Finance: from guarantee fees	5,240,493.00	1,867,370.00
from Advisory Programmes	459,355.68	595,961.68
Sundry liabilities	161,420.07	18,819.61
Total	6,112,848.61	2,626,749.79

Beginning in the 2019 financial year, the item “other financial liabilities” includes not only the obligations due for outstanding guarantee fees but also the accrued obligations for guarantee fees in the amount of EUR 3,194,068.00; in 2018 the liability for the latter amounted to EUR 2,228,831.00 and was recognised under other provisions.

Other financial liabilities included accrued expenses for 2019 of EUR 5,616,673.11 (prior year: EUR 2,029,827.16) that will be paid after the balance sheet date.

Other financial liabilities were all current in nature.

3.3.1.10 Provisions

Termination benefit provisions changed by EUR 133,162.00 in the financial year, from EUR 184,057.00 to a new total of EUR 317,219.00. At 31 December 2019, termination benefit provisions also include the provisions for the period of approximately three months after the death of pension plan participants during which a surviving spouse receives a higher pension than the subsequent survivor’s pension.

The item “other provisions” had the following composition:

OTHER PROVISIONS	1 JAN. 2019 EUR	ADDED EUR	USED EUR	RELEASED EUR	31 DEC. 2019 EUR
Provision for vacation pay	250,976.56	347,104.23	250,976.56	–	347,104.23
Provision for legal, audit and consulting expenses	90,000.00	39,500.00	38,840.00	51,160.00	39,500.00
Guarantee fees *	2,228,831.00	–	2,228,831.00	–	–
Provision for structuring fees	640,628.02	–	44,533.46	–	596,094.56
Sundry provisions	775,703.35	655,671.27	590,345.49	21,992.97	819,036.16
Total	3,986,138.93	1,042,275.50	3,153,526.51	73,152.97	1,801,734.95

* See section 3.3.1.9.3.

3.3.1.11 Equity

The **share capital** of Oesterreichische Entwicklungsbank AG of EUR 5 million is divided into 50,000 no-par value registered shares, each representing an equal portion of the share capital. The proposed dividend to be paid in the subsequent year for the 2019 financial year is EUR 103,000.00 in total, or EUR 2.06 per share. The **return on assets** in 2019 was 0.56% (prior year: 0.81%).

Since 1 January 2017, under an agreement between the Austrian Ministry of Finance and OeEB of 17 November 2016, the funding for Business Advisory Services (BAS) is provided by OeEB itself. For 2020, BAS projects worth a total of 10% of OeEB's 2019 profit for the year are to be undertaken.

If the budgeted amount for new BAS projects is not fully utilised in a given year, the unused amount is carried forward and added to the amount available in the next year. In these financial statements, an addition was thus made to "other" (uncommitted, i.e., free) retained earnings for technical assistance (TA) activities offered under Business Advisory Services.

Conversely, the released amount of EUR 602,698.78 represents the TA expenses for the financial year, which are reported in other administrative expenses. These expenses serve to enhance development effectiveness through project preparation, project support and studies.

As well, out of the 2019 profit for the year, EUR 5,680,081.43 was transferred to the free non-TA reserve. Under section 8 item 2 of the contract concluded on the basis of section 9 (1) Export Guarantees Act, the free non-TA reserve must be used for OeEB's purposes in subsequent years.

Retained earnings also include the statutory reserve, which at EUR 500,000.00 (prior year: EUR 500,000.00) fulfils the requirement under section 229 (6) Austrian Commercial Code that the statutory reserve, when fully accumulated, shall amount to 10% of share capital.

The year's movements in retained earnings are shown in the following table:

	STATUTORY RESERVE	OTHER RESERVES		
	EUR	FOR TECHNICAL ASSISTANCE (TA) EUR	NON-TA EUR	TOTAL EUR
At 1 Jan. 2019	500,000.00	1,677,465.31	32,860,534.69	35,038,000.00
Released	0.00	-602,698.78	0.00	-602,698.78
Added	0.00	575,617.35	5,680,081.43	6,255,698.78
At 31 Dec. 2019	500,000.00	1,650,383.88	38,540,616.12	40,691,000.00

3.3.1.12 Information on off-balance sheet transactions

The item “contingent liabilities” relates entirely to risk participations of OeEB in loans issued by Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main, and Deutsche Investitions- und Entwicklungsgesellschaft (DEG), Cologne. Through these facilities, OeEB shares risk internally with KfW and DEG to the extent of its contractual portion of the exposure by guaranteeing the respective outstanding loan principal and interest.

