

SMALL IS

## BEAUTIFUL

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## “One Mokka please!”

— The Viennese love to drink Espresso, or a “Mokka” as we call it. We enjoy our Mokka with clients, colleagues and sometimes alone, busy with our thoughts. We share a good cup at the bank or in one of the inviting Cafés close by and we even have something in common on the road to success: We focus on the power of being small.

## Foreword by the Chief Executive Officer

In our annual report for the business year 2015/2016 we anticipated that we would be able to reap the benefits of our reorganization process very soon. Today, only 6 months later, our forecast came true and is visibly confirmed by our bottom line results.

Now it is time to take a moment, but for sure not to rest on our achievements. While enjoying the success of our endeavors, we reflect on the reasons

behind it and extend it further: In order to achieve great things as a small bank we have applied the strong points of our “size” – our speed of reaction, our flexibility, our skills in communication and cooperation, short ways and flat hierarchies ... just to name a few.

The solid base for success is even deeper rooted: To make a promise requires a true sense of responsibility and a strong commitment to make it happen. We would like to thank our staff for the continuous dedication. To believe in a promise requires a high amount of trust. We would like to thank our clients and partners for the encouraging confidence they

put in us. We see the results as a mandate, not to stand still, but to act with foresight and react to changing markets, both well-considered and fast.

We invite you to share our ambitions and ideas. Let’s have a fine cup of coffee together and talk about “small is beautiful”, about healthy growth and the ways to sustainable success. Let’s tap the full potential and shape the future together.

Manfred Huber  
Chief Executive Officer  
June 2017

## Supervisory Board

**Adolf Walter Höllmer**  
Chairman

**Dr. Peter Maser**  
Vice Chairman

**Dr. Erik Max Michael Obermayer**  
until 30/11/2016

**Dkfm. Senta Penner**

## Managing Board



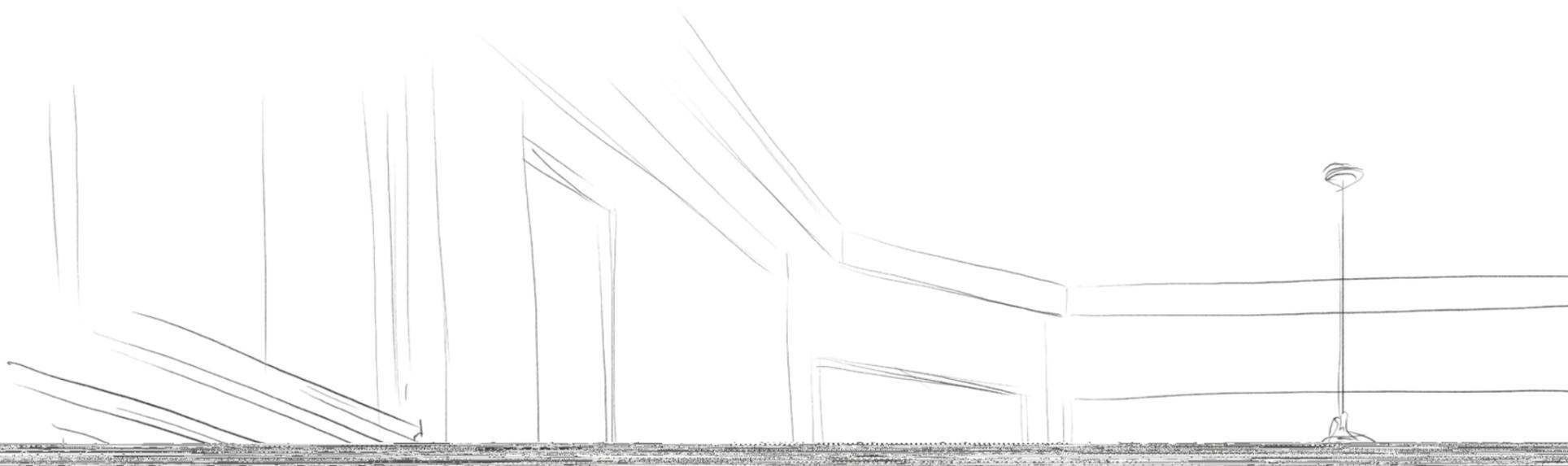
**Manfred Huber**  
Chairman



**Johannes Langer**



**Josef Leckel**





# small is flexible.

— An Espresso is quickly made and even faster consumed. The secret reveals itself to those, who can enjoy without haste. If you take short and direct ways, there is no need to hurry – you have already gained time.

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

### Business development

The result of the British referendum on the exit from the EU (Brexit), the outcome of the presidential elections in the United States, continuing migration into Europe, and increasing tensions between the United States and Russia were the characterizing events of 2016. The emerging markets and developing countries achieved more significant growth than the industrial countries, especially due to high growth rates in China and India; on the other hand, economic recession continued in Russia and Brazil, due to low commodity prices and subdued global trade. The euro zone and the USA were supported by an increase in consumption, favorable trends on the labour market, and low inflation rates. Inflation remained low due to commodity prices, especially the oil price. The euro remained broadly stable against the US dollar, while the British pound depreciated after the Brexit vote. The European Central Bank (ECB) continued its expansive monetary policy, whereas the US Fed increased the prime rate.

Putting a focus on lines of business that require a high amount of advisory, quite consciously neglecting the retail banking market, has proven successful again in the short fiscal year 2016,

which applies to Private Banking, Asset Management and Card Payment Services in equal measure. The experience and commitment of our excellent staff and the very good performance in all investment strategies have contributed to the fact that the confidence and expectations of our clients were not disappointed in the short fiscal year 2016, despite the difficult market environment. Our competence and many years' experience in advising our clients in asset management and investment matters, our confident and committed way of working, and the risk-aware management of the assets entrusted to us absolutely proved their worth.

On 25 August 2016, having lost the case in three instances before the courts of law, an Indian company filed a complaint against Euram Bank within the scope of arbitration proceedings according to the Vienna Rules (VIAC) for the payment of USD 32.5 million from the business relationship.

It was resolved, in the ordinary general meeting on 30 November 2016, to shift the balance sheet date from 30 June to 31 December. Due to the short fiscal year 2016 (six months), there is only limited comparability with the 2015/2016 fiscal year (12 months).

