

ANNUAL REPORT

2019

EURAM BANK

courageous

A N N U A L R E P O R T 2 0 1 9

FOREWORD BY THE CHIEF EXECUTIVE OFFICER

Welcome to Euram Bank's report on the fiscal year 2019. The result of this past year is the best ever in our history. However, we are bound to also address the topic which has been dominating our world throughout the past weeks - and it still is while I am writing these lines. We don't know the effects that the coronavirus pandemic will have in the medium and long term. But it is to be expected that all of us, as individuals, as families, companies, states and institutions, will be working on overcoming the consequences for a long time yet.

These days, and in the years to come, many of our positive qualities are in great demand: we need to get down to work with prudence, confidence and courage, we must work in a disciplined, efficient manner, in a spirit of partnership; and as before, we will act reliably and trustworthy to create new value on a solid basis. On the strong foundation that we have built together with you, our shareholders, customers, employees and partners.

Another quality, maybe even the most important one for the future is humility in the original sense of the word: “the clear and strong will to serve”. This attitude has proved itself in the past, both during times of great success and at times of global crises that we had to cope with.

Humility includes being aware of our limits, but also our strengths. Humility means acceptance of the unforeseeable and of circumstances that we cannot influence. The strength of humility allows us to do our best, despite or precisely because of extreme difficulties.

At the end of 2019 we celebrated the 20th anniversary of our bank. At the beginning of this year we moved into our new offices at Palais Schottenring in Vienna - a place that inspires us to make use of the mentioned attributes to shape a bright future together with you.

Manfred Huber

Chief Executive Officer

April 2020

SUPERVISORY BOARD

Adolf Walter Höllmer
Chairman (until 28/05/2019)

Dr. Peter Maser
Vice Chairman (until 27/05/2019)
Chairman (since 28/05/2019)

Dipl.-Ök. Thomas Weismann
Vice Chairman (since 28/05/2019)

Dkfm. Senta Penner

MANAGING BOARD

Manfred Huber
Chairman

Johannes Langer

Josef Leckel



Manfred Huber



Johannes Langer



Josef Leckel

clear

To act resolutely, we need to believe that we can do the right thing - quite apart from all our skills and technologies. This belief must not include any doubt, but it needs to include an awareness of what "we cannot know", and hence the sensitivity to make any necessary adjustments and corrections.

MANAGE -
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REPORT

MANAGEMENT REPORT

1. Business development and economic environment

Business model

As a small private bank, European American Investment Bank Aktiengesellschaft (Euram Bank) provides banking and other financial services in Austria, Germany, Central and Eastern Europe, in the Middle East and Central Asia, and in Russia. The focus is on business with private and corporate clients. Our highly qualified staff are drawn from various nations, reflecting the cosmopolitan corporate culture of Euram Bank.

Euram Bank is mainly specializing in the business areas of Private Banking / Real Estate Financing and Asset Management; the Card Payment Services division is operated on an opportunistic basis.

Euram Bank is 100% privately owned. Senior management and financial investors hold a majority stake in the bank through Euram Holding AG.

Business development

The economic slowdown that has been observable since 2018 continued in 2019, increasingly influencing the growth forecast for 2020 as well. The continuing weakness was the consequence of persistently high political uncertainty. The negotiations regarding the settlement of the trade conflict between the USA and China were continuing, negatively affecting the Chinese economy in particular, which recorded a decline in momentum. Moreover, in view of the earlier parliamentary elections in Great Britain in mid-December, the further progress of Brexit was unclear. Apart from political tensions in the Middle East, political unrest in South America had recently increased as well. Even Hongkong has been marked by increasing political unrest. In the USA, the Federal Reserve Bank reduced the prime rate late in October, for the third time in that year, to a range of currently between 1.5% and 1.75%.

The business development in the two divisions of “Private Banking / Real Estate Financing” and “Asset Management” was highly satisfying in the past fiscal year. In the Private Banking / Real Estate Financing division, lombard and real estate financing were still in demand in the 2019 fiscal year, apart from checking accounts, investments in mutual funds, stocks and bonds as well as payment transactions; additionally, repurchase transactions were concluded with selected customers. Accordingly, in this division, the budget targets for the 2019 fiscal year were again clearly exceeded. Based on the conservative investment approach that has been pursued for years now, the Asset Management division managed again to achieve a positive performance of Euram Bank’s mutual funds.

As at 31 December 2019, the total assets of Euram Bank amounted to EUR 458.1 million, thus exceeding the previous year’s figure (EUR 324.4 million as at 31/12/2018) by EUR 133.7 million or 41.2%. The individual items have developed as follows:

Cash reserves decreased by EUR 2.8 million to EUR 87.6 million (EUR 90.4 million as at 31/12/2018), debt instruments issued by public authorities decreased by EUR 2.2 million to EUR 32.6 million (EUR 34.8 million as at 31/12/2018). Loans and advances to credit institutions increased by EUR 6.4 million to EUR 28.6 million (EUR 22.2 million as at 31/12/2018). Loans and advances to customers increased by 23.7% or EUR 23.8 million to EUR 148.0 million (EUR 124.2 million as at 31/12/2018). The increase was mainly due to the conclusion of repurchase transactions. Bonds and other fixed-interest securities increased by EUR 105.9 million to EUR 153.3 million (EUR 47.4 million as at 31/12/2018). The increase is due to the buildup of unencumbered high-quality liquid assets (HQLA). Stocks and other non-fixed interest securities decreased only slightly by 0.4 million to EUR 2.6 million (EUR 3 million as at 31/12/2018). The item “shares in affiliated companies” remained unchanged at EUR 159 thousand (EUR 159 thousand as at 31/12/2018). Other assets increased by EUR 1.0 million to EUR 2.2 million (EUR 1.2 million as at 31/12/2018). Deferred taxes amounted to EUR 1.0 million (EUR 0.2 million as at 31/12/2018).

On the liabilities side, liabilities to credit institutions increased slightly to EUR 74.0 thousand (EUR 5.7 thousand as at 31/12/2018). At the balance sheet date, the liabilities to customers amounted to EUR 418.3 million (EUR 294.7 million as at 31/12/2018), representing 91.3% of total assets and accordingly still the largest portion of the refinancing basis of Euram Bank. Since July 2016, Euram Bank is represented on the “Weltsparen” interest rate platform; the volume of deposits received through that platform is declining and amounted to EUR 23.1 million as at 31/12/2019 (EUR 59.6 million as at 31/12/2018). Other liabilities increased by EUR 1.0 million to EUR 1.9 million (EUR 0.9 million as at 31/12/2018), the provisions increased by EUR 1.3 million to EUR 3.8 million year on year (EUR 2.5 million as at 31/12/2018). This increase was mainly due to provisions for variable remuneration in the amount of EUR 1 million. Due to the allocation effected by Euram Holding AG, the capital reserve was increased by EUR 4.0 million to EUR 8.3 million (EUR 4.4 million as at 31/12/2018) in the 2019 fiscal year.

Net interest income amounted to EUR 8.7 million (EUR 7.1 million as at 31/12/2018), with the increase largely resulting from the contribution to operating income by securities held as current assets. The balance of fee and commission income and expenses amounted to EUR 12.2 million (EUR 8.2 million as at 31/12/2018). In the fiscal year 2019, due to increasing activities in the securities segment, the major part of the net fee and commission income resulted from securities business (EUR 5.7 million), followed by credit and repo business (EUR 4.7 million), as well as payment transactions (EUR 1.2 million). The balance of income / expenses from financial transactions amounted to EUR -1.2 million (EUR -0.6 million as at 31/12/2018). The negative result was mainly due to the valuation of securities held as current assets (largely HQLA). Other operating income amounted to EUR 0.1 million (EUR 0.1 million as at 31/12/2018). Accordingly, operating income amounted to EUR 20.0 million (EUR 14.9 million as at 31/12/2018).

Total operating expenses amounted to EUR 12.2 million (EUR 10.6 million as at 31/12/2018). Staff expenses amounted to EUR 6.0 million (EUR 5.1 million as at 31/12/2018), operating expenditure increased by EUR 2.1 million to EUR 6 million (EUR 3.9 million as at 31/12/2018). This item essentially included the expenditure on IT, rent, advertising as well as legal consultancy and audit fees. For the major part, the above-mentioned increase resulted from additional expenses for the implementation of a management system for information and communication technology and the associated IT developments, as well as increased legal costs. Depreciation/amortization of tangible assets and intangible assets amounted to EUR 175.6 thousand (EUR 178.7 thousand as at 31/12/2018), other operating expenses amounted to EUR 0.1 million (EUR 1.5 million as at 31/12/2018).

After deduction of operating expenses from operating income, accordingly, the operating result for the 2019 fiscal year amounts to EUR 7.8 million (EUR 4.2 million as at 31/12/2018).