CONTINGENT LIABILITIES	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Risk participation facilities of Kreditanstalt für Wiederaufbau (KfW), Frankfurt am Main	26,001,563.31	31,824,052.60
Risk participation facilities of Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG), Cologne	31,162,668.92	34,486,045.69
Total	57,164,232.23	66,310,098.29

These risk participation agreements are backed by **guarantees** for political and commercial risks (received under section 9 (3) Export Guarantees Act) that cover the contractual interest up to the contractual maturity date of the underlying loan, including OeEB’s risk compensation fee under the risk participation agreement.

The credit risk recognised below the balance sheet (i.e., off-balance sheet) was related to undrawn commitments to lend (unused limits on credit facilities, and securities purchase obligations). Under section 9 (3) Export Guarantees Act, to secure the risks, OeEB receives a guarantee of the Republic of Austria for political and commercial risks on every transaction.

	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Credit facilities	156,657,745.86	182,536,024.74
Securities purchase obligations	55,202,315.29	26,200,873.36
Total	211,860,061.15	208,736,898.10

Liabilities from fiduciary activities

This item represents the obligation to the Ministry of Finance to surrender the fiduciary assets (an obligation incurred by OeEB as a result of the right of segregation of these assets under section 48 (1) Austrian Banking Act).

3.3.1.13 Regulatory capital under part 2 of Regulation (EU) No 575/2013

The regulatory capital under part 2 of Regulation (EU) No 575/2013 was as follows:

	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Regulatory capital under part 2 of Regulation (EU) No 575/2013		
Share capital	5,000,000.00	5,000,000.00
Retained earnings	40,691,000.00	35,038,000.00
Less reserve for technical assistance (TA) ¹	-1,650,383.88	-1,677,465.31
Less transfer to retained earnings ²	-5,680,081.43	-6,120,695.78
Liability reserve	16,680.48	16,680.48
Total reserves	33,377,215.17	27,256,519.39
Intangible assets	-52,900.00	-78,300.00
Tier 1 capital	38,324,315.17	32,178,219.39
Tier 2 capital (impairment under section 57 Banking Act in the version of 2013), weighted at 30% (prior year: 40%) ³	510,000.00	680,000.00
Total available regulatory capital	38,834,315.17	32,858,219.39
Regulatory capital requirement under article 92 of Regulation (EU) No 575/2013		
Loans and advances to banks	50,695.72	38,467.55
Other loans and advances	1,418,846.38	1,389,462.62
Risk-weighted exposure amounts for credit risk	1,469,542.10	1,427,930.17
Risk-weighted exposure amounts for market risk	0.00	0.00
Total regulatory capital requirement for operational risk (Basic Indicator approach)	35,642,969.19	33,685,364.79
Total exposure amount	37,112,511.29	35,113,294.96

¹ See section 3.3.1.11, "Equity", in this report.

² Under article 26 (2) of the CRR (Regulation (EU) No 575/2013), earnings for the year are included in Common Equity Tier 1 capital only after the official adoption of the final annual financial results.

³ Under article 486 (4) of Regulation (EU) No 575/2013 in conjunction with section 20 of the Austrian CRR Companion Regulation.

At 31 December 2019 and 2018, the above values yielded the following ratios under section 92 (1) (a) to (c) of Regulation (EU) No 575/2013, which are compared with the respective minimum ratios applicable to the bank:

	31 DEC. 2019		31 DEC. 2018	
	MINIMUM RATIO	ACTUAL RATIO	MINIMUM RATIO	ACTUAL RATIO
Common Equity Tier 1 capital ratio	7.000	103.270	6.375	91.640
Tier 1 capital ratio	8.500	103.270	7.875	91.640
Total capital ratio	10.500	104.640	9.875	93.580

The bank's minimum ratios had the following composition:

	31 DEC. 2019	31 DEC. 2018
	%	%
Common Equity Tier 1 ratio under article 92 (1) (a) of Regulation (EU) No 575/2013	4.500	4.500
Capital conservation buffer under section 23 Banking Act in conjunction with section 103q (11) Banking Act	2.500	1.875
Common Equity Tier 1 ratio under article 92 (1) (a) of Regulation (EU) No 575/2013, including buffer requirements	7.000	6.375
Tier 1 capital ratio under article 92 (1) (b) of Regulation (EU) No 575/2013, including buffer requirements	8.500	7.875
Total capital ratio under article 92 (1) (c) of Regulation (EU) No 575/2013, including buffer requirements	10.500	9.875

As in the prior year, the minimum ratios required at 31 December 2019 arise from article 92 (1) of Regulation (EU) No 575/2013, from the additional capital buffer requirements of the Austrian Banking Act and from the capital buffer regulation of the Austrian Financial Market Authority (FMA).