In the short fiscal year 2016, the balance sheet total of Euram Bank increased by EUR 98.6 million or 53.5% to EUR 282.9 million (EUR 184.4 million as at 30/6/2016). The individual items developed as follows:

On the asset side, cash reserves increased by EUR 39.1 million to EUR 41 million (EUR 1.9 million as at 30/6/2016), debt instruments issued by public authorities increased by EUR 12 million to EUR 22.3 million (EUR 10.3 million as at 30/6/2016). The clear increase in the above-stated items is due to the buildup of unencumbered high-quality liquid assets (HQLA). Amounts due from credit institutions decreased by 15.6% or EUR 10.9 million to a total of EUR 58.9 million (EUR 69.8 million as at 30/6/2016). Loans and advances to customers increased by 40.5% or EUR 36.2 million to EUR 125.5 million (EUR 89.4 million as at 30/6/2016),

with the major part of this growth resulting from an increase in real estate financing in Germany and Austria. Bonds and other fixed-income securities increased by EUR 22.8 million to EUR 30.4 million (EUR 7.7 million as at 30/6/2016). Again, the increase is due to the buildup of unencumbered high-quality liquid assets (HQLA). Stocks and other non-fixed income securities increased by 0.2 million to EUR 2.4 million (EUR 2.3 million as at 30/6/2016). The item "shares in affiliated companies" remained unchanged at EUR 159 thousand (EUR 159 thousand as at 30/6/2016). Other assets decreased to EUR 1.7 million (EUR 2.4 million as at 30/6/2016).

On the liabilities side, liabilities to credit institutions decreased by EUR 14.4 million to EUR 6.6 million (EUR 20.9 million as at 30/6/2016). At 2.3% of the balance sheet total, the liabilities to credit institutions constituted a minor share of the refinancing basis of Euram Bank. At the balance sheet date, the liabilities to customers amounted to EUR 255.5 million (EUR 147.5 million as at 30/6/2016), representing 90.3% of the balance sheet total and are accordingly still the largest portion of the refinancing basis of Euram Bank. Since July 2016, Euram Bank is represented on the "Weltsparen" deposit platform; the volume of deposits received through that platform amounts to EUR 96.2 million. As compared to the previous year, the item "provisions" has decreased by EUR 0.1 million to EUR 0.6 million (EUR 0.7 million as at 30/6/2016). Other liabilities decreased by EUR 0.4 million to EUR 0.9 million (EUR 0.5 million as at 30/6/2016).

In the short fiscal year 2016, the net interest income of Euram Bank amounted to EUR 1.3 million (EUR 2.1 million as at 30/6/2016). The balance of fee and commission income and expenses amounted to EUR 2.7 million (EUR 3.8 million as at 30/6/2016). In the short fiscal year 2016, the major part of the net fee and commission income resulted from securities business (EUR 1.4 million), followed by credit business (EUR 1.3 million). The balance of income/expenses from financial transactions amounted to EUR 248 thousand (minus EUR 205 thousand as at 30/6/2016). It should be mentioned in this context that the result of the 2015/2016 fiscal year was negatively influenced

by the liquidation of a fund (Sharpe Art Segregates Portfolio Fund). Other operating income amounted to EUR 1.6 million (EUR 0.7 million as at 30/6/2016). The result of the short fiscal year 2016 includes a non-recurring income (arrangement fee) in the amount of EUR 1.5 million resulting from services rendered for the issue of a bond listed at the stock exchange in Germany. In the short fiscal year 2016, operating income accordingly reached a value of EUR 5.8 million (EUR 6.5 million as at 30/6/2016).

Total operating expenses amounted to EUR 3.9 million (EUR 6.4 million as at 30/6/2016). Staff expenses amounted to EUR 2 million (EUR 3.5 million as at 30/6/2016), operating expenditure amounted to EUR 1.6 million (EUR 2.7 million as at 30/6/2016). This item essentially included the expenditure on IT, rent, advertising as well as consultancy and audit fees. Depreciation of fixed assets and intangible assets amounted to EUR 60.8 thousand (EUR 95.4 thousand as at 30/6/2016), other operating expenses amounted to EUR 138.2 thousand (EUR 137.9 thousand as at 30/6/2016).

After deduction of total operating expenses from operating income, accordingly, the operating result for the short fiscal year 2016 amounts to EUR 2 million (EUR 58 thousand as at 30/6/2016).

The income/expenditure balance from the sale and valuation of receivables and certain securities was minus EUR 149 thousand (minus EUR 1 million as at 30/6/2016). The negative result of the 2015/2016 fiscal year is due to the forced shut-down of the German Maple Bank GmbH (Maple Bank) as ordered by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) in February 2016. Euram Bank had invested USD 13 million with Maple Bank. The claim of Euram Bank was reported in time and acknowledged by the liquidator. For reasons of prudence, a provision in the amount of 10% of the outstanding amount (EUR 1 million) was formed in the 2015/2016 fiscal year, no change of the provision was required in the short fiscal year 2016. The income/expenditure balance from the sale and valuation of financial assets amounted to minus EUR 34.6 thousand (minus EUR 23.2 thousand as at 30/6/2016).

Accordingly, the result of ordinary operations for the short fiscal year 2016 amounted to EUR 1.8 million (minus EUR 1 million as at 30/6/2016).

The taxes on income and earnings amounted to EUR 205.3 thousand (EUR 32.8 thousand as at 30/6/2016). The result shows expenditure from deferred taxes in the amount of EUR 61.3 thousand and from distribution of the tax burden in the amount of EUR 144 thousand.

The annual surplus of the short fiscal year 2016 accordingly amounted to EUR 1.6 million (annual deficit EUR 1 million as at 30/6/2016). No movement of reserves was effected in the short fiscal

year 2016 (EUR 0.3 million as at 30/6/2016) – the resulting profit for the year amounted to EUR 1.6 million (annual loss EUR 1.3 million as at 30/6/2016).

Taking account of the loss carried forward of EUR 1.1 million, the net profit of the short fiscal year 2016 amounts to EUR 0.4 million (net loss EUR 1.1 million as at 30/6/2016).

#### Financial and non-financial performance indicators

The capital resources of Euram Bank continue to be excellent. In the short fiscal year 2016, Euram Bank issued a supplementary capital bond in the amount of EUR 3 million with a term of 7 years. Eligible own funds according to Part 2 of Regulation (EU) no. 575/2013 amounted to EUR 19 million (EUR 14.6 million as at 30/6/2016) and by far exceeded the own funds required according to Article 92 of Regulation (EU) 575/2013 of EUR 8.5 million (EUR 7.9 million as at 30/6/2016). In the short fiscal year 2016, the core capital ratio ((eligible core capital/(required own funds \* 12.5)) amounted to 14.8% (14.7% as at 30/6/2016); in the short fiscal year 2016, the total capital ratio ((eligible own funds/(required own funds \* 12.5)) amounted to 17.6% (14.7% as at 30/6/2016) – accordingly, both ratios were clearly above the statutory minimum level. The cost/income ratio (operating expenditures/operating income) amounted to 66.2% (99.1% as at 30/6/2016).