The income/expenditure balance from the sale and valuation of receivables and certain securities was minus EUR 2.9 million (minus EUR 998.3 thousand as at 31/12/2018). In November 2019, Euram Bank sold the receivable due from Maple Bank – the remaining need for impairment amounted to EUR 1.2 million (taking into account the partial payments received already, Euram Bank has been repaid a total EUR 7.4 million of its original receivable, which corresponds to a ratio of 73%). The general impairment of various loans and advances to customers amounted to EUR 1.7 million. The income/expenditure balance from the sale and valuation of financial assets amounted to minus EUR 25.8 thousand (minus EUR 50.2 thousand as at 31/12/2018).

Hence, the result of ordinary operations for the fiscal year 2019 amounted to EUR 4.8 million (EUR 3.3 million as at 31/12/2018).

Taxes on income and earnings amounted to EUR 1.1 million (EUR 867.3 thousand as at 31/12/2018). The result shows income from deferred taxes in the amount of EUR 657.1 thousand (EUR 242.2 thousand as at 31/12/2018) as well as an expenditure from distribution of the tax burden in the amount of EUR 1.7 million (EUR 1.1 million as at 31/12/2018).

The annual surplus of the fiscal year 2019 accordingly amounted to EUR 3.8 million (EUR 2.3 million as at 31/12/2018). Movements of reserves in the amount of EUR 3.8 million were effected in the 2019 fiscal year (EUR 2.3 million as at 31/12/2018) – the resulting profit for the year amounted to EUR 7 thousand (EUR 5 thousand as at 31/12/2018).

Taking account of the profit carried forward of EUR 0.3 million, the net profit of the fiscal year 2019 amounts to EUR 0.3 million (EUR 0.3 million as at 31/12/2018).

Financial and non-financial performance indicators

The equity capitalization of Euram Bank continues to be excellent. Eligible own funds according to Part 2 of Regulation (EU) no. 575/2013 amounted to EUR 32.8 million (EUR 25.7 million as at 31/12/2018) and by far exceeded the own funds required according to Article 92 of Regulation (EU) no. 575/2013 of EUR 12.4 million (EUR 10.4 million as at 31/12/2018). In the course of the year, the (common equity) tier 1 capital ratio ((eligible (common equity) tier 1 capital / (required own funds * 12.5)) increased by 2.1% and amounted to 19.8% (17.7% as at 31/12/2018) at the end of the year; in the fiscal year 2019, the total capital ratio ((eligible own funds / (required own funds * 12.5)) amounted to 21.1% (19.8% as at 31/12/2018) – accordingly, both ratios were clearly above the statutory minimum level. The return on equity (annual surplus / equity) amounted to 16.2% in the fiscal year (11.4% as at 31/12/2018), the return on assets (result of ordinary operations / average total assets) increased by 0.2% to 1.13% in the course of the fiscal year 2019 (0.93% as at 31/12/2018), the return on capital employed (result of ordinary operations / capital adequacy requirements) equally increased by 8.1% to 38.9% (30.8% as at 31/12/2018). The cost/income ratio (operating expenditures / operating income) amounted to 61.0% (71.5% as at 31/12/2018).

In the 2019 fiscal year, the volume of customers' securities accounts amounts to EUR 1.1 billion and slightly exceeds the previous year's value by EUR 100 million (EUR 1 billion as at 31/12/2018).

Retaining experienced, committed staff is a fundamental precondition for any enterprise's long-term success. A central concern of Euram Bank is therefore the qualification of its staff. Euram Bank offers its employees the opportunity of ongoing training and development, and to achieve their personal and career goals by systematically developing their skills.

Events of particular importance after the balance sheet date of 31 December 2019

None

2. Anticipated trends and risks

Outlook for 2020

The coronavirus epidemic is negatively impacting on the global economy. The virus initially occurred in China late in 2019 and has spread to many other countries in the meantime. As the Covid-19 epidemic is spreading to Europe and Austria, substantial negative effects on the domestic economy and the unemployment rate are to be expected in spite of the intended measures to support the economy and apart from the effects already felt in everybody's daily routines. Significant losses at many stock exchanges and the distortions observable on the capital market also contribute to increasing market risk. Therefore, it will be indispensable to revise the previous economic forecasts for the year 2020 taking account of these developments. Due to the dynamic development of the coronavirus pandemic and of the support measures that are still being evaluated, it is not possible at the moment to estimate the amount of financial effects on fiscal year 2020. The best possible protection of the health of employees and customers, while simultaneously maintaining business activities, is considered a top priority by the Managing Board of Euram Bank. Over the past few weeks Euram Bank has taken far-reaching precautions regarding the coronavirus. Obviously, the decisions and recommendations of the Austrian federal government are implemented within the scope of all further planning. Moreover, Euram Bank has implemented a business continuity management system that safeguards the availability of business processes.

In the 2020 fiscal year, the Private Banking / Real Estate Financing division is going to continue to follow the successful course taken in fiscal year 2017, namely the development of holistic strategies to maintain capital and assets, based on individual planning, combined with first-class customer service. Equally, the financing of carefully selected real estate projects in Austria and Germany are meant to be maintained at the currently high level; there are still no plans to expand this area of business. In cooperation with the Asset Management division, the focus is on the acquisition of additional customer security holdings, as in fiscal year 2019.

prudent



We may look and look and see as far as the eye can reach: yet we will never see what is hidden behind our “blind spot”, unless we start asking others about their perspectives and carefully listen to what they say. Therefore, we would be well advised to be prudent and keep our ears open.

Significant risks and uncertainties

In 2018, an Austrian bank submitted a third-party notice to Euram Bank, asking the latter to join, as an intervenor, several proceedings pending against the former. The plaintiffs of the Austrian bank essentially rest their claims on the unsuitability of a certain investment product to achieve positive returns, with the plaintiffs alleging that said unsuitability had already existed ex ante, and on insufficient risk warnings. Euram Bank and the defendant have concluded a consultancy agreement regarding said investment product. In the event of the defendant losing the pending lawsuits, it would basically be possible for Euram Bank to become liable to recourse towards the defendant (whether this is actually the case would have to be clarified in further court proceedings).

3. Research and development

Euram Bank undertakes no research and development activities. Euram Bank does not operate any branch establishments.

4. Risk reporting

Euram Bank continuously develops its risk management in order to effectively identify, assess and control risks. Risk management is a component of overall bank management, and takes into account the nature, extent and complexity of transactions, and the resultant risks, in addition to the legal and regulatory framework. The Managing Board has defined a risk strategy that is consistent with the business strategy and the risks resulting therefrom. The risk strategy comprises the aims of diversification of risk from essential business activities as well as the measures to accomplish those aims. In particular, risk tolerances have been determined for all essential risks, taking account of risk concentrations. In this context, risk concentrations have also been accounted for with a view to the earnings situation of the bank.

Risk-bearing capacity

On the basis of the overall risk profile, care is being taken that the essential risks are covered by the risk covering potential on a current basis, taking into account risk concentrations, and accordingly the risk-bearing capacity of the bank is ensured. Euram Bank has established an internal process to ensure its risk-bearing capacity. The risk-bearing capacity is considered during determination of the strategies as well as their modification. Adequate risk control and controlling processes have been established to implement the strategies and/or to ensure the organisation's risk-bearing capacity. For risks that are incorporated in the concept of risk-bearing capacity but for which no suitable quantification procedure is available, a risk amount (risk buffer) is determined on the basis of a plausibility check. The plausibility check is carried out on the basis of a qualified expert estimate. The choice of the methods and procedures for assessing risk-bearing capacity is the responsibility of the Managing Board. The determination of essential elements of risk-bearing capacity control as well as of essential underlying assumptions is approved by the Managing Board. The adequacy of the methods and procedures is checked by the respective competent employees every year. The procedures used to control risk-bearing capacity take account of the aim to manage the bank on a going-concern basis, but also the protection of creditors against economic loss. Euram Bank disposes of a process for the planning of future capital requirements. The planning horizon comprises an adequately long period of several years (three years). In this context, account is taken of the effects that changes of the bank's own business activity or of the strategic targets as well as changes to the economic environment will have on the capital requirement – beyond the risk assessment horizon of the risk-bearing capacity concept.

Internal Control System

The Internal Control System (ICS) of Euram Bank is the totality of all process-related monitoring measures, the elements of which are integrated in many different ways in the organisational and technical workflows. It includes the respective organisational guidelines of the entire operational management, as well as the defined control mechanisms and monitoring functions of the persons directly responsible for the processes. It is ordered and/or set up by the management in accordance with actual requirements, as well as reviewed in terms of reliability and efficacy, and modified if necessary, by the Risk Management function. Overall responsibility for the ICS is in the hands of the Managing Board, with the head of Risk Management being implemented as professional ICS Officer.

