

# Future. Challenge.

Interim Report to Shareholders as at 31 March 2017

## Oberbank at a Glance

<b>Income statement in €m</b>	<b>Q1 2017</b>	<b>Change</b>	<b>Q1 2016</b>
Net interest income	87.0	3.9%	83.7
Charges for losses on loans and advances	0.8	>-100%	-1.9
Net commission income	35.7	8.4%	33.0
Administrative expenses	-63.3	-3.3%	-65.4
Profit for the period before tax	61.6	17.3%	52.5
Profit for the period year after tax	49.2	15.8%	42.5
<b>Balance sheet in €m</b>	<b>31/3/2017</b>	<b>Change</b>	<b>31/12/2016</b>
Total assets	19,524.5	1.9%	19,158.5
Loans and advances to customers	14,202.9	3.1%	13,777.9
Primary funds	12,849.7	-1.2%	13,008.9
of which savings deposits	2,774.3	-0.7%	2,794.2
of which securitised liabilities including subordinated capital	2,017.3	-2.3%	2,064.5
Equity	2,372.1	3.9%	2,282.8
Customer funds under management	26,664.1	0.5%	26,528.1
<b>Capital resources CRR in €m</b>	<b>31/3/2017</b>	<b>Change</b>	<b>31/12/2016</b>
Common equity Tier 1 capital (CET1)	2,048.9	2.0%	2,009.4
Tier 1 Capital	2,119.6	1.6%	2,086.0
Own funds	2,507.9	1.0%	2,482.2
Common equity Tier 1 ratio in %	15.74	0.07% ppt	15.67
Tier 1 capital ratio in %	16.28	0.01% ppt	16.27
Total capital ratio in %	19.26	-0.10% ppt	19.36
<b>Performance indicators</b>	<b>Q1 2017</b>	<b>Change</b>	<b>Q1 2016</b>
Cost/income ratio in %	51.01	-3.59% ppt	54.60
Return on equity before tax in %	10.65	-0.20% ppt	10.85
Return on equity after tax in %	8.51	-0.27% ppt	8.78
Risk/earnings ratio (credit risk/net interest) in %	-0.89	-3.18% ppt	2.29
<b>Resources</b>	<b>31/3/2017</b>	<b>Change</b>	<b>31/12/2016</b>
Average number of staff (weighted)	2,034	-14	2,048
Number of branches	157	-2	159

## Development of business of the Oberbank Group in the first quarter of 2017

Dear Readers,

Oberbank is very happy to report an excellent development in Q1 2017.

### Further improvement after strong performance in preceding year

- **Net profit before tax: EUR 61.6 /+ 17.3%**
- **Net profit after tax: EUR 49.2 /+ 15.8%**

After the excellent results achieved in Q1 2016, our earnings for Q1 2017 improved again substantially. Profit before tax rose by 17.3% to EUR 61.6 million, but after tax, the increase was 15.8% up to EUR 49.2 million due to the more than 20% higher tax burden.

This positive development was driven by net interest income and net commission income. Furthermore, the credit risk situation was also highly favourable.

### Increases in net interest income and net commission income

- **Net interest income EUR 87.0 million / + 3.9%**
- **Net commission income 35.7 million / + 8.4%**

Net interest income increased in Q1 by 3.9% year on year to EUR 87.0 million. Operating net interest income was up by 3.2% to EUR 77.5 million backed primarily by the marked rise in credit volume. At EUR 9.5 million or +10.4%, returns on equity investments were higher year on year due to the higher profits earned by investees.

Net commission income was 8.4% higher year on year at EUR 35.7 million. This increase was supported by commissions from securities, lending and the payment transfers business.

### Release of loan loss provisions exceeds new allocations

- **EUR 0.8 million in income following EUR 1.9 million in expenses in preceding year**

Although charges for losses on loans and advances are subject to stringent rules, the release of provisions exceeded new allocations. Therefore, the result for Q1 2017 for charges on losses on loans and advances was EUR + 0.8 million following EUR 1.9 million in expenses in the first quarter of the preceding year.

### Lending performance higher, primary deposits stable at a high level

- **Lending volume EUR 14.2 billion / + 8.3%**
- **Primary deposits EUR 12.8 billion / + 0.7%**

Despite the subdued demand for loans in the overall Austrian market, Oberbank's credit volume was up by 8.3% to EUR 14.2 billion. The increase was bolstered by corporate loans (+ 8.7% to EUR 11.3 million) and by retail loans (+ 6.8% to EUR 2.9 billion).