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

#### Events of particular importance after the balance sheet date of 31 December 2016

Euram Bank is a wholly owned subsidiary of Euram Holding AG. After 31 December 2016, one shareholder of Euram Holding AG sold the shares held in Euram Holding AG to an Austrian investor.

In the extraordinary general meeting on 13 March 2017, the shareholders of Euram Holding AG resolved upon a capital increase in the amount of EUR 1.6 million. After the capital increase taking effect, Euram Holding AG is going to equally increase the capital of Euram Bank by EUR 1.6 million.

The Vienna International Arbitral Centre (VIAC) had set a deadline until 31 January 2017 by which the Indian company, as the plaintiff, had to pay the cost of the proceedings to the VIAC. Until this day, this payment has not been effected.

## 2. Anticipated trends and risks

### Outlook for 2017

In the United States, GDP growth was stimulated in the second half of 2016, which was due to a continuation of the solid expansion of consumption and occupation as well as a decrease of the burden resulting from declining investments in the energy sector. According to the forecasts, domestic demand and especially corporate investments are going to receive additional impulses from expected fiscal easing in the form of higher public expenditure and tax cuts for private households and business enterprises in the coming two years, although long-term interest rates will increase slightly. Within the EU, domestic demand is going to remain moderate in the course of 2016 to 2018, in spite of the accommodating monetary policy and slight easing in fiscal politics, since it is slowed down by weak investment activities, a still high unemployment rate, and high volumes of non-performing loans in some countries. Exports are going to benefit from increased demand for imports in the United States. However, also the negative effects of lower growth in demand in the United Kingdom and of the uncertainty regarding the future development of the European Union are expected to be felt in the next two years. Based on better use being made of fiscal leeway, the outlook for both the EU and for the rest of the world would improve, and we could work towards sustainably overcoming weak growth. The outlook for the United Kingdom is clearly less favorable than prior to the Brexit vote. There continues to be great uncertainty with respect to future political measures to set the course, to the relationship between the United Kingdom and the European Union and the reaction of the economy, and this uncertainty is likely to remain even after Britain's exit from the EU (which is expected for 2019) and after the conclusion of trade agreements under the most-favored-nation principle. This is going to burden corporate investments, which are expected to decline drastically in the coming two years. For China, a further weakening of growth is expected before the background of sagging economic impulses and the continuous shift of demand towards the domestic economy. Dealing with this process of shifting demand and with the risks within the financial system remains one decisive challenge in this context. In India, the marked wage increase in the public sector and the major structural reforms adopted recently are expected to contribute to growth remaining the same, since this situation offers increasing incentives for corporate investments. In many other Asian economies, e.g. Indonesia, the solid growth of domestic demand continues, which is supported by high public infrastructure investments and an expansion of credits, compensating the drag resulting from the poor development of trade with China. In Brazil and in Russia, slow recovery is expected for the next two years, which is supported by higher commodity prices, by confidence being on the increase again since recently, and by monetary measures to boost the economy before the background of decreasing inflation rates.

For the Private Banking division, the fiscal year 2017 will bring a clear focus – as in the short fiscal year 2016 – on the development of integrated strategies to maintain capital and assets, based on individual planning, combined with first-class customer service. The expansion of its product range for clients from Austria and Germany – the financing of residential and commercial real estate projects – is meant to be the core activity. Considering high demand, especially in large cities and conurbations, we expect housing prices to increase even further, unless the supply of real estate is extended. With our competence in financing matters, swift processing and transparent communication, we intend to use these market opportunities successfully also in the future. The Asset Management division is also going to consistently pursue the conservative investment approach, thus striving again for a positive performance of Euram Bank's public funds. In the Card Payment Services division, we are developing further projects in the sphere of card-based payment transactions together with our international partners. In this area we see a marked trend towards electronic payment methods, such as Near Field Communication (NFC), via bank cards (smart cards) for micropayments or mobile payments using smartphones.

#### Significant risks and uncertainties

An order issued by the Securities and Exchange Board of India (SEBI) dated 22 September 2011, accusing Euram Bank of infringing the code of conduct of the Indian stock exchange as an FII licensee, remains in force. In October 2015, Euram Bank made another comprehensive statement vis-à-vis SEBI in this respect; the bank continues to cooperate with all the authorities involved, pressing for a resolution.

### 3. Research and development

Euram Bank undertakes no research and development activities.

### 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 (3 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

In line with the type, scope, complexity and degree of risk of the bank's business activities,

- arrangements were made with respect to the organizational structure and process organization,
- risk control and controlling processes were put in place, and
- a risk management function was implemented.

#### 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 will also include 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 will inform 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 Risk Management have been granted the necessary 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 encounters risks, especially in the sphere of credit and counterparty risk, liquidity 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 (with only few exceptions). 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 has prepared a framework for operational risks that is used to determine the operational risk profile of Euram Bank and to define measures as well as priorities with a view to risk reduction. The staff responsible for the implementation of the framework will inform Risk Management in writing on a quarterly basis about the risk situation in their department. The individual reports are summarized by Risk Management in an overall report. Euram Bank has implemented an incident 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 further mistakes.

#### Liquidity risk

Liquidity management ensures that Euram Bank will always be in a position to settle its payment obligations on time and that asset positions can be liquidated at any time without having to accept significant discounts on the market. The Asset Liability Committee (ALCO) is responsible for liquidity management. It is the task of liquidity management to identify, measure and control liquidity risk positions. The ALCO consists of employees from Asset Management, Accounting and Reporting, Back Office and Risk Management departments.

#### Other risks

General business risk:  
Generally Euram Bank is in a position to achieve a positive result on the basis of the existing business model. In the course of 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 analyzed promptly by the joint Managing Board. This process ensures that general business risks are identified immediately.

#### Reputational risk:

Risk management 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 an analytical software ("kdprevent"). 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, 26 April 2017

The Managing Board

Manfred Huber  
Johannes Langer  
Josef Leckel





# small is communicative.

— Proficient Viennese go to a Café to do some soul-searching. In touch with themselves and without any hurry they start talking to each other. Far away from the hustle of the world outside, but yet attentively facing it, they listen to each other and inspire each other.