Organizational structure and process organization

The characteristics of the organizational structure and process organization ensure that incompatible activities are carried out by different employees and that conflicts of interest are avoided. Processes and the associated tasks, competencies, responsibilities, controls and communication channels are clearly defined and geared to each other. This includes the regular and ad-hoc review of IT authorizations, signatory powers and other authorities granted. The same applies with respect to interfaces with key outsourcing partners.

Risk control and controlling process

Euram Bank has put in place adequate risk control and controlling processes that ensure the identification, assessment, control as well as monitoring and communication of essential risks and of the associated risk concentrations. These processes are integrated in a joint yield management and risk control system (internal capital adequacy assessment process, ICAAP). Suitable measures ensure that the risks and associated risk concentrations are effectively limited and monitored taking account of the risk-bearing capacity and of the risk tolerances. The risk control and controlling processes make sure that essential risks – even from outsourced activities and processes – can be identified early on, measured in full and presented adequately. Reports on the risk situation are presented to the Managing Board at suitable intervals. Risk reporting must be effected in a comprehensible, meaningful way. Apart from the relevant presentation, it also includes an assessment of the risk situation. If necessary, risk reporting will also include proposed action, e.g. with a view to a reduction of risk. Moreover, risk concentrations and their potential consequences are dealt with separately. As a complement to regular reporting, annual stress tests are carried out. The results of the stress tests and the potential effects on the risk situation and the risk covering potential, as well as the essential assumptions underlying the stress tests are presented in a separate report. Information that is essential with a view to risk will be passed on to the Managing Board, the respective officers and the Internal Audit function without delay, for suitable measures or audits to be initiated at an early stage. The Managing Board informs the Supervisory Board in writing about the risk situation at quarterly intervals. Information that is essential for the Supervisory Board under a risk aspect will be passed on by the Managing Board without delay. The risk control and controlling processes are promptly adjusted to changing conditions.

Risk Management

Euram Bank disposes of a Risk Management function responsible for the independent monitoring and communication of risks.

Risk Management has the following tasks in particular:

- Assistance of the Managing Board in all risk policy matters, in particular in the development and implementation of the risk strategy, as well as in devising a system for the limitation of risks
- Assistance of the Managing Board in establishing and developing the risk control and controlling processes
- Putting in place and developing a system of risk ratios and of an early warning mechanism for risks
- Ongoing monitoring of the bank's risk situation and risk-bearing capacity as well as of compliance with the risk limits established
- Regular preparation of the risk reports for the Managing Board
- Responsibility for the processes put in place to immediately pass on to the Managing Board, to the respective officers and to Internal Audit, if applicable, any information that is essential under a risk aspect

The staff of the Risk Management function have been granted all the requisite powers and unlimited access to all information that is required for the performance of their tasks.

Management of special types of risk

Euram Bank's scope of business results in essential risks, especially in the sphere of credit and counterparty risk, operational risk as well as other risks.

Credit and counterparty risk

Euram Bank limits the credit and counterparty risk by primarily granting collateralized loans. For the calculation of the credit and counterparty risk, Euram Bank applies the standard approach acc. to Art. 111 – 141 CRR.

Euram Bank measures and controls the credit risk in line with the following principles:

- In all divisions, uniform standards are applied to the respective credit decisions.
- The approval of credit limits for business partners and the control of the individual credit exposures must take place within the scope of the credit strategy. Moreover, each decision includes a risk-return analysis.
- Each loan granted to a business partner and any material change of a credit component (such as term, collateral structure or important contractual provisions) is subject to renewal of the credit approval.
- Credit exposures to a certain group of borrowers are consolidated by Euram Bank. Euram Bank considers borrowers that are associated with each other by the same beneficial owners beyond legal requirements or that are jointly and severally liable for all or essential parts of the loans granted as a “group of borrowers”.

An important element of the credit approval process is a detailed risk assessment of each credit exposure of a borrower or group of borrowers. In assessing the risk, Euram Bank will consider both the creditworthiness of the business partner and the risks relevant to credit exposure. The resulting risk classification will not only influence the structure of the transaction and the credit decision, but will also determine the degree of monitoring for the respective exposure.

Operational risk

Risk Management has adopted guidelines for the identification, assessment, reporting and monitoring of operational risks. It is responsible for the definition of the operational risk framework and of the pertinent guidelines, while the responsibility for implementation of the framework and day-to-day operational risk management lies with the divisions and the administrative function. This business partnership model results in strict control and an increased awareness of operational risks. For the calculation of operational risk, Euram Bank applies the basic indicator approach acc. to Art. 315 – 316 CRR. The aim is to proactively control operational risks.

For this reason, the Risk Management function carries out a risk inventory process in the form of a self-assessment with the individual corporate and administrative divisions each year. The loss scenarios developed in the course of this process are summarized in the risk profile of Euram Bank, based on which measures and priorities are defined to reduce risk. Euram Bank has implemented a loss database, which is kept by Risk Management. All business and organizational divisions are instructed to report any mistakes that have occurred (regardless of the amount of money involved) to the Risk Management function, thus enabling their analysis in a first step and to derive arrangements to prevent new mistakes from occurring in the next step.

Other risks

General business risk:

Basically, Euram Bank is in a position to achieve a positive result on the basis of the existing business model. In the course of preparing the annual accounts, a risk strategy is defined for the new fiscal year which also serves as a basis for the allocation of economic capital. Based on the preliminary balance sheet figures of the annual accounts and on the risk strategy adopted by the Joint Managing Board, a financial forecast will be prepared for the new fiscal year. A Profit Center account is prepared monthly. The result is compared with the target values, which were calculated according to the same criteria, on a monthly basis. Strategic risks, business and yield risks are consolidated with the credit, market and interest rate risks and supplemented by operational risks. The result will be discussed and analysed promptly by the joint Managing Board. This process ensures that general business risks are identified immediately.

Reputational risk:

Risk control is effected through a comprehensive due diligence process within the scope of account opening as well as through permanent monitoring of all customer activities using the automatic AML platform “kdprevent”, linked up with World Check databases. kdprevent, an analytical software solution for the prevention of money laundering, white-collar crime and the financing of terrorism allows for the recognition of unusual, unexpected and suspicious transactions on the part of customers. Significant suspicious facts (based on the risk analysis effected by Euram Bank) will automatically trigger an alert at previously defined contact points.

Vienna, 27 March 2020

The Managing Board

Manfred Huber

Johannes Langer

Josef Leckel

experienced

BALANCE SHEET

BALANCE SHEET AS OF DECEMBER 31, 2019

Assets	31/12/2019		31/12/2018	
	EUR	EUR	TSD EUR	TSD EUR
1. Cash in hand, balances with central banks and post office banks		87,562,404.27		90,410
2. Debt instruments of public authorities which are eligible for refinancing at central banks		32,570,647.55		34,765
a) Debt instruments of public authorities and similar securities	32,570,647.55		34,765	
3. Claims against credit institutions				
a) payable on demand	8,193,926.72		7,462	
b) other receivables	20,401,319.25	28,595,245.97	14,769	22,232
4. Loans and advances to customer		147,962,752.98		124,180
5. Debentures and other fixed-income securities				
a) of public issuers		153,316,802.48		47,369
6. Stocks and other non fixed-income securities		2,610,625.01		3,052
7. Participations		1,070.00		1
8. Shares in affiliated companies		159,000.00		159
9. Intangible fixed assets		340,463.50		298
10. Tangible assets		108,955.95		133
11. Other assets		2,167,648.38		1,261
12. Accruals and deferred income		1,847,905.34		324
13. Deferred tax assets		877,996.06		221
		458,121,517.49		324,406
1. Foreign assets		297,813,943.57		166,233