Section 3 (1) 7 Austrian Banking Act provides that Regulation (EU) No 575/2013 and section 39 (3) and (4) Austrian Banking Act do not apply to transactions of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) related to export promotion under the Export Guarantees Act 1981 and the Export Financing Guarantees Act 1981. As determined by the Financial Market Authority (FMA) in a pronouncement of 7 August 2008, this exemption also covers Oesterreichische Entwicklungsbank AG inasmuch as OeEB engages in transactions related to export promotion under the Export Guarantees Act and the Export Financing Guarantees Act. As well, under section 3 (2) 1 Austrian Banking Act, the following legal provisions are not applicable: part 6 of Regulation (EU) No 575/2013, and the Austrian Banking Act's section 27a; section 39 (2b) 7 in conjunction with 39 (4); section 39 (3); and section 74 (6) 3a in conjunction with 74 (1).

3.3.1.14 Total amounts of assets and liabilities denominated in foreign currencies

The foreign currency positions at the balance sheet date had the following values in euros:

Assets: EUR 715,671,513.01 (prior year: EUR 556,700,433.85)

Liabilities: EUR 707,841,350.68 (prior year: EUR 546,790,856.77)

The difference in amounts between these assets and liabilities resulted in part from differences in interest rates between the project investments made and the related borrowing. These interest rate differences in turn are explained by the fact that the income guaranteed by the federal government was higher than the borrowing costs. There also were a US dollar bank account and USD-denominated receivables in connection with project investments.

3.3.1.15 Information on derivative financial instruments

At the balance sheet dates of 31 December 2019 and 2018, OeEB did not hold derivative financial instruments.

3.3.1.16 Amounts due from and to Group entities

The amounts of the (uncertificated) receivables from and liabilities to intra-Group companies (i.e., companies in the OeKB Group) included in the following asset and liability items at the balance sheet date were as follows:

	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Assets		
Loans and advances to banks	34,867,671.45	33,786,744.46
Other assets	0.00	109,835.08
Liabilities		
Deposits from banks	901,630,957.41	711,630,250.17
Trade payables	66,985.99	0.00

The security for the deposits from banks consists of the assets recorded in loans and advances to banks and customers, and the shares recorded in “equity shares and other variable income securities”, totalling EUR 898,495,681.53 at the balance sheet date (prior year: EUR 708,448,933.22), as well as the assignment of any relevant claims under the guarantees issued by the Ministry of Finance for political and commercial risks (guarantees based on section 9 (3) Export Guarantees Act).

3.3.1.17 Maturity analysis as per section 64 (1) 4 Austrian Banking Act

Loans and advances to banks not repayable on demand had the following maturity profile:

LOANS AND ADVANCES TO BANKS NOT REPAYABLE ON DEMAND	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Up to 3 months	16,379,398.55	12,006,696.11
More than 3 months and up to 1 year	58,070,165.18	54,705,741.40
More than 1 year and up to 5 years	249,065,341.34	195,600,855.13
More than 5 years	50,046,407.43	57,200,899.88
Total	373,561,312.50	319,514,192.52
Less impairment under section 57 Banking Act	-255,000.00	-340,000.00
Total	373,306,312.50	319,174,192.52

Accrued interest of EUR 3,784,146.41 (prior year: EUR 2,929,622.46) was recognised within the maturity band of up to 3 months.

Loans and advances to customers not repayable on demand had the following maturity profile:

LOANS AND ADVANCES TO CUSTOMERS NOT REPAYABLE ON DEMAND	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Up to 3 months	13,136,521.23	9,582,791.41
More than 3 months and up to 1 year	42,067,068.20	26,110,503.76
More than 1 year and up to 5 years	217,065,177.64	146,508,798.20
More than 5 years	106,589,462.00	98,132,461.97
Total	378,858,229.07	280,334,555.34
Less impairment under section 57 Banking Act	-255,000.00	-340,000.00
Total	378,603,229.07	279,994,555.34

Accrued interest of EUR 3,694,849.72 (prior year: EUR 2,989,595.53) was recognised within the maturity band of up to 3 months.