# BALANCE SHEET

AS OF DECEMBER 31, 2016

ASSETS		31.12.2016	30.6.2016
	EUR	EUR	TSD EUR
1. Cash in hand, balances with central banks and post office banks		40,996,489.25	1,866
2. Debt instruments of public authorities and bills which are eligible for refinancing at central banks			
a) Debt instruments of public authorities and similar securities		22,273,488.81	10,344
3. Claims against credit institutions		58,907,368.97	69,804
a) payable on demand	20,016,854.15		45,435
b) other receivables	38,890,514.82		24,369
4. Loans and advances to customers		125,539,375.85	89,354
5. Debentures and other fixed-income securities			
a) of public issuers		30,416,709.51	7,656
6. Stocks and other non fixed-income securities		2,434,048.94	2,260
7. Participations		70.00	0
8. Shares in affiliated companies		159,000.00	159
9. Intangible fixed assets		183,905.51	63
10. Tangible assets		133,390.13	106
11. Other assets		1,651,151.40	2,365
12. Accruals and deferred income		214,127.52	300
13. Deferred tax assets		26,223.15	88
		<b>282,935,349.04</b>	<b>184,365</b>
1. Foreign assets		168,135,889.88	96,988

LIABILITIES		31.12.2016	30.6.2016
	EUR	EUR	TSD EUR
1. Liabilities to credit institutions		6,577,319.97	20,932
a) repayable on demand	3,346,216.28		311
b) with agreed maturity date or period of notice	3,231,103.69		20,621
2. Liabilities to customers		255,526,807.45	147,536
a) Other liabilities			
aa) repayable on demand	113,012,764.02		91,728
bb) with agreed maturity date or period of notice	142,514,043.43		55,808
3. Securitised liabilities		23,646.98	24
a) self-issued bond	15,572.52		16
b) other securitised liabilities	8,074.46		8
4. Other liabilities		946,921.95	516
5. Accruals and deferred income		0.00	13
6. Provisions		616,517.70	690
a) Provisions for severance payment	253,600.00		381
b) Other provisions	362,917.70		308
7. Supplementary capital pursuant to part 2 title 1 chapter 4 of regulation (EU) no. 575/2013		3,000,000.00	0
8. Subscribed capital			
Nominal value		10,045,712.61	10,046
9. Capital reserves		1,920,350.77	1,920
a) tied-up	1,886,813.16		1,887
b) free	33,537.61		34
10. Profit reserves		2,859,904.17	2,860
a) Other reserves	2,859,904.17		2,860
11. Liability reserve pursuant to §57 para 5 Banking Act		979,100.00	979
12. Net profit/loss		439,067.44	-1,149
		<b>282,935,349.04</b>	<b>184,365</b>
1. Contingent Liabilities			
a) Contingent liabilities of sureties and assets pledged as collateral security		22,000.00	698
2. Credit risks		6,392,561.15	5,488
3. Own funds to be taken into account pursuant to part 2 of regulation (EU) 575/2013 hereof supplementary capital pursuant to part 2 title 1 chapter 4 of regulation (EU) no. 575/2013 EUR 3.000.000,00 (30.06.2016: TEUR 0)		18,621,162.04	14,593
4. Required own funds pursuant to Article 92 of regulation (EU) no 575/2013 (overall risk value) hereof required own funds pursuant to Article 92, para 1		105,784,793.32	99,113
lit a of regulation (EU) no. 575/2013		14.8 %	14.7%
lit b of regulation (EU) no. 575/2013		14.8 %	14.7%
lit c of regulation (EU) no. 575/2013		17.6 %	14.7%
5. Foreign liabilities		238,573,614.39	134,026

# PROFIT AND

PROFIT- AND LOSS ACCOUNT		31.12.2016	30.6.2016
	EUR	EUR	TSD EUR
1. Interest and similar earnings		2,224,064.34	2,469
hereof: from fixed interest securities	266,952.63		366
2. Interest and similar expenses		-942,197.26	-347
<b>I. NET INTEREST EARNINGS</b>		<b>1,281,867.08</b>	<b>2,122</b>
3. Earnings from securities and participations		58,065.13	62
a) Earnings from shares, other share rights and non fixed-income securities	58,065.13		62
4. Earnings from commissions		3,624,908.40	4,968
5. Commission expenses		-922,942.74	-1,182
6. Earnings / Expenses from financial transactions		248,156.37	-205
7. Other operating earnings		1,551,615.42	740
<b>II. OPERATING EARNINGS</b>		<b>5,841,669.66</b>	<b>6,505</b>
8. General administrative expenses			
a) Personnel expenses		-2,024,865.77	-3,463
aa) Wages and salaries	-1,690,158.18		-2,631
bb) Expenses for legally stipulated social security contributions and compulsory contributions dependant on remuneration	-311,318.64		-613
cc) Other social security expenses	-27,212.05		-48
dd) Expenses for retirement provisions and support	-70,669.46		-131
ee) Expenses for severance payments and contributions to company retirement schemes	74,492.56		-40
b) other administrative expenses (overhead)		-1,640,920.75	-2,750
		-3,665,786.52	-6,212

# LOSS ACCOUNT

AS OF DECEMBER 31, 2016

PROFIT- AND LOSS ACCOUNT		31.12.2016	30.6.2016
	EUR	EUR	TSD EUR
9. Value adjustments of the assets listed in assets items 9 and 10		-60,830.56	-95
10. Other operating expenses		-138,231.67	-138
III. OPERATING EXPENSES		<b>-3,864,848.75</b>	<b>-6,446</b>
IV. OPERATING RESULT		<b>1,976,820.91</b>	<b>59</b>
11. Value adjustments on claims and allocations to provisions for contingent liabilities and for credit risks		-149,000.00	-1,030
12. Value adjustments on securities valued like financial assets		-34,600.00	-23
V. RESULT OF ORDINARY BUSINESS OPERATION		<b>1,793,220.91</b>	<b>-994</b>
13. Income and earnings tax		-205,352.87	-33
VI. ANNUAL SURPLUS / DEFICIT		<b>1,587,868.04</b>	<b>-1,027</b>
14. Change of reserves		0	-319
herof: allocation to the liability reserve	0.00		-319
VII. ANNUAL PROFIT / LOSS		<b>1,587,868.04</b>	<b>-1,346</b>
15. Profit/loss carryforward		-1,148,800.60	197
VIII. NET PROFIT / LOSS		<b>439,067.44</b>	<b>-1,149</b>

**small**  
**is**  
**creative.**





— The scent of coffee strengthens the thoughts and opens the mind. While the dense atmosphere of the location protects you from distraction, it gives you ample room to develop ideas and potentials. There is something paradoxical about a Café, thus perfectly stimulating creativity.