Liabilities		31/12/2019		31/12/2018	
	EUR	EUR	TSD EUR	TSD EUR	
1. Liabilities to credit institutions					
a) repayable on demand	74,029.71		6		
b) with agreed maturity date or period of notice	0.00	74,029.71	0	6	
2. Liabilities to customers					
a) other liabilities					
aa) repayable on demand	259,356,264.97		173,447		
bb) with agreed maturity date or period of notice	158,901,308.75	418,257,573.72	121,229	294,675	
3. Securitized liabilities					
a) self-issued bonds	0.00		0		
b) other securitized liabilities	0.00	0.00	0	0	
4. Other liabilities		1,920,960.86		928	
5. Provisions					
a) Provisions for severance payments	362,670.00		366		
b) Other provisions	3,430,918.64	3,793,588.64	2,103	2,469	
6. Supplementary capital pursuant to part 2 title 1 chapter 4 of regulation (EU) no. 575/2013		3,000,000.00		3,000	
7. Subscribed capital		10,045,712.61		10,046	
8. Capital reserves					
a) tied-up	1,886,813.16		1,887		
b) free	6,438,537.61	8,325,350.77	2,479	4,365	
9. Profit reserves					
a) other reserves		11,093,904.17		7,314	
10. Liability reserve pursuant to §57 para 5 Banking Act		1,308,000.00		1,308	
11. Net profit		302,397.01		295	
		458,121,517.49		324,406	
1. Contingent liabilities					
a) Contingent liabilities of sureties and assets pledged as collateral security		111,580.00		83	
2. Credit risks		9,565,148.67		3,688	
3. Required own funds pursuant to art 92 of regulation (EU) no. 575/2013 hereof supplementary capital pursuant to part 2 title 1 chapter 4 of regulation (EU) no. 575/2013 EUR 2,049,261.08 (31/12/2018: TSD EUR 2,649)		32,784,162.14		25,674	
4. Required own funds pursuant to art 92 of regulation (EU) no. 575/2013 (overall risk value)					
lit a of regulation (EU) no. 575/2013		155,489,559.80		129,919	
lit b of regulation (EU) no. 575/2013		19.8%		17.7%	
lit c of regulation (EU) no. 575/2013		19.8%		17.7%	
		21.1%		19.8%	
5. Foreign liabilities		368,190,555.39		266,456	

PROFIT & LOSS ACCOUNT AS OF DECEMBER 31, 2019

Profit & Loss Account	01/01/2019–31/12/2019		01/01/2018–31/12/2018	
	EUR	EUR	TSD EUR	TSD EUR
1. Interest and similar earnings hereof: from fixed-income securities	4,461,885.96	10,275,607.93	1,890	8,974
2. Interest and similar expenses		-1,596,545.27		-1,862
I. NET INTEREST EARNINGS		8,679,062.66		7,112
3. Earnings from securities and participations a) Earnings from shares, other share rights, and non fixed-income securities	172,708.54	172,708.54	42	42
4. Earnings from commissions		13,451,067.95		9,866
5. Commission expenses		-1,260,060.15		-1,701
6. Earnings/expenses from financial transactions		-1,232,200.20		-559
7. Other operating earnings		149,571.30		129
II. OPERATING EARNINGS		19,960,150.10		14,889
8. General administrative expenses a) Personnel expenses aa) Wages and salaries bb) Expenses for statutory social security contributions and compulsory contributions associated with remuneration cc) Other social security expenses dd) Expenses for retirement provisions and support ee) Expenses for severance payments and contributions to company retirement schemes	-4,821,453.50 -135,896.97	 -5,963,118.48	-4,074 -115	 -5,139
b) Other administrative expenses (Overhead)	-5,985,775.94	-11,948,894.42	-3,870	-9,009

Profit & Loss Account	01/01/2019–31/12/2019		01/01/2018–31/12/2018	
	EUR	EUR	TSD EUR	TSD EUR
9. Value adjustments of the assets listed in assets items 9 and 10		-175,623.67		-179
10. Other operating expenses		-45,492.53		-1,456
III. OPERATING EXPENSES		-12,170,010.62		-10,643
IV. OPERATING RESULTS		7,790,139.48		4,246
11. Value adjustments on claims and allocations to provisions for contingent liabilities and credit risk		-2,926,491.30		-998
12. Value adjustments on securities, valued like financial assets		-25,800.00		-50
V. RESULT OF ORDINARY BUSINESS OPERATION		4,837,848.18		3,197
13. Income and earnings tax		-1,050,379.25		-867
VI. ANNUAL SURPLUS		3,787,468.93		2,330
14. Changes in reserves hereof: allocation to the liability reserve	0.00	-3,780,000.00	0.00	-2,325
VII. ANNUAL PROFIT		7,468.93		5
15. Profit carryforward		294,928.08		290
VIII. NET PROFIT		302,397.01		295

NOTES

to the annual accounts of European American Investment Bank Aktiengesellschaft ("Euram Bank") for the year ending on 31 December 2019.

The annual accounts for the year ending on 31 December 2019 were prepared in accordance with the regulations of the Accounting Act (Rechnungslegungsgesetz), taking account of the special requirements of the Banking Act (BWG, Bankwesengesetz).

It was resolved, in the ordinary general meeting on 30 November 2016, to shift the balance sheet date from 30 June to 31 December. There is comparability with the 2018 fiscal year of 12 months.

1. General principles and information on accounting and valuation

General principles

The annual accounts for the year ending on 31 December 2019 are prepared in compliance with generally accepted accounting principles, and with the general standard of conveying a true and fair view of the net worth, financial position and results of the company.

The principle of completeness and accounting continuity was observed in preparing the annual accounts.

The unit account method of valuation is applied in valuing the individual assets and debts, on a going-concern basis.

The principle of prudence was taken into account considering the particular characteristics of banking business.

Under the provisions of section 9 of the Corporate Income Tax Act (KStG) relating to group taxation, a corporate group exists as at 31/12/2019 comprising Euram Holding AG as group parent and Euram Bank as group member. The tax sharing agreements stipulate the stand-alone method.

Euram Bank belongs to the joint stock bank sector.

Euram Bank is wholly owned by Euram Holding AG.

Foreign currency amounts

Foreign currency amounts are translated at the middle rates set on the reporting date, in accordance with section 58 (1) BWG.

Financial assets

Investments are valued at cost of acquisition. Lower values are recognized in the case of material, sustained impairments.

Securities held as fixed assets are measured at the lower of fair value and cost of acquisition on the balance sheet date. Unscheduled write-downs to a fair value that is lower on the reporting date are performed where the impairments are likely to be permanent.

Write-ups on fixed assets are performed if the reasons for the unscheduled write-down have lapsed.

Current assets

Securities held as current assets were reported at cost of acquisition less value adjustments for discernible individual risks or possibly a lower share price, market value, or market value derived from a similar financial instrument, on the reporting date.

The company does not keep a trading book.

Receivables and other assets are reported at their nominal value less value adjustments for identifiable individual risks. Moreover, to take account of credit risks within loans and advances to customers, a general impairment provision was made for performing portfolios.

The recoverability of loans and advances to customers is estimated based on the impairment indicators and the collateral provided. In doing so, the fair values less haircuts are used. Estimates are based on prudent assessments. The calculation of the general impairment provision for non-defaulted customers is based on a valuation model that also takes into account, in the course of an internal credit rating process, the probabilities of default determined by external rating agencies, apart from customer exposure and collateral values. To the extent that statistically identifiable data from similar situations are available, the company has taken them into account when preparing the estimates; for instance, collateral haircuts and historical default rates published by Creditreform (Verband der Vereine Creditreform e.V.).

efficient

We love to work efficiently with a strong impact on results.
However, we need to ask and consider more than ever what the
result is intended to be, what means are required and justified,
and what consequences our actions and the subsequent results
will bring about.

Shares in affiliated companies

Euram Bank has a 100% holding in Euram Invest Holdings 3 GmbH headquartered in Munich, Germany (line of business of the GmbH: management of participations).

In the fiscal year 2019, as already in fiscal year 2018, no dividends were distributed to Euram Bank.

Pursuant to section 238 (2) of the UGB (Austrian Business Code), the equity and results of the last fiscal year of the affiliated undertakings are as follows:

Euram Invest Holdings 3 GmbH	in EUR thousand
Capital	597.9
Share of capital	100%
Result last FY	3.7

Participating interests

This item includes the share in the deposit guarantee fund of Banken und Bankiers Gesellschaft m.b.H. in Liqu., Vienna, in the amount of EUR 70.0 (EUR 70.0 as at 31/12/2018) as well as the share in Einlagensicherung AUSTRIA Ges.m.b.H., Vienna, in the amount of EUR 1.0 thousand (EUR 1.0 thousand as at 31/12/2018).

Intangible and tangible assets

Fixed intangible and tangible assets are measured at cost of acquisition or production, less scheduled depreciation. Low-value assets are capitalized and written off in full in the year of acquisition. Assets are depreciated on a straight-line basis.

The following useful life is assumed for the purposes of scheduled depreciation:

Company motor vehicles	8 years
Office equipment	5 years
Fixtures	5 years
Office machines	5 years
Software	5 years
Hardware	5 years

Under applicable tax regulations, a full year's depreciation for acquisitions in the first half of the year, and half a year's depreciation for acquisitions in the second half of the year are effected.

Severance pay obligations

The provision for severance payments is determined according to actuarial principles using an interest rate of 2.72% (previous year: 3.21%) and on the basis of a calculatory retirement age of 60 years for women and 65 years for men. No staff turnover deduction is determined. For the fiscal year 2019, Euram Bank AG used the discount rate announced by Deutsche Bundesbank (10-year average), with a residual term of 15 years (2.72%). The interest rate selected and its calculation shall continuously be applied from now on.