Deposits from banks not repayable on demand had the following maturity profile:

DEPOSITS FROM BANKS NOT REPAYABLE ON DEMAND	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Up to 3 months	24,220,121.73	21,210,712.64
More than 3 months and up to 1 year	94,561,751.52	75,380,118.62
More than 1 year and up to 5 years	546,356,894.94	392,803,701.73
More than 5 years	278,596,797.94	268,876,758.50
Total	943,735,566.13	758,271,291.49

Accrued interest of EUR 4,645,477.42 (prior year: EUR 3,621,483.78) was recognised within the maturity band of up to 3 months.

Deposits from customers not repayable on demand had the following maturity profile:

DEPOSITS FROM CUSTOMERS NOT REPAYABLE ON DEMAND	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Up to 3 months	102,923.70	134,443.13
More than 3 months and up to 1 year	5,305,969.70	5,399,954.06
More than 1 year and up to 5 years	11,655,992.76	16,174,816.28
More than 5 years	5,895,594.49	5,500,588.10
Total	22,960,480.65	27,209,801.57

Accrued interest of EUR 933.80 (prior year: EUR 1,125.11) was recognised within the maturity band of up to 3 months.

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

The future lease obligations from the use of off-balance sheet property and equipment are currently forecast at approximately EUR 304,534.00 for the year 2020 (prior year forecast for 2019: about EUR 295,435.00) and at about EUR 1,646,620.00 for the five-year period from 2020 to 2024 (prior year forecast for the five-year period from 2019 to 2023: about EUR 1,584,259.00).

3.3.2 Notes to the income statement

3.3.2.1 Interest income

INTEREST INCOME	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Interest and similar income from lendings and investments		
From loans and advances to banks	18,604,018.54	14,489,970.72
From loans and advances to customers	17,276,254.47	13,866,538.68
From bonds and other fixed income securities	363,987.29	226,148.26
Total	36,244,260.30	28,582,657.66

The following table shows an analysis of interest income by geographic market, in accordance with section 64 (1) 9 Austrian Banking Act:

INTEREST INCOME	2019 EUR	2018 EUR
Interest and similar income from lendings and investments		
Africa	5,325,041.10	3,926,883.39
Central America and Caribbean	13,160,902.07	9,346,562.81
Asia	13,553,591.67	11,873,320.16
Southeastern and Eastern Europe	2,978,576.28	2,021,081.11
Supraregional	1,226,149.18	1,414,810.19
Total	36,244,260.30	28,582,657.66

3.3.2.2 Interest expense

INTEREST EXPENSE	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Interest and similar expense		
For deposits from banks	18,729,051.98	13,118,847.84
For deposits from customers	17,036.73	16,977.33
Total	18,746,088.71	13,135,825.17

3.3.2.3 Income from securities and share of profit of outside companies

This item in the amount of EUR 8,574,854.69 (prior year: EUR 6,975,011.47) consisted primarily of the income from securities classified as non-current assets that is collected on an accrual basis up to the maximum guaranteed amount, as a result of the guarantee for political and commercial risks based on section 9 (3) Export Guarantees Act.

The following table shows an analysis of the item “income from securities and share of profit of outside companies” by geographic market, in accordance with section 64 (1) 9 Austrian Banking Act:

INCOME FROM SECURITIES AND SHARE OF PROFIT OF OUTSIDE COMPANIES	2019 EUR	2018 EUR
Africa	1,354,304.53	554,388.01
Central America and Caribbean	1,305,210.78	972,077.27
Southeastern and Eastern Europe	500.00	59,561.78
Supraregional	5,914,839.38	5,388,984.41
Total	8,574,854.69	6,975,011.47

3.3.2.4 Fee and commission income and expense

FEE AND COMMISSION INCOME	2019 EUR	2018 EUR
Guarantee commissions	2,210,559.65	2,289,552.12
Commitment and monitoring fees	954,393.86	1,863,670.25
Management fees	2,208,441.80	1,779,671.77
Administration fee for federal equity investments in funds and companies	1,452,778.45	1,252,882.85
Total	6,826,173.76	7,185,776.99

Fee and commission income was related principally to the reimbursement of expenses incurred in the course of (partly fiduciary) services rendered by OeEB to the Austrian Ministry of Finance, and to various fees received in connection with credit commitments.