# NOTES

to the annual accounts of European American Investment Bank Aktiengesellschaft ("Euram Bank") for the year ending 31 December 2016.

The annual accounts for the year ending 31 December 2016 were prepared in accordance with the regulations of the Accounting Act, taking account of the special requirements of the Banking Act.

It was resolved, in the ordinary general meeting on 30 November 2016, to shift the balance sheet date from 30 June to 31 December. Due to the short fiscal year 2016 (six months), there is only limited comparability with the 2015/2016 fiscal year (12 months).

## 1. General principles and information on accounting and valuation

### General principles

The annual accounts for the year ending 31 December 2016 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 previously applied accounting and valuation methods were retained except for the amendments due to first-time application of RÄG 2014 (Accounting Amendment Act). In particular, the changes due to first-time application of RÄG 2014 concern the reporting of deferred taxes and the change of the actuarial interest rate for severance pay obligations.

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

The principle of prudence was observed 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 31/12/2016 comprising Euram Holding AG as group parent and Euram Bank as group member. The tax sharing agreements stipulate the stand-alone method.

Euram Bank is organised as a stock corporation.

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) Banking Act.

### Financial investments

Investments are valued at cost of purchase. 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 purchase on the balance sheet date. Non-scheduled depreciations 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 purchase 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 impairments for identifiable individual risks. Moreover, to take account of credit risks within loans and advances to customers, a general value adjustment was made.

The recoverability of loans and advances to customers is assessed based on the collateral provided. The fair values less haircuts are being recognised. Estimates are based on prudent assessments. The calculation of the general value adjustment is based on a valuation model that also takes into account the probabilities of default, 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.).

### 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 short fiscal year 2016, as already in fiscal year 2015/2016, no dividends were distributed to Euram Bank.

According 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	238.2
Share of capital	100%
Result last FY	-11.9

### Participations

This item includes the share in the deposit guarantee scheme of Banken und Bankiers GmbH, Vienna, in the amount of EUR 70.0 (EUR 70.0 as at 30/6/2016).

### 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 cars	8 years
Office equipment	5 years
Fixtures	5 years
Office machines	5 years
Software	5 years
Hardware	5 years

According to the 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 4.01% (previous year: 1%) and on the basis of a calculatory retirement age of 60 years for women and 65 years for men. A staff fluctuation discount is not applied. For the short fiscal year 2016, Eura Bank AG used the discount rate announced by Deutsche Bundesbank (10-year average) for the first time, with a residual term of 15 years (4.01%). The interest rate selected and its calculation shall continuously be applied from now on. Due to a change of the discount rate, this resulted in a non-recurring effect of EUR 106.5 thousand. Movements in provisions are recognized in the profit and loss accounts in staff expenses (expenses for severance pay and contributions to employee pension funds).

### Other provisions

In the remaining 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 or in cash in the amount of EUR 0.1 million (EUR 0.1 million as at 30/6/2016). In the short fiscal year 2016, no unsecured financing guarantee was granted (EUR 0.6 million as at 30/6/2016).

### Credit risks

This position includes undrawn credit facilities in the amount of EUR 3.8 million (EUR 3.1 million as at 30/6/2016), as well as guarantees towards credit card companies for credit lines granted to Eura Bank customers in the amount of EUR 2.5 million (EUR 2.4 million as at 30/6/2016).

### Fiduciary Receivables

Fiduciary Receivables are contained in the following items:

Shares and other non-fixed interest securities: EUR 23.6 thousand (EUR 23.6 thousand as at 30/6/2016)

### Fiduciary Liabilities

Fiduciary liabilities are contained in the following items:

Securitized liabilities: EUR 23.6 thousand (EUR 23.6 thousand as at 30/6/2016)

## 2. Notes to 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	28,045
more than 3 months		
up to 1 year	EUR	10,000
more than 1 year		
up to 5 years	EUR	0
over 5 years	EUR	846

Loans and advances to customers:		thousand
up to 3 months	EUR	1,923
more than 3 months		
up to 1 year	EUR	44,145
more than 1 year		
up to 5 years	EUR	73,174
over 5 years	EUR	2,022

Liabilities to credit institutions:		thousand
up to 3 months	EUR	3,118
more than 3 months		
up to 1 year	EUR	113
more than 1 year		
up to 5 years	EUR	0
over 5 years	EUR	0

Liabilities to customers:		thousand
up to 3 months	EUR	20,565
more than 3 months		
up to 1 year	EUR	59,880
more than 1 year		
up to 5 years	EUR	62,070
over 5 years	EUR	0

### B. Risks in the sphere of loans and advances to customers

Loans and advances to customers amount to EUR 125.5 million (EUR 89.4 million as at 30/6/2016). This includes individual value adjustments in the amount of EUR 129 thousand (EUR 0 at 30/6/2016)

as well as general value adjustments in the amount of EUR 20 thousand (EUR 0 at 30/6/2016). Loans and advances to customers amounting to EUR 6.1 million (EUR 11.7 million as at 30/6/2016) are secured through deposits, loans and advances to customers amounting to EUR 118.3 million (EUR 76.8 million as at 30/6/2016) are mainly secured through mortgages, deposits and/or securities, unsecured loans amount to EUR 1.1 million (EUR 0.8 million as at 30/6/2016). Loans and advances to customers include amounts due from issuers at a volume of EUR 6.5 million (EUR 3.9 million as at 30/6/2016).

Loans and advances to customers:		million
secured by deposits	EUR	6.1
secured by mortgages, deposits and securities	EUR	118.3
unsecured	EUR	1.1

### C. Securities

In the short fiscal year 2016, securities were held in the following asset items:

- Debt instruments issued by public authorities: EUR 22.3 million (EUR 10.3 million as at 30/6/2016)
- Loans and advances to customers: EUR 6.5 million (EUR 3.9 million as at 30/6/2016)
- Bonds and other fixed-interest securities: EUR 30.4 million (EUR 7.7 million as at 30/6/2016)
- Shares and other non-fixed interest securities: EUR 2.4 million (EUR 2.3 million as at 30/6/2016)

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

In the short fiscal year 2016, five (previous year: one) non-fixed interest listed securities (regulated market) and one fixed-interest listed security (regulated market) were held in current assets:

		thousand
Land Niederöster.		
FRN 01.10.2014-01.10.2019	EUR	9,014
0 Berlin, Land		
FRN 08.10.2015-28.07.2025	EUR	4,120
0 Berlin, Land		
05.10.2015-16.01.2023	EUR	4,092
0 Berlin, Land		
FRN 12.12.2012-10.07.2017	EUR	2,004
0 Hessen, Land		
FRN 05.08.2013-11.06.2018	EUR	905
0,875 Denmark, Kingdom		
18.03.2014-20.03.2017	EUR	2,139

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

In the short fiscal year 2016, one non-fixed interest unlisted security was held in current assets:

		thousand
1,02317% Inter-Amer.Dev.Bank		
FRN 26.01.2015-17.01.2022	EUR	846

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

In the short fiscal year 2016, one fixed-interest unlisted security was held in fixed assets, and one fixed-interest listed security (open market) and one fixed-interest unlisted security were held in current assets.