Other provisions

In the other provisions, in accordance with the principle of prudence, all risks discernible as well as liabilities uncertain in terms of amount and on the merits at the time of preparation of the balance sheet are accounted for in amounts that will be required according to reasonable commercial judgement.

Liabilities

Liabilities are recognized at the repayment amount including deferred interest.

Contingent liabilities

Contingent liabilities include financing guarantees granted and secured by credit institutions, securities, mortgages or in cash in the amount of EUR 0.1 million (EUR 0.1 million as at 31/12/2018). In the fiscal year 2019, no unsecured financing guarantee was granted (31/12/2018: none).

Credit risks

This position includes the amount of unused credit facilities in the amount of EUR 7.8 million (EUR 2.1 million as at 31/12/2018), as well as guarantees towards credit card companies for credit lines granted to Euram Bank customers in the amount of EUR 1.7 million (EUR 1.5 million as at 31/12/2018).

Fiduciary receivables

Fiduciary receivables are contained in the following items:

- Shares and other non-fixed interest securities: EUR 0.0 thousand (31/12/2018: EUR 0.0 thousand)

Fiduciary liabilities

Fiduciary liabilities are contained in the following items:

- Securitised liabilities: EUR 0.0 thousand (31/12/2018: EUR 0.0 thousand)

2. Notes concerning the balance sheet

A. Maturities analysis

Amounts due to and from banks and customers other than at call are structured according to residual maturities as follows:

Loans and advances to credit institutions: thousand

up to 3 months	EUR	11,572
more than 3 months up to 1 year	EUR	0
more than 1 year up to 5 years	EUR	8,829
over 5 years	EUR	0

Loans and advances to customers: thousand

up to 3 months	EUR	47,128
more than 3 months up to 1 year	EUR	25,910
more than 1 year up to 5 years	EUR	74,278
over 5 years	EUR	2,518

Liabilities to credit institutions: thousand

up to 3 months	EUR	0
more than 3 months up to 1 year	EUR	0
more than 1 year up to 5 years	EUR	0
over 5 years	EUR	0

Liabilities to customers: thousand

up to 3 months	EUR	105,796
more than 3 months up to 1 year	EUR	46,122
more than 1 year up to 5 years	EUR	6,983
over 5 years	EUR	0

B. Risks in the area of loans and advances to customers

Loans and advances to customers amount to EUR 148.0 million (EUR 124.2 million as at 31/12/2018). This amount includes specific provisions amounting to EUR 191 thousand (EUR 194 thousand as at 31/12/2018), as well as a general impairment provision in the amount of EUR 2.660 thousand (EUR 950 thousand as at 31/12/2018). Loans and advances to customers amounting to EUR 1.7 million (EUR 2.6 million as at 31/12/2018) are secured through deposits, loans and advances to customers amounting to EUR 109.5 million (EUR 96.0 million as at 31/12/2018) are mainly secured through mortgages, deposits and/or securities, unsecured loans amount to EUR 36.8 million (EUR 25.6 million as at 31/12/2018). Loans and advances to customers include amounts due from issuers at a volume of EUR 6.4 million (EUR 3.7 million as at 31/12/2018).

Loans and advances to customers:		million
secured by deposits	EUR	1.7
secured by mortgages, deposits and securities	EUR	109.5
unsecured	EUR	36.8

C. Securities

In the fiscal year 2019, securities were held in the following asset items:

- Debt instruments issued by public authorities: EUR 32.6 million (EUR 34.8 million as at 31/12/2018)
- Loans and advances to credit institutions: EUR 8.8 million (EUR 5.1 million as at 31/12/2018)
- Loans and advances to customers: EUR 6.4 million (EUR 3.7 million as at 31/12/2018)
- Bonds and other fixed-interest securities: EUR 153.3 million (EUR 47.4 million as at 31/12/2018)
- Shares and other non-fixed interest securities: EUR 2.6 million (EUR 3.1 million as at 31/12/2018)

C.1. Debt instruments issued by public authorities that are admitted for refinancing with the Central Bank

In the fiscal year 2019, three (previous year: three) non-fixed interest listed securities (regulated market) and five (previous year: five) fixed-interest listed securities (regulated market) were held in current assets.

thousand

Land of Lower Austria FRN 01/10/2014–01/10/2019	EUR	0
0 Berlin, Land FRN 08/10/2015–28/07/2025	EUR	4,079
0 Berlin, Land 05/10/2015–16/01/2023	EUR	4,051
0 North Rhine-Westphalia FRN 28/10/2015–28/10/2020/R1381	EUR	5,013
0 Latvia, Republic 05/07/2019–31/01/2025	EUR	3,184
0.8 Republik of Lithuania 21/11/2018–2025	EUR	4,162
1 Kingdom of Sweden 27/02/2013–27/02/2018/Reg.S	EUR	0
1.125 Sweden, Kingdom 13/05/2015–15/05/2018	EUR	0
1.125 Kingdom of Belgium 03/08/2016–2019	EUR	0
1.625 Belgium 05/10/2017–15/01/2020/Reg.S	EUR	7,631
1.5 Finland, Republic 21/09/2017–21/09/2020/Reg.S	EUR	3,564
1.125 Sweden, Kingdom 21/10/2016–2019/Reg.S	EUR	0
1.25 Sweden, Kingdom 08/09/2016–2021/Reg.S	EUR	887

C.2. Loans and advances to banks – of which other issuers

In the fiscal year 2019, two (previous year: two) non-fixed interest unlisted securities were held in current assets.

thousand		
1,72152% Inter-Amer.Dev.Bank FRN 26/01/2015–17/01/2022	EUR	4,377
1,60042% Intl.Bank Rec. Dev. FRN 17/12/2014–2021	EUR	4,452

C.3. Loans and advances to customers – of which other issuers

In the fiscal year 2019, one (previous year: one) fixed-interest unlisted security was held in fixed assets, and two (previous year: one) fixed-interest listed securities (open market) and one (previous year: none) fixed-interest unlisted security was held in current assets.

Fixed Assets:	thousand	
CPI Immobilien AG 30/11/2013–30/11/2033	EUR	1,900

Current assets:	thousand	
5 Aggregate Holdings S.A. 10/08/2016–2021	EUR	1,851
CPI Immobilien AG 30/11/2013–30/11/2033	EUR	618
5 VIC Properties S.A. 24/08/2018–2023	EUR	2,035

considerate

Day after day, in the small world of our offices, we experience what is good for us and may be good for the world outside: respect, thoughtfulness, tolerance, commitment... and even if we do not always succeed, we want to continue practicing these virtues.

C.4. Bonds and other fixed-interest securities

In the fiscal year 2019, seven (previous year: six) fixed-interest listed securities (regulated market) and six (previous year: seven) non-fixed interest listed securities (regulated market) were held in current assets.

Current assets thousand

1.625 International Finance Corp. 16/07/2015–2020	EUR	7,983
1.375 Inter. Finance Corp. DL-MTN 16/10/2019–2024	EUR	4,373
1.91263 European Bk Rec.Dev. FRN 19/07/2017–19/11/2020	EUR	2,047
2.54525 Eur.Bank Rec.Dev. DL-FLR MTN 11/05/2022	EUR	23,088
0.566 Austria, Republic FRN 04/08/2005–04/08/2025	EUR	282
2.7925% Asian Development Bk. FRN 10/07/2015–2019	EUR	0
1.875 Asian Development Bank 29/01/2014–12/04/2019	EUR	0
2.23725 Asian Dev.Bank FRN 26/02/2016–26/02/2020	EUR	3,921
2.78731 Inter-American D.Bk. FRN 17/07/2015–15/10/2019	EUR	0
2.01088 Inter-Amer.Dev.Bank FRN 07/08/2015–15/07/2020	EUR	2,002
2.32088 Inter-Amer.Dev.Bank FRN 02/03/2016–15/04/2020	EUR	3,207
1.875 North Rhine-Westphalia, Land 17/06/2014–2019	EUR	0
2.5 European Investment Bank 19/03/2014–15/04/2021	EUR	2,697
1.375 European Investment Bank 22/04/2015–15/06/2020	EUR	13,336
1.875 EIB 14/01/2014–15/03/2019	EUR	0

4.5 UK-Treasury 26/09/2008–07/03/2019	EUR	0
2.125 Europ. Stabilitäts.(ESM) DL-MTN 2017–2022	EUR	2,701
2.125 Inter-American Dev. Bank 08/11/2013–09/11/2020	EUR	3,572
4,75 UK-Treasury 29/03/2005–07/03/2020	EUR	82,664

C.5. Shares and other non-fixed interest securities

This item contains investment fund units allocated to fixed assets in the amount of EUR 1,525 thousand (EUR 1,551 thousand as at 31/12/2018).