The low interest rates had a clear influence on primary deposits. Investors do not want to tie up their funds for specific periods at current interest rates and are increasingly depositing funds on sight deposit accounts.

Retail customer deposits (savings deposits, private accounts, online savings accounts) increased by 1.6% to EUR 4.9 billion, while sight deposits and term deposits rose by 3.8% to EUR 8.1 billion.

Securitised debt decreased by 4.6% to EUR 1.3 billion, while subordinated capital rose by 3.5% to EUR 0.7 billion due to the issuance and redemption of subordinated debt bonds and supplementary capital bonds.

In total, primary deposits rose by 0.7% to EUR 12.8 billion.

**Excellent performance ratios continue**

- **RoE before tax 10.65%, after tax 8.51%**
- **Cost/income ratio 51.01%**
- **16.28% Tier 1 capital ratio; 19.26% total capital ratio**

Return on equity (RoE) dropped slightly albeit at a high level due, among other things, to the steep rise in equity capital after the capital increase of 2016, decreasing from 10.85% to 10.65% before tax, and after tax by from 8.78% to 8.51%.

The cost/income ratio improved from 54.60% to 51.01%. On the one hand, revenues were much higher than expenses, and on the other, the intercompany billing for employees seconded to the subsidiary BDSG was changed.

The Tier 1 capital ratio rose from 14.03% to 16.28%. The reasons were higher allocations to reserves and the successful capital increase in the autumn of 2016. The total capital ratio also went up from 17.44% to 19.26%.

A handwritten signature in black ink, appearing to read 'Franz Gasselsberger', written in a cursive style.

CEO Franz Gasselsberger

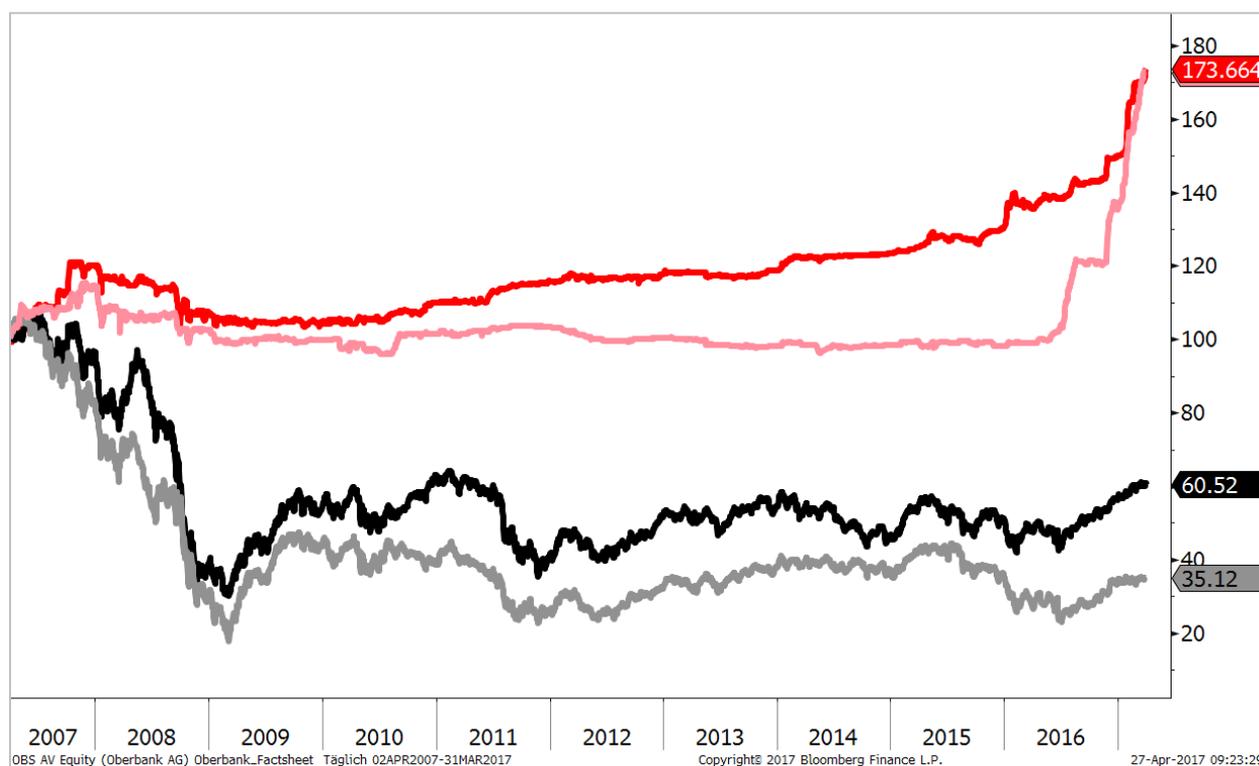
## The Oberbank Share

The price of Oberbank ordinary shares as well as the price of the preference shares climbed to a new all-time high in the first quarter of 2017 (ordinary share EUR 69.90; preference share EUR 66.40). The two share categories thus also reflect the excellent development of Oberbank.