Fixed assets:		thousand
CPI Immobilien AG		
30.11.2013-30.11.2033	EUR	1,900
Current assets:		thousand
7,5 DEMIRE Dt.Mittelst.R.Est.AG		
16.09.2014-16.09.2019	EUR	0
5 Aggregate Holdings S.A.		
10.08.2016-2021	EUR	2,549
8 Conrent Invest S.A.		
24.01.2014-31.07.2018	EUR	2,031

### C.4. Bonds and other fixed-interest securities

In the short fiscal year 2016, four (previous year: three) fixed-interest listed securities (regulated market) and seven (previous year: two) non-fixed interest listed securities (regulated market) were held in current assets:

Current assets:		thousand
0,75 OeKB AG Global Note		
05.11.2013-15.12.2016/USD	EUR	0
0,5 European Investment Bank		
15.05.2013-15.08.2016	EUR	0
0,6801% Inter-American		
D.Bk.FRN 17.07.2015-15.10.2019	EUR	0
0,6746% Asian Development		
Bk.FRN 10.07.2015-2019	EUR	0
The Netherlands		
24.02.2012-24.02.2017	EUR	6,259
0,566 Austria, Republik		
FRN 04.08.2005-04.08.2025	EUR	287
0,75 Asian Development Bank		
11.08.2014-11.01.2017	EUR	3,081
0,6388% Asian Development		
Bk.FRN 10.07.2015-2019	EUR	709
1,14544 Asian Dev.Bank		
FRN 26.02.2016-26.02.2020	EUR	2,489
0 European Investment Bank		
06.11.2014-15.07.2024	EUR	4,104
1 European Investment Bank		
18.06.2014-17.08.2017	EUR	1,427
0,62835 Inter-American		
D.Bk.FRN 17.07.2015-15.10.2019	EUR	2,549
0,6901 Inter-Amer.Dev.Bank		
FRN 07.08.2015-15.07.2020	EUR	1,888
1,0001 Inter-Amer.Dev.Bank		
FRN 02.03.2016-15.04.2020	EUR	1,909
1 Intl.Bank Rec.& Development		
23.06.2015-15.11.2017	EUR	5,652

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

This item contains investment fund shares allocated to fixed assets in the amount of EUR 1,654 thousand

(EUR 1,689 thousand as at 30/6/2016). Hedge fund shares in the amount of EUR 24 thousand (EUR 24 thousand as at 30/6/2016) are reported in current assets. Current assets also include investment fund shares of Euram Bank's public funds in the amount of EUR 0.7 million (EUR 0.5 million as at 30/6/2016). Furthermore, shares in "Petrocapital Resources PLC" in the amount of EUR 10.0 (EUR 10.0 as at 30/6/2016) are held. All securities shown in the asset item "Shares and other non-fixed interest securities" are unlisted.

Fixed assets:		thousand
Euroopportunity Bond	EUR	1,654
Current assets:		thousand
CFS I	EUR	24
Euroopportunity Bond	EUR	133
USD Convergence Bond	EUR	265
Advantage Stock	EUR	359
Petrocapital Resources PLC	EUR	0.01

One share ("Petrocapital Resources PLC") was held in the short fiscal year 2016. "Petrocapital Resources PLC" was delisted in 2010.

In the short fiscal year 2016, the company managed customer securities to a value of EUR 507.7 million (EUR 224.1 million as at 30/6/2016).

### D. Fixed assets

The fixed assets movement schedule 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 pending repayment: EUR 0.2 million (EUR 0.2 million as at 30/6/2016)
- invoiced fees from fund management: EUR 0.3 million (EUR 0.3 million as at 30/6/2016)
- outstanding receivables: EUR 0.9 million (EUR 1.6 million as at 30/6/2016)
- a real estate property that is not intended to be held in the long term: EUR 240 thousand (EUR 240 thousand as at 30/6/2016).

In the short fiscal year 2016, no other receivables with a residual term of more than one year (none as at 30/6/2016) were reported.

The material income included in the item "Other assets" in the short fiscal year 2016 that becomes payable only after the reporting date amounts to EUR 0.4 million (EUR 1.3 million as at 30/6/2016).

### F. Accruals

Apart from current salary payments in the amount of EUR 125.6 thousand (EUR 128.5 thousand as at 30/6/2016), this position includes prepaid insurance premiums as well as information and maintenance costs in the amount of EUR 85.4 thousand

(EUR 159.1 thousand as at 30/6/2016) and other advance payments in the amount of EUR 3.1 thousand (EUR 11.9 thousand as at 30/6/2016).

### G. Deferred tax assets

At the balance sheet date, deferred tax assets according to section 198 (10) UGB amount to EUR 26.2 thousand (previous year: EUR 87.5 thousand). Already in the previous year the option to capitalize these assets was adopted, and the deferred taxes were carried in the balance sheet item "accruals". As a consequence of RÄG 2014, a separate balance sheet item was formed on the asset side in the short fiscal year 2016.

### H. Securitized liabilities

This item includes a self-issued certificate:

		thousand
CFS I	EUR	24

The amount of securitized liabilities becoming due in the year following the balance sheet date is EUR 24 thousand (EUR 24 thousand as at 30/6/2016).

### I. Other liabilities

Other liabilities include invoices already received, but not paid yet, regarding the short fiscal year 2016, in the amount of EUR 0.2 million (EUR 0.2 million as at 30/6/2016), liabilities from distribution of the tax burden towards one affiliated company in the amount of EUR 144.1 thousand (EUR 0.0 thousand as at 30/6/2016), liabilities towards the tax office in the amount of EUR 519.5 thousand (EUR 279.5 thousand as at 30/6/2016), as well as liabilities towards the investors of the supplementary capital bond for interest expenses in the amount of EUR 45.0 thousand (none as at 30/6/2016).

The material expenses included in the item "Other liabilities" in the short fiscal year 2016 that become payable only after the reporting date amount to EUR 0.2 million (EUR 0.2 million as at 30/6/2016).