Hedge fund units in the amount of EUR 396 thousand (EUR 466 thousand as at 31/12/2018) are reported in current assets. Current assets also include investment fund units of the Euram mutual funds in the amount of EUR 0.7 million (EUR 1.0 million as at 31/12/2018). Furthermore, shares in “Petrocapital Resources PLC” in the amount of EUR 10.0 (EUR 10.0 as at 31/12/2018) are held. All securities shown in the asset item “Shares and other non-fixed interest securities” are unlisted.

Fixed assets:		thousand
Euroopportunity Bond	EUR	1,525

Current assets:		thousand
Sharpe Special Situations Fund	EUR	396
Euroopportunity Bond	EUR	376
USD Convergence Bond	EUR	256
Advantage Stock	EUR	57
Petrocapital Resources PLC	EUR	0.01

One share (“Petrocapital Resources PLC”) was held in the fiscal year 2019. “Petrocapital Resources PLC” was delisted in 2010.

In the fiscal year 2019, the company managed customer securities to a value of EUR 1,070.6 million (EUR 1,004.1 million as at 31/12/2018).

As at 31 December 2019, the fixed assets of the bank include securities with a carrying amount of EUR 3.4 million (EUR 3.5 million as at 31/12/2018). The difference between acquisition costs and market value (if higher) amounted to EUR 100.0 thousand (EUR 100.0 thousand as at 31/12/2018).

For the securities held as current assets that are admitted for stock exchange trading, the negative difference between acquisition costs and market value (if lower) amounted to EUR 185.5 thousand (positive EUR 1,569.7 thousand as at 31/12/2018).

D. Fixed assets

The movement of the individual fixed asset items and the breakdown of annual depreciation by individual items are shown in the fixed asset movement schedule.

E. Other assets

Other assets essentially contain

- a repayment pending due to value date factors: EUR 0.3 million (EUR 0.4 million as at 31/12/2018),
- invoiced commissions from fund management: EUR 0.3 million (EUR 0.3 million as at 31/12/2018),
- outstanding receivables: EUR 1.4 million (EUR 0.3 million as at 31/12/2018), including commission income from previous years due to contracts in the amount of EUR 0.6 million (previous year: none),
- a real property that is not intended to be held in the long term: EUR 240 thousand (EUR 240 thousand as at 31/12/2018).

In the fiscal year 2019, no other receivables with a residual term of more than one year (none as at 31/12/2018) were reported.

The material income included in the item “Other assets” in the 2019 fiscal year that becomes payable only after the reporting date amounts to EUR 1.7 million (EUR 0.4 million as at 31/12/2018).

F. Accruals

Apart from current salary payments in the amount of EUR 144.5 thousand (EUR 149.7 thousand as at 31/12/2018), this position includes prepaid insurance premiums as well as information and maintenance costs in the amount of EUR 324.8 thousand (EUR 166.5 thousand as at 31/12/2018) and other advance payments in the amount of EUR 1,378.6 thousand (EUR 7.6 thousand as at 31/12/2018).

G. Deferred tax assets

At the balance sheet date, deferred tax assets acc. to section 198 (10) UGB amount to EUR 878.0 thousand (previous year: EUR 220.9 thousand).

H. Securitized liabilities

No securitized liabilities were held in the 2019 fiscal year (previous year: none).

I. Other liabilities

Other liabilities include invoices already received, but not yet paid, regarding the 2019 fiscal year, in the amount of EUR 0.3 million (EUR 0.3 million as at 31/12/2018), liabilities from distribution of the tax burden towards one affiliated company in the amount of EUR 1,027.6 thousand (EUR 85.9 thousand as at 31/12/2018), liabilities to the tax office in the amount of EUR 497.3 thousand (EUR 417.1 thousand as at 31/12/2018), as well as liabilities towards the investors of the tier 2 capital bond for interest expenses in the amount of EUR 120.0 thousand (EUR 120.0 thousand as at 31/12/2018).

The material expenses included in the item “Other liabilities” in the fiscal year 2019 that become payable only after the reporting date amount to EUR 0.3 million (EUR 0.2 million as at 31/12/2018).

J. Deferrals

This position does not include any commissions already earned, but attributable to the 2019 fiscal year (EUR 0.0 as at 31/12/2018).

K. Tier 2 capital

On 1 June 2016, Eram Bank AG issued a fixed-interest unlisted subordinate bond for EUR 3 million with a term of seven years, of which EUR 3 million were subscribed at the balance sheet date (31/12/2019). The conditions of the bond are in line with the CRR – EU Regulation no. 575/2013 Part 2 Chapter 4 (Articles 62-71) on tier 2 capital. Expenses in the amount of EUR 120.0 thousand were recognized for interest in the fiscal year 2019.

L. Equity

- 1.) The share capital amounting to EUR 10,045.7 thousand is divided into 270,000 no-par shares, each with an equal portion of the share capital.

2.) Eligible own funds pursuant to Part 2 CRR: thousand

Subscribed capital	EUR	10,045.7
(Appropriated) capital reserve	EUR	1,886.8
(Free) capital reserve	EUR	6,438.5
Revenue reserve	EUR	11,093.9
Liability reserve as per section 57 (5) BWG	EUR	1,308.0
Retained earnings	EUR	302.4
Adjustments to CET 1 capital to be effected due to deduction and correction	EUR	-340.4
<i>CET 1 capital</i>	<i>EUR</i>	<i>30,734.9</i>
Supplementary capital	EUR	3,000.0
Other components or deductions regarding supplementary capital	EUR	-950.7
<i>Supplementary capital (T2)</i>	<i>EUR</i>	<i>2,049.3</i>
Own funds	EUR	32,784.2

3.) The parent company Euram Holding AG has effected an allocation in the amount of EUR 3,960.0 thousand (EUR 195.0 thousand as at 31/12/2018) and this allocation was included in the (free) capital reserve.

4.) Euram Bank allocated an amount of EUR 3,780.0 thousand to the revenue reserve in the fiscal year 2019 (EUR 2,325.0 as at 31/12/2018).

5.) Euram Bank did not effect any allocations to the liability reserve in the fiscal year 2019 (none as at 31/12/2018).

6.) The net profit for the fiscal year 2019 amounts to EUR 302.4 thousand (EUR 294.9 thousand as at 31/12/2018).

M. Capital adequacy requirements

Euram Bank uses the following methods to calculate its capital adequacy requirements:

- Credit risk: Standard approach
- Operational risk: Basic indicator approach
- Risk of adjustment to credit valuation (CVA risk): Standard method

inspiring

In the fiscal year 2019, the total amount of risk under Article 92 of CRR – EU Regulation no. 575/2013 amounts to EUR 155,489 thousand (EUR 129,919 thousand as at 31/12/2018).

The risk-weighted item amounts for **credit risk** are EUR 125,925 thousand (EUR 108,765 thousand as at 31/12/2018) and consist of the following:

		thousand
Exposures to central governments or central banks	EUR	0
Exposures to regional or local administrative bodies	EUR	0
Exposures to multilateral development banks	EUR	0
Exposures to international organisations	EUR	0
Exposures to institutes	EUR	2,344
Exposures to corporates	EUR	20,967
Exposures from retail business	EUR	550
Defaulted exposures	EUR	0
Exposures secured by real property	EUR	2,571
Exposures associated with particularly high risk	EUR	87,119
Exposures to institutes and corporates with short-term credit ratings	EUR	4,016
Exposures in the form of investment fund units (UCI)	EUR	2,611
Investment exposures	EUR	160
Other positions	EUR	5,587

The total exposure of the risk items for **Operational risks** is EUR 29,564 thousand (EUR 21,154 thousand as at 31/12/2018).

N. Supplementary information

- 1.) Total amount of assets and liabilities in foreign currency:

		million
Assets in foreign currency	EUR	194.4
Liabilities in foreign currency	EUR	195.0

The foreign currency assets and liabilities essentially concern USD.

- 2.) In the fiscal year 2019, Euram Bank had a restraint on disposal for an asset amounting to EUR 0.1 million (EUR 0.1 million as at 31/12/2018).
- 3.) Amounts due from affiliated companies amount to EUR 0.0 million (EUR 0.0 million as at 31/12/2018).
- 4.) Amounts payable to affiliated companies amount to EUR 1.3 million (EUR 0.8 million as at 31/12/2018).
- 5.) In the fiscal year 2019, Euram Bank had material transactions with other “related parties” in the amount of EUR 20.2 million (EUR 8.1 million as at 31/12/2018).
- 6.) Other provisions in the amount of EUR 3.4 million (EUR 2.1 million as at 31/12/2018) include:

		thousand
Legal, auditing and consultancy costs	EUR	2,068.4
Vacation entitlements not consumed yet	EUR	233.4
Bonuses	EUR	1,129.1

The other provisions “Legal, auditing and consultancy costs” essentially concern expenses for absorption interest in the amount of EUR 1,325.0 thousand (EUR 1,325.0 thousand as at 31/12/2018), as well as expenses for potential legal costs in the amount of EUR 593.6 thousand (EUR 0.0 thousand as at 31/12/2018).