The following table presents an analysis of fee and commission income by geographic market, in accordance with section 64 (1) 9 Austrian Banking Act:

FEE AND COMMISSION INCOME	2019 EUR	2018 EUR
Africa	189,444.07	774,844.14
Central America and Caribbean	1,240,619.54	818,938.09
Asia	2,419,366.69	2,391,759.12
Southeastern and Eastern Europe	2,929,417.28	3,140,283.03
Supraregional	47,326.18	59,952.61
Total	6,826,173.76	7,185,776.99

Fee and commission expense was as follows:

FEE AND COMMISSION EXPENSE	31 DEC. 2019 EUR	31 DEC. 2018 EUR
Guarantee fees (section 9 (3) Export Guarantees Act)	13,469,513.00	10,669,069.00
Other fees or commissions	65,048.14	64,734.67
Total	13,534,561.14	10,733,803.67

Fee and commission expense consisted largely of the accrued guarantee fees payable to the Austrian Ministry of Finance for the guarantees for political and commercial risks (guarantees under section 9 (3) Export Guarantees Act).

3.3.2.5 Other operating income

Other operating income amounted to EUR 487,134.30 (prior year: EUR 399,538.30) and had two main sources: the pass-through of expenses, and fiduciary services rendered and billed by OeEB.

3.3.2.6 Expenses for termination benefits and contributions to termination benefit funds

The amounts in this item consisted primarily of EUR 55,903.00 (prior year: EUR 31,016.00) for an addition to the termination benefit provision, and an expense of EUR 76,991.07 (prior year: EUR 67,220.00) for contributions to the employer-funded termination benefit fund. In addition, an expense of EUR 77,259.00 was recognised for additions to provisions for the period of approximately three months after the death of pension plan participants during which a surviving spouse receives a higher pension than the subsequent survivor's pension (in accordance with the collective bargaining agreement for banks).

In reliance on section 242 (4) Austrian Commercial Code, no analysis of the amounts in terms of salaried employees, managers and Executive Board is presented.

3.3.2.7 Other administrative expenses

Other administrative expenses (i.e., non-staff costs) consisted largely of costs for leases, travel, purchased services, and auditing and consulting.

The disclosure of expenses for the audit firm is omitted here; related information is reported in the consolidated financial statements of the OeKB Group.

3.3.2.8 Staff count

In the year under review, OeEB had an average of 62.17 employees (prior year: 55.50).

3.3.2.9 Impairment losses and write-downs related to loans and advances

This item represents write-downs on expenses that had been passed through, and additions to impairment charges for credit losses and overdue credit-related receivables totalling EUR 787,821.85 (prior year: EUR 4,550.50). Impairment of overdue receivables is recognised where these are not covered by the federal government guarantee, such as arrears interest and various fees in connection with lending.

3.3.2.10 Impairment and disposal losses on securities measured as non-current financial assets

Impairment and disposal losses on securities measured as non-current financial assets were as follows:

	2019 EUR	2018 EUR
Disposal loss for structuring fees (at fund redemption)	53.71	260,562.50
Impairment loss for structuring fees (at inception of fund investment)	0.00	152,856.28
Provision for structuring fees (for remaining portion of fund units)	0.00	640,628.02
Total	53.71	1,054,046.80

The structuring fees are one-time fees payable by the investor to the fund company for the structuring of the fund. For funds that were added to the portfolio by the end of the third quarter of 2015, there is a federal government guarantee for the full amount paid by OeEB (the subscription amount and structuring fee). Upon the advent in 2018 of the first loss at redemption of a “legacy” fund (i.e., upon redemption of fund units acquired by the end of Q3 2015) as a result of non-refunded structuring fees, the Executive Board decided not to file a claim for these fees under the federal guarantee.

For the incidental acquisition costs (structuring fees) capitalised for fund units acquired by the end of the third quarter of 2015, a provision of EUR 640,628.02 was created in the financial statements at 31 December 2018 that is utilised at the time of redemption of the respective investment at fund maturity. In the financial year under review, EUR 44,533.46 of this provision was used.

From the fourth quarter of 2015 the federal guarantee no longer covers the full amount paid when subscribing fund units, only the subscription amount (not the structuring fee). As the structuring fee is not refunded under the contract, it is written off (i.e., recognised as an impairment loss) at the time of fund acquisition.