### J. Deferred income

This position does not include any commissions already earned, but attributable to the 2017 fiscal year (EUR 12.5 thousand as at 30/6/2016).

### K. Supplementary capital

On June 1, 2016, Euram Bank AG issued a fixed-interest unlisted subordinate bond for EUR 3 million with a term of 7 years, of which EUR 3 million were subscribed at the balance sheet date (31/12/2016). The conditions of the bond are in line with the CRR - EU Regulation no. 575/2013 Part 2 Chapter 4 (Article 62-71) on tier 2 capital. Expenses in the amount of EUR 45,712.61 were recognized for interest in the short fiscal year 2016.

### L. Equity capital

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.) The equity capital is made up as follows:

		thousand
Subscribed capital	EUR	10,045.7
(Appropriated) capital reserve	EUR	1,886.8
(Free) capital reserve	EUR	33.5
Revenue reserve	EUR	2,859.9
Liability reserve as per section 57 (5) BWG	EUR	979.1

3.) Euram Bank did not effect allocations to the revenue reserve in the short fiscal year 2016 (none as at 30/6/2016).

4.) The net profit for the short fiscal year 2016 amounts to EUR 439.1 thousand (EUR -1,148.8 thousand as at 30/6/2016).

5.) Euram Bank did not effect allocations to the liability reserve in the short fiscal year 2016 (EUR 318.6 thousand as at 30/6/2016).

### 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

In the short fiscal year 2016, the total amount of risk under Article 92 of CRR - EU Regulation no. 575/2013 amounts to EUR 105,784 thousand (EUR 99,113 thousand as at 30/6/2016).

The risk-weighted item amounts for credit risk are EUR 92,322 thousand (EUR 85,651 thousand as at 30/6/2016) 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 institutes	EUR	5,693
Exposures to corporates	EUR	35,304
Exposures from retail business	EUR	2,996
Defaulted exposures	EUR	15,426
Exposures secured by real estate property	EUR	13,436
Exposures to institutes and corporates with short-term credit ratings	EUR	10,221
Exposures in the form of investment fund units (UCI)	EUR	1,731
Investment exposures	EUR	159
Other positions	EUR	7,356

The total exposure of the risk items for operational risks is EUR 13,462 thousand (EUR 13,462 thousand as at 30/6/2016).

### N. Supplementary information

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

		million
Assets in foreign currency	EUR	97.6
Liabilities in foreign currency	EUR	97.5

The foreign currency assets and liabilities essentially concern USD.

2.) In the short fiscal year 2016, Euram Bank had a restraint on disposal for an asset amounting to EUR 0.4 million (EUR 0.4 million as at 30/6/2016).

3.) Amounts due from affiliated companies amount to EUR 1.3 million (EUR 1.1 million as at 30/6/2016).

4.) Amounts payable to affiliated companies amount to EUR 0.6 million (EUR 0.9 million as at 30/6/2016).

5.) In the short fiscal year 2016, Euram Bank had no material transactions with other "related parties" (none as at 30/6/2016).

6.) Other provisions in the amount of EUR 0.4 million (EUR 0.3 million as at 30/6/2016) include:

		thousand
Legal, auditing and consultancy costs	EUR	32.6
Vacation entitlements not consumed yet	EUR	201.4
Bonuses	EUR	128.9

7.) From a present-day perspective, obligations arising from the use of fixed assets not reported in the balance sheet amount to EUR 435.1 thousand for the next year (EUR 428.1 thousand as at 30/6/2016), to EUR 2 million for the following five years, and exclusively relate to rent for the use of the office premises.

8.) In the short fiscal year 2016, the company did not conclude any currency futures (none as at 30/6/2016). These are basically used to hedge foreign currency positions. The lives of the foreign exchange futures are basically less than one year.

9.) In the short fiscal year 2016, Euram Bank had issued one loan to officers and related persons (one such loan as at 30/6/2016) amounting to EUR 665.0 thousand (EUR 665.0 thousand as at 30/6/2016).

10.) In the short fiscal year 2016, Euram Bank reports a return on assets (annual result after taxes / total assets) in the amount of 0.56%.

## 3. Explanatory note on the profit and loss account

In the short fiscal year 2016, the breakdown of income by geographical markets as per section 64 (1) (9) BWG is essentially the following:

Interest income:		thousand
The Caribbean	EUR	-3.7
Asia	EUR	154.3
Europe - EU	EUR	1,882.1
CEE	EUR	182.6
America	EUR	3.6
Africa	EUR	1.1
Australia	EUR	4.1

Income from securities and investments:		thousand
Europe - EU	EUR	58.1

Commission earned:		thousand
The Caribbean	EUR	527.2
Asia	EUR	74.1
Europe - EU	EUR	2,904.9
CEE	EUR	73.7
America	EUR	23.7
Africa	EUR	14.2
Australia	EUR	7.1

Income/expenses from financial transactions:		thousand
The Caribbean	EUR	14.2
Asia	EUR	7.9
Europe - EU	EUR	216.9
CEE	EUR	8.2
America	EUR	0.1
Africa	EUR	0.7
Australia	EUR	0.1

Other operating income:		thousand
Asia	EUR	0.1
Europe - EU	EUR	1,551.5

The operating expenditure reported in the short fiscal year 2016 in the amount of EUR 1.6 million (EUR 2.7 million as at 30/6/2016) essentially consists of the following:

		thousand
IT and information expense	EUR	641
Office and operating expense	EUR	56
Rental expense	EUR	217
Advertising expense	EUR	214
Insurance	EUR	89
Legal and consultancy expense	EUR	185
Supervisory Board	EUR	74
Recruitment and training	EUR	24
Travel expenses and motor vehicle operating costs	EUR	79
Other costs	EUR	61

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 0.05 million (EUR 0.5 million as at 30/6/2016), other operating income includes consultancy income from the issue of a corporate bond for a customer in the amount of EUR 1.5 million (none as at 30/6/2016), no VAT credit (EUR 15.5 thousand as at 30/6/2016) and no income from the release of provisions (EUR 0.2 million as at 30/6/2016).
- The other operating expenses reported in the short fiscal year 2016, in the amount of EUR 138.2 thousand (EUR 137.9 thousand as at 30/6/2016) essentially relate to expenses for external consultants.

In the short fiscal year 2016, value adjustments on receivables were effected in the amount of EUR 129 thousand (EUR 1,030 thousand as at 30/6/2016; relating to the insolvency of Maple Bank GmbH, Germany). Moreover, a general value adjustment in the amount of EUR 20 thousand was formed for the first time (none as at 30/6/2016).