- 7.) From a present-day perspective, obligations arising from the use of fixed assets not reported in the balance sheet amount to EUR 780.4 thousand for the next year (EUR 430.9 thousand as at 31/12/2018), to EUR 5.0 million for the following five years, and exclusively relate to rent for the use of the office premises.

- 8.) In the fiscal year 2019, the company did not conclude any currency futures (none as at 31/12/2018). These are basically used to hedge foreign currency positions. The maturities of the foreign exchange futures are basically less than one year.
- 9.) In the fiscal year 2019, Euram Bank had not issued any loans to officers and related persons (none as at 31/12/2018) in the amount of EUR 0.0 thousand (EUR 0.0 thousand as at 31/12/2018).
- 10.) In the fiscal year 2019, Euram Bank reports a return on assets (annual result after taxes / total assets) in the amount of 0.83%.

3. Explanatory note on the income statement

In the fiscal year 2019, the breakdown of income by geographical markets as per section 64 (1) (9) BWG is essentially the following:

Interest income: thousand

The Caribbean	EUR	-728.9
Asia	EUR	140.5
Europe – EU	EUR	10,763.6
CEE	EUR	65.2
America	EUR	22.1
Africa	EUR	13.0

Income from securities and investments: thousand

Europe – EU	EUR	172.7
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Commission earned: thousand

The Caribbean	EUR	1,720.7
Asia	EUR	470.7
Europe – EU	EUR	11,030.7
CEE	EUR	150.8
America	EUR	33.2
Africa	EUR	34.2
Australia	EUR	10.8

Income/expenses from financial transactions: thousand

The Caribbean	EUR	27.5
Asia	EUR	9.1
Europe – EU	EUR	-1,291.7
CEE	EUR	3.6
America	EUR	17.0
Africa	EUR	2.3

Other operating income: thousand

Africa	EUR	12.2
Europe – EU	EUR	131.7
Asia	EUR	5.5

The operating expenditure reported in the fiscal year 2019 in the amount of EUR 6.0 million (EUR 3.9 million as at 31/12/2018) essentially consists of the following:

thousand

IT and information expense	EUR	2,228
Office and operating expense	EUR	340
Rental expense	EUR	780
Advertising expense	EUR	683
Insurance	EUR	292
Legal and consultancy expenses	EUR	1,017
Supervisory Board	EUR	176
Recruitment and training	EUR	74
Travel expenses and motor vehicle operating costs	EUR	114
Other costs	EUR	281

With reference to section 237 of the Business Code (UGB), the breakdown of other operating income and other operating expenditure in accordance with section 64 (1) (12) of the Banking Act (BWG) is as follows:

- Apart from costs charged on in the amount of EUR 43 thousand (EUR 16 thousand as at 31/12/2018), other operating income essentially includes a VAT credit of EUR 104 thousand (EUR 109 thousand as at 31/12/2018) and income from the release of provisions in the amount of EUR 2 thousand (EUR 4 thousand as at 31/12/2018).
- The other operating expenses reported in the fiscal year 2019, in the amount of EUR 45.5 thousand (EUR 1,456.1 thousand as at 31/12/2018) essentially relate to expenses for external consultants in the amount of EUR 45.5 thousand (31/12/2018: essentially expenses for absorption interest in the amount of EUR 1,325.0 thousand).

In the fiscal year 2019, value adjustments of receivables were effected in the amount of EUR 2,926.5 thousand (EUR 998.3 thousand as at 31/12/2018). A specific provision regarding the insolvency of Maple Bank GmbH, Germany, was formed in the amount of EUR 1,216.5 thousand (previous year: EUR 0.0 thousand). Moreover, a general impairment provision in the amount of EUR 1,710.0 thousand was formed (EUR 930.0 thousand as at 31/12/2018).

Value adjustments of securities as well as of participating interests and shares in affiliated companies amount to EUR 25.8 thousand (EUR 50.2 thousand as at 31/12/2018), relating to the value adjustment of the Euroopportunity Bond fund held in fixed assets, in the amount of EUR 25.8 thousand (EUR 50.2 thousand as at 31/12/2018).

The expenditure for auditors attributable to the fiscal year are disclosed in the group accounts of Euram Holding AG.

The taxes on income and earnings reported in the income statement, taking account of tax sharing and deferred taxes, in the amount of EUR -1,050.4 thousand (EUR -867.3 thousand as at 31/12/2018) are made up of the income from deferred taxes in the amount of EUR 657.1 thousand (EUR 242.2 thousand as at 31/12/2018) and the expenditure from tax allocations (tax sharing) in the amount of EUR 1,707.5 thousand (EUR 1,109.5 thousand as at 31/12/2018) and influence the result of ordinary activities at a rate of -21.7% (-27.1% as at 31/12/2018).

Euram Bank allocated an amount of EUR 3,780.0 thousand to the revenue reserve in the fiscal year 2019 (EUR 2,325.0 thousand as at 31/12/2018).

Euram Bank did not effect any allocation to the liability reserve in the fiscal year 2019 (none as at 31/12/2018).

4. Other notes

- 1.) In the fiscal year 2019, an average of 38 employees (37 as at 31/12/2018) were employed with the company.
- 2.) For senior executives, the severance pay provision in the fiscal year 2019 amounts to EUR 169.8 thousand (EUR 199.1 thousand as at 31/12/2018) and for other employees EUR 192.9 thousand (EUR 166.2 thousand as at 31/12/2018). Moreover, contributions in the amount of EUR 167.1 thousand (EUR 161.3 thousand as at 31/12/2018) were paid to the employee pension fund. The changes to the staff cost provisions were included in personnel costs.

3.) The total remuneration of three (three as at 31/12/2018) Managing Board members that was granted for their work in the fiscal year 2019 amounts to EUR 1.8 million (EUR 1.3 million as at 31/12/2018); the remuneration granted to members of the Supervisory Board in the fiscal year 2019 amounts to EUR 176.4 thousand (EUR 170.3 thousand as at 31/12/2018).

4.) No loans were granted to senior executives in the fiscal year 2019 (none as at 31/12/2018).

5.) The following persons were members of the company's Managing Board during the fiscal year 2019:

Manfred Huber (Chairman)
Johannes Langer
Josef Leckel

6.) The members of the elected Supervisory Board during the fiscal year 2019 were:

Adolf Walter Höllmer (Chairman until 28/05/2019)
Dr. Peter Maser (Deputy Chairman until 27/05/2019 and Chairman since 28/05/2019)
Dipl.-Ök. Thomas Weismann (Deputy Chairman since 28/05/2019)
Dkfm. Senta Penner

7.) Euram Bank is included in group accounts. The entity that prepares the group accounts is the following:

Euram Holding AG
Wallnerstraße 4
1010 Wien

5. Significant events after the reporting date

Due to the spreading of the coronavirus, the previous economic expectations for the year 2020 will cave in. There is a significant negative impact on economic momentum due to the temporary interruption of supply chains, measures ordered by the public health authorities and the decline in sales. Due to the dynamic development of the coronavirus pandemic, we are currently not able to estimate the amount of financial consequences. Apart from that, no significant events occurred until the signing of the annual accounts on 27 March 2020 by the Managing Board members of Euram Bank AG.

6. Additional disclosures

In order to comply with the company's disclosure obligations under Articles 431 to 435 of CRR – EU Regulation no. 575/2013, it is pointed out that the publication can be viewed on the website of Euram Bank AG (www.eurambank.com) under “Euram Bank / publications and disclosures”.

Vienna, dated 27 March 2020

The Managing Board

Manfred Huber

Johannes Langer

Josef Leckel

competent

A U D I T O P I N I O N

AUDIT OPINION

Report on the annual accounts

Audit opinion

We have audited the annual accounts of European American Investment Bank Aktiengesellschaft, Vienna, comprising the balance sheet as at 31 December 2019, the income statement for the fiscal year ending on that reporting date, and the Notes.

Based on our assessment, we consider that the annual accounts comply with the statutory rules and convey a true and fair view of the net worth and financial position as at 31 December 2019 and of the earnings situation of the Company for the financial year ending on that reporting date, in accordance with the provisions of Austrian business and banking law.

Basis of the audit opinion

We have carried out our audit in accordance with EU Regulation no. 537/2014 (hereinafter AUD-REG) and with the Austrian principles of proper year-end audits. Said principles require the application of the International Standards on Auditing (ISA). Our responsibilities under said provisions and standards are described in greater detail in the “Responsibilities of the auditor with a view to auditing the annual accounts” section of our audit opinion. In accordance with Austrian business and banking law provisions and professional regulations, we are independent from the company, and we have met our other professional duties in line with said requirements. We believe that we have obtained sufficient and suitable audit evidence to base our audit opinion on.