3.3.2.11 Analysis of income tax

The item "income tax" can be analysed as follows:

	2019 EUR	2018 EUR
Current tax	2,002,547.37	2,425,138.81
Increase (+)/decrease (-) in deferred taxes	20,034.67	-124,978.15
Total	2,022,582.04	2,300,160.66

3.4 Additional information

3.4.1 Boards

Members of the Executive Board

Sabine Gaber
Michael Wancata

The two Executive Board members jointly represent the bank. In reliance on section 242 (4) Austrian Commercial Code, no analysis of the Executive Board's compensation is presented.

Members of the Supervisory Board

Helmut Bernkopf (Chairman)
Ferdinand Schipfer (Vice-chairman)
Maria-Christine Dangl
Monika Weber-Fahr (from 26 March 2019)
Kurt Bayer (until 26 March 2019)

The total expense for compensation of the Supervisory Board for the year under review was EUR 30,000.00 (prior year: EUR 30,500.00).

Employee Representatives on the Supervisory Board

Caroline Gützer
Josef Straninger

The **Audit Committee** consists of all members of the Supervisory Board:

Ferdinand Schipfer (committee chairman)
Helmut Bernkopf (committee vice-chairman)
Maria-Christine Dangl
Monika Weber-Fahr (from 26 March 2019)
Kurt Bayer (until 26 March 2019)
Caroline Gützer
Josef Straninger

The **Nomination and Remuneration Committee** had the following members:

Helmut Bernkopf (committee chairman)
Ferdinand Schipfer (committee vice-chairman)
Josef Straninger

Government commissioners

Appointed with effect from 1 October 2019:
Elisabeth Gruber, Commissioner
Johann Kinast, Deputy Commissioner

These government commissioners under section 76 Austrian Banking Act are also representatives of the Austrian Minister of Finance under section 9 Export Guarantees Act.

3.4.2 Related party transactions

Oesterreichische Entwicklungsbank AG, which has its registered office in Vienna (OeEB, business register number 304601v, Vienna Commercial Court), is a wholly-owned subsidiary of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB, business register number 85749b, Vienna Commercial Court) and is fully consolidated in the OeKB Group financial statements. The IFRS consolidated financial statements are published on the OeKB website (www.oekb.at/en).

OeEB Impact GmbH, with its registered office in Vienna (business register number 505139b, Vienna Commercial Court), is a wholly owned subsidiary of OeEB and was entered in the business register on 19 January 2019.

The disclosures under part 8 of the CRR (the Capital Requirements Regulation (EU) No. 575/2013) are presented in the disclosure report prepared by OeKB, which can be found on the OeKB website (www.oekb.at/en).

Transactions with related parties were effected only at arm's length.

OeKB provides services to OeEB, under a service agreement between the two institutions. The service agreement covers accounting, human resources management, information technology, internal audit and other services.

OeEB's transactions are financed largely by OeKB (at market rates) in order to ensure the availability of funding at all times.

A service agreement being concluded between OeEB and OeEB Impact GmbH in the first quarter of 2020 will govern the provision of services by OeEB.

3.4.3 Events after the balance sheet date

There were no significant events after the balance sheet date.

Vienna, 12 February 2020
Oesterreichische Entwicklungsbank AG

The Executive Board
Sabine Gaber
Michael Wancata

Movements in non-current assets in 2019

AT COST EUR	1 JAN. 2019	CURRENCY TRANSLATION DIFFERENCES	ADDITIONS	DISPOSALS	31 DEC. 2019
Software	155,135.24	0.00	0.00	-20,635.24	134,500.00
Non-current intangible assets	155,135.24	0.00	0.00	-20,635.24	134,500.00
Fixtures, fittings and equipment					
Low-value assets	460.00	0.00	0.00	0.00	460.00
Property and equipment	0.00	0.00	574.54	-574.54	0.00
Interests in out- side companies	460.00	0.00	574.54	-574.54	460.00
Interests in subsidiaries	32,170.00	0.00	0.00	0.00	32,170.00
Securities	0.00	0.00	35,000.00	0.00	35,000.00
classified as non- current assets	193,193,956.39	1,898,357.87	55,198,747.07	-10,345,509.74	239,945,551.59
Non-current financial assets	193,226,126.39	1,898,357.87	55,233,747.07	-10,345,509.74	240,012,721.59