Value adjustments on securities as well as on investments and shares in affiliated companies amount to EUR 34.6 thousand (EUR 23.2 thousand as at 30/6/2016), relating to the value adjustment of the Euroopportunity Bond fund held in fixed assets, in the amount of EUR 34.6 thousand (EUR 23.2 thousand as at 30/6/2016).

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 profit and loss accounts, taking account of tax sharing and deferred taxes, in the amount of EUR -205.4 thousand (EUR -32.8 thousand as at 30/6/2016) are made up of the expenditure from deferred taxes in the amount of EUR 61.3 thousand (EUR 32.8 thousand as at 30/6/2016) and the expenditure from tax allocations (tax sharing) in the amount of EUR 144.1 thousand (none as at 30/6/2016) and influence the result of ordinary activities at a rate of -11.5% (-3.3% as at 30/6/2016).

No allocations to the revenue reserve were effected in the short fiscal year 2016 (none as at 30/6/2016).

No allocations to the liability reserve were effected in the short fiscal year 2016 (EUR 318.6 thousand as at 30/6/2016).

## 4. Other notes

1.) In the short fiscal year 2016, an average of 34 staff members (33 as at 30/6/2016) were employed with the company.

2.) For senior executives, the severance pay provision in the short fiscal year 2016 amounts to EUR 144.2 thousand (EUR 172.5 thousand as at 30/6/2016) and for other employees EUR 109.4 thousand (EUR 210.0 thousand as at 30/6/2016). Moreover, contributions in the amount of EUR 70.7 thousand (EUR 131.2 thousand as at 30/6/2016) were paid to the employee pension fund.

3.) The total remuneration of 3 (3 as at 30/6/2016) Managing Board members that was granted for their services in the short fiscal year 2016 amounts to EUR 0.5 million (EUR 1.0 million as at 30/6/2016); the remuneration granted to members of the Supervisory Board in the short fiscal year 2016 amounts to EUR 73.8 thousand (EUR 127.1 thousand as at 30/6/2016).

4.) No loans were granted to senior executives in the short fiscal year 2016 (none as at 30/6/2016).

5.) The following persons were members of the company's Managing Board during the short fiscal year 2016:

Manfred Huber (Chairman)  
Johannes Langer  
Josef Leckel

6.) The members of the elected Supervisory Board during the short fiscal year 2016 were:

Adolf Walter Höllmer (Chairman)  
Dr. Peter Maser (Deputy Chairman )  
Dr. Erik Max Michael Obermayer  
(until 30/11/2016)  
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 Vienna

## 5. Significant events after the reporting date

In the extraordinary general meeting on 13 March 2017, the shareholders of Euram Holding AG resolved upon a capital increase in the amount of EUR 1.6 million. After the capital increase becoming effective, Euram Holding AG is equally going to increase the capital of Euram Bank AG by EUR 1.6 million.

## 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](http://www.eurambank.com)) under "Euram Bank / publications and disclosures".

Vienna, 26 April 2017

The Managing Board

Manfred Huber  
Johannes Langer  
Josef Leckel

# small is attentive.



— A waiter in a traditional Viennese Café is called “Herr Ober” (literally translated “Mr. Head Waiter”), regardless of his rank. His authority is not a question of hierarchy, it is much more a consequence of his attention and overview.

# 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 2016, the income statement for the short 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 2016 and of the earnings situation of the company for the short fiscal 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 EU-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 section "Responsibilities of the auditor for the audit of the annual accounts" of our audit certificate. According to Austrian business and banking law provisions and professional regulations, we are independent from the company, and we have met our other professional duties in accordance 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 short 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 financial statements

Loans and advances to customers are reported in the balance sheet with an amount of EUR 126 million. This amount includes value adjustments (impairments) in the amount of EUR 149 thousand. In terms of amount (almost 50 % of total assets), loans and advances to customers constitute a significant balance sheet item, and as compared to the reporting date 30 June 2016 they have increased by some 40 % primarily due to the expansion of the real estate financing business in Germany and Austria. 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 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 audited the process of granting and monitoring customer loans as well as the relevant determination of impairments by evaluating the internal policies and interviewing staff members in the competent departments to find out whether this process is suitable to adequately depict the recoverability of these loans. 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 whether indicators for impairments were found. In case of specific provisions, we also used external evidence such as real estate appraisals and/or securities account statements for collateral in our assessment. The selection of the random sample was made taking special account of rating levels with higher default risk.

In case of portfolio impairments, we have assessed the models and the parameters used therein as to whether they are suitable to determine provisions in appropriate amounts. The calculatory accuracy of the provisions was retraced by us.

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.

### Responsibility 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 of 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 the legal representatives 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 for the audit of the annual accounts

Our objectives are to obtain sufficient certainty as to whether the annual accounts as a whole are free from significant – intended or unintentional – false representations 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 according to the EU-REG and to the Austrian principles of proper year-end audits, requiring application of the ISA, will always reveal significant 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 EU-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 analyze 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 significant 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.
- We obtain an understanding of the internal control system relevant for the year-end audit, in order to plan audit procedures appropriate under the circumstances, but not with the aim of giving an audit opinion on 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 applying the going-concern accounting principle 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 significant 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.
- We shall also submit a statement to the Supervisory Board indicating that we have complied with the relevant professional conduct requirements in respect of autonomy and communicate with them about all relationships and other facts on the basis of which it may be reasonably assumed that they have an impact on our autonomy and – to the extent relevant – associated protective measures.
- 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 according to applicable legal requirements and is consistent with the annual accounts.

### Declaration

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 EU-REG

We were elected as auditors in the general meeting on 31 October 2014. We were instructed by the Supervisory Board on 30 November 2016. We have been acting as auditors without interruption since the 2014/15 fiscal year.

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 EU-REG.

We declare that we have not provided any services other than auditing services and that in carrying out the audit we have maintained our independence from the company.

We have provided the following services not indicated in the annual accounts or in the management report in addition to the year-end audit for the group companies:

audit of the separate annual accounts and of the consolidated annual accounts of Euram Holding AG, Vienna.

### Auditor responsible for the assignment

The auditor responsible for the audit assignment is Mr. Bernhard Gruber.

Vienna, 26 April 2017

KPMG Austria GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft  
[certified public accountants and tax consultants]

Mag. Bernhard Gruber  
Certified Public Accountant

— What would a traditional Viennese Café be without card players, chess players or billiard players. They sure love to win, but they understand that the essence of the game is “together” and not “against each other”.

# small is cooperative.