Particularly important audit facts

Particularly important audit facts include any facts that, according to our dutiful discretion, were most critical for our audit of the annual accounts of the fiscal year. Said facts were considered here in connection with our audit of the entire annual accounts and in forming our audit opinion, and we shall not provide any separate audit opinion on said facts.

Recoverability of loans and advances to customers

The risk with respect to the annual accounts:

Loans and advances to customers are reported in the balance sheet with an amount of EUR 147.9 million. This amount includes value adjustments (impairments) in the amount of EUR 2.7 million. In terms of amount (almost 32.3% of total assets), loans and advances to customers constitute a significant balance sheet item. With only few exceptions, primarily loans secured by mortgages, deposits and securities are granted. The Managing Board of the bank describes the procedure to determine impairments on loans and advances to customers in the Notes to the annual accounts in the chapter “General principles and information on accounting and valuation”, as well as in item 2B “Risks in the sphere of loans and advances to customers”.

Within the scope of credit monitoring, the bank assesses once a year whether impairment indicators exist and whether, accordingly, specific provisions must be formed. Identifying impairment indicators includes an assessment as to whether any events exist that result in an impairment of contractually agreed payments being made in full and without realizing any collateral. Specific provisions are determined taking account of the collateral available. In doing so, the collateral is recognized in the amount of its respective lending value, i.e. fair values less haircuts. Accordingly, the recognized collateral values are estimates.

Apart from determination of the specific provisions, the portfolio value adjustment for non-defaulting customers is calculated on the basis of a valuation model. Apart from customer exposure and collateral values, it is primarily the probability of default (PD) based on the customer rating that is relevant. Based on the existing internal customer rating, probabilities of default – obtained externally – are allocated to the blank volumes.

The risk for the annual accounts is in the essential uncertainty of discretionary assessments and estimates associated with the determination of impairment indicators and the calculation of impairments.

Our way of procedure during the audit

We have investigated the lending process and the process for monitoring customer loans and the formation of impairments. We have examined the second process by evaluating the internal guidelines and through employee surveys to determine if that process is suitable for assessing the recoverability of the receivables and to ensure adequate formation of impairments, if necessary.

We have also tested the key controls in this sphere with a view to their design, implementation and – on a random sample basis – their effectiveness.

Based on a random sample of loans, we have checked if there is any danger of default and whether credit risk provisions in adequate amounts were made. The selection procedure for determining the sample was based on a risk-oriented approach using information such as rating, interest rate and amount of exposure, on the one hand, and on a randomized approach for the remaining portfolio, on the other hand.

In cases of specific provisions, we have examined the specific provision.

During examination of the general impairment provision, we have assessed the method applied and the parameters used therein as to whether they are suitable to determine provisions in appropriate amounts. Moreover, we have examined the amount of the general impairment provision so determined by applying a control calculation.

Finally, an assessment was made as to whether the information contained in the Notes to the annual accounts is appropriate to determine impairments for loans and advances to customers.

Responsibilities of the legal representatives and of the Supervisory Board for the annual accounts

The legal representatives are responsible for preparing the annual accounts and must ensure that the latter convey a true and fair view of the assets, financial and earnings position of the company, in line with Austrian business and banking law provisions. Moreover, the legal representatives are responsible for the internal controls they deem necessary in order to allow for the preparation of annual accounts that are free from significant – intentional or unintentional – false representations.

During preparation of the annual accounts, the legal representatives are responsible for assessing the Company's ability to continue its business activities, for indicating circumstances associated with continuation of the business activities – if relevant –, as well as for applying the going-concern accounting principle, unless the legal representatives intend to either liquidate the Company or to discontinue its business activities, or unless they do not have any realistic alternative to any such way of procedure.

The Supervisory Board is responsible for monitoring the accounting process of the Company.

Responsibilities of the auditor with a view to auditing the annual accounts

Our objectives are to obtain sufficient certainty as to whether the annual accounts as a whole are free from significant – intentional or unintentional – false statements and to issue an audit certificate that contains our audit opinion. Sufficient certainty is a high degree of certainty, but no guarantee that an audit conducted in accordance with the AUD-REG and with the Austrian principles of proper year-end audits that require application of the ISA will always reveal material false representations, if such exist. False representations may result from fraudulent acts or errors and are deemed significant if some or all of them may reasonably be expected to impact on the economic decisions made by users on the basis of these annual accounts.

In the course of a year-end audit in accordance with the AUD-REG and the Austrian principles of proper year-end audits, requiring application of the ISA, we exercise our dutiful discretion throughout the entire audit, maintaining a critical basic attitude.

Moreover, the following applies:

- We identify and analyse the risks of significant – intended or unintentional – false representations in the annual accounts, we plan audit procedures in response to said risks, we implement them and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinion. The risk that material false representations resulting from fraudulent acts are not revealed is higher than the one resulting from errors, as fraudulent acts may involve deceitful interactions, falsifications, intentional omissions, misleading representations or the bypassing of internal controls.

trustworthy

Let's not be taken in by those who say that they have everything under control. Let's not walk into our own mind traps either. Confidence is not based on claims, promises, and ultimately not even on results and experiences alone. Confidence or trust is based on the inner relationship between individuals. Such mutual bond will provide for sustainable paths, even on shaky grounds.

- We obtain insights into the internal control system, inasmuch as it is important for the audit, in order to determine audit procedures appropriate in the circumstances, not however to provide an audit opinion in relation to the effectiveness of the Company's internal control system.
- We assess the adequacy of the accounting methods applied by the legal representatives, as well as the tenability of the estimated values presented by the legal representatives in the accounting and the associated information.
- We draw conclusions regarding the appropriateness of the going-concern accounting principle being applied by the legal representatives as well as, based on the audit evidence obtained, whether any significant uncertainty exists in connection with events or circumstances that may raise strong doubts regarding the Company's ability to continue its business activities. If we conclude that any such significant uncertainty exists, we are obliged to point out the relevant information in the annual accounts in our audit certificate, or if such information is inappropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit certificate. Future events or circumstances may, however, cause the Company to discontinue its business activities.
- We assess the overall presentation, the structure and content of the annual accounts including the information provided, as well as whether the annual accounts reflect the underlying transactions and events in such a way that a true and fair view of the Company's situation is achieved.
- We consult with the Supervisory Board among others about the planned scope and timing of the year-end audit, as well as about meaningful audit findings, including any significant deficiencies within the internal control system that we find during our audit.
- From among the facts about which we have communicated with the Supervisory Board, we shall determine those facts which were most important for the audit of the annual accounts of the fiscal year, and thus which are particularly important audit facts. We describe said facts in our audit certificate unless legislation or other legal regulations preclude public disclosure of said facts, or we determine, in extremely rare cases, that a fact should not be reported in our audit certificate because it may be reasonably expected that the negative consequences of such a disclosure would exceed the benefits to public interest.

Other statutory and other legitimate requirements

Report on the management report

Under Austrian business law provisions, the management report must be audited as to whether it is consistent with the annual accounts and whether it was prepared according to applicable legal requirements.

The legal representatives are responsible for preparing the management report in accordance with Austrian business law provisions.

We have carried out our audit in accordance with the professional principles regarding the audit of the management report.

Opinion

According to our opinion, the management report has been prepared in accordance with applicable legal requirements and is consistent with the annual accounts.

Statement

Considering the findings and insights obtained during the audit of the annual accounts with respect to the Company and its environment, no significant inaccurate information was found in the management report.

Additional information under Article 10 AUD-REG

We were elected as auditors by the General Meeting on 14 May 2018 and charged by the Supervisory Board on 14 May 2018 with performing the year-end audit of the Company for the fiscal year ending on 31 December 2019.

On 14 May 2018, we were elected for the fiscal year ending on 31 December 2020 and on 14 May 2018 we were charged by the Supervisory Board with performing the year-end audit.

We have been auditors of the company without interruption since the annual accounts as at 30 June 2014.

We declare that the audit opinion contained in the section “Report on the annual accounts” corresponds with the additional report to the Supervisory Board under Article 11 of the AUD-REG.

We declare that we have not provided any services other than auditing services (Article 5 (1) of the AUD-REG) and that in carrying out the audit we have maintained our independence from the audited company.

Auditor responsible for the assignment

The auditor responsible for the audit assignment is Mr. Georg Blazek.

Vienna, dated 27 March 2020

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Georg Blazek
Certified Public Accountant

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This is a translation from German. In case of any discrepancies between the English and the German version the German text shall prevail.

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EURAM BANK