AMORTISATION, DEPRECIATION AND IMPAIRMENT EUR	1 JAN. 2019	CURRENCY TRANSLATION DIFFERENCES	ADDITIONS	DISPOSALS	31 DEC. 2019
Software	76,835.24	0.00	25,400.00	-20,635.24	81,600.00
Non-current intangible assets	76,835.24	0.00	25,400.00	-20,635.24	81,600.00
Fixtures, fittings and equipment	115.00	0.00	46.00	0.00	161.00
Low-value assets	0.00	0.00	574.54	-574.54	0.00
Property and equipment	115.00	0.00	620.54	-574.54	161.00
Interests in out- side companies	0.00	0.00	0.00	0.00	0.00
Interests in subsidiaries	0.00	0.00	0.00	0.00	0.00
Securities classified as non- current assets	478,407.66	6,244.77	0.00	-2,193.00	482,459.43
Non-current financial assets	478,407.66	6,244.77	0.00	-2,193.00	482,459.43

Movements in non-current assets in 2019 (continued from previous page)

CARRYING AMOUNT EUR	1 JAN. 2019	31 DEC. 2019
Software	78,300.00	52,900.00
Non-current intangible assets	78,300.00	52,900.00
Fixtures, fittings and equipment	345.00	299.00
Low-value assets	0.00	0.00
Property and equipment	345.00	299.00
Interests in outside companies	32,170.00	32,170.00
Interests in subsidiaries	0.00	35,000.00
Securities classified as non-current assets	192,715,548.73	239,463,092.20
Non-current financial assets	192,747,718.73	239,530,262.20

C. Auditor's Report

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of **Oesterreichische Entwicklungsbank AG, 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 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 and Valuation of Assets in the Investment Finance Division

Refer to notes section 3.1 Legislative basis of operations

Risk for the Financial Statements

As of 31 December 2019, the assets in the Investment Finance Division amount to EUR 964 million, which is 94.1% of total assets.

Investment Finance facilities are provided by OeEB, taking into account the objectives and principles of Austrian Development Policy and subject to the existence of a guarantee from the Austrian federal government that sufficiently covers political and commercial risks (section 9 para 3 Export Guarantees Act).

A key criterion for the recognition and valuation of the assets in the Investment Finance Division is therefore that OeEB ensures that for each business transaction, there is a federal government guarantee providing sufficient cover for political and commercial risks. For this purpose, management has established processes and internal controls as part of managing these financings. The risk to the financial statements is that failures of the controls in place may have an impact especially on the valuation of the assets of the Investment Finance Division in OeEB's financial statements.

Our Audit Approach

We evaluated the processes in the respective specialist departments which ensure the existence of a federal government guarantee with sufficient coverage for political and commercial risks. We analyzed whether these processes and the controls implemented within them are suitable for ascertaining the existence of sufficient cover under the federal government guarantee in order to validate the valuation of the assets of the Investment Finance Division in OeEB's financial statements.

Furthermore, we tested the key controls implemented in these areas that are relevant to the audit. We assessed their design and implementation as well as, on a sampling basis, their effectiveness, particularly with regard to the necessary contract elements, the existence of the disbursement conditions and the proper management during the term of the contract. The sample of new business was selected using professional judgment, while the sample of existing business was selected using a random approach. Furthermore, in test cases, we assessed whether the recording of the business transactions of the Investment Finance Division in OeEB's financial statements was consistent with the contracts.

Finally, we assessed whether the disclosures in the notes to the financial statements on investment financing are appropriate.

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

Report on Other Legal Requirements

Management Report

In accordance with 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.

Other Information

Management is responsible for other information. Other information is all information provided in the annual report, other than the financial statements, the management report and the auditor's report.

Our opinion on the financial statements does not cover other information and we do not provide any assurance thereon.

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

Additional Information under Article 10 AP Regulation

We were elected as auditors at the Annual General Meeting on 14 March 2018 for the financial statements of the year ended 31 December 2019. We were appointed by the Supervisory Board on 20 March 2018.

Furthermore, we have been elected as auditors for the subsequent financial year at the Annual General Meeting held on 26 March 2019. We were appointed by the Supervisory Board on 26 March 2019.

We have been auditors of the Company, without interruption, from the year ended 31 December 2008.

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, 12 February 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed by
Wilhelm Kovsca
Wirtschaftsprüfer
(Austrian Chartered Accountant)

The financial statements, together with our auditor’s opinion, may only be published if the financial statements and the management report are identical with the audited version attached to this report. Section 281 (1) of the Austrian Commercial Code (UGB) applies.

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



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