Oberbank shares – key figures	Q1 2017	Q1 2016
Number of ordinary non-par bearer shares	32,307,300	29,237,100
Number of non-par preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	69.90/66.40	56.70/38.10
Low (ordinary/preference share) in €	60.36/52.00	52.90/37.70
Close (ordinary/preference share) in €	69.90/66.30	55.00/38.00
Market capitalisation in €m €	2,457.18	1,722.04
IFRS earnings per share in €, annualised	5.57	5.28
P/E ratio, ordinary shares	12.55	10.42
P/E ratio, preference shares	11.90	7.20

## Oberbank ordinary and preference shares versus ATX and the European banking index, Stoxx Europe 600 Banks

Chart (period: 2 April 2007 to 31 March 2017) ■ Oberbank ST ■ Oberbank VZ ■ ATX ■ STOXX Europe 600 Banks



This chart compares the development of the Oberbank ordinary share, the Oberbank preference share and the Austria stock index ATX and the European banking index STOXX Europe 600 Banks. The prices in the chart have been aligned by indexing the daily closing prices of the securities named and of the index to 100, i.e. all initial prices are set to 100% at the starting time. The chart therefore shows the relative percentage development.

Source: Bloomberg, as at 31/3/2017

The figures given are historical data. These cannot be used to derive future developments.

## The business segments in the first quarter 2017

### Corporate and Business Banking

Corporate and Business in €m	Q1 2017	Q1 2016	+ / - absolute	+ / - in %
Net interest income	57.8	54.9	2.8	5.1%
Charges for losses on loans and	5.5	1.5	4.0	>100%
Net commission income	18.5	17.2	1.2	7.6%
Net trading income	0.1	0.0	0.1	
Administrative expenses	-34.3	-35.3	1.0	-2.8%
Other operating income	-0.5	0.5	-1.0	
Profit for the year before tax	47.0	38.9	8.1	20.9%
Risk equivalent	8,810.7	8,315.1	495.6	6.0%
Average allocated equity	1,297.4	1,098.1	199.2	18.1%
Return on equity before tax (RoE)	14.5%	14.2%	0.3% ppt	
Cost/income ratio	45.2%	48.6%	-3.4% ppt	

#### Earnings development in Corporate and Business banking

In the Corporate and Business Banking segment, the profit for the period rose by EUR 8.1 million / 20.9% to a total of EUR 47.0 million.

Net interest income rose by EUR 2.8 million / 5.1% million to EUR 57.8 million.

Charges for losses on loans and advances posted a positive balance of EUR 5.5 million.

Net commission income was higher than in the preceding year at an increase of EUR 1.2 million / 7.6% to EUR 18.5 million.

Administrative expenses decreased by EUR 1.0 million / -2.8% to EUR 34.3 million.

Other operating income declined by EUR 1.0 million from EUR 0.5 million to -0.5 million.

Return on equity in Corporates and Business Banking improved by 0.3%-points from 14.2% to 14.5%, while the cost/income ratio rose by 3.4%-points from 48.6% to 54.2%.

#### Commercial lending

The Bank's commercial lending volume rose again by EUR 902.6 million / 8.7% from EUR 10,398.3 to EUR 11,300.9 million.

Commercial loans		YoY change	
As at 31/3/2017	As at 31/3/2016	absolute	In %
€ 11,300.9 m	€ 10,398.3 m	€ 902,6 m	8.7%

#### Investment finance

The total number of applications submitted for subsidised loans and innovation projects at branches in Austria and Germany in the first three months this year was 388 projects and thus 34.7% higher than in the preceding year. Oberbank, as in past years, continues to hold the absolute top ranking among Austrian banks. The investment volume of applications for subsidised funding rose again steeply in Q1 2017 by 62.9%. The trend is also seen in the development of subsidised loans extended by Oberbank, and on 31 March 2017, the volume amounted to EUR 763.9 million which is 9.4% higher year on year.

Investment finance		YoY change	
As at 31/3/2017	As at 31/3/2016	absolute	in %
€ 8,039.5 m	€ 7,362.0 m	€ 677.5 m	9.2%

### **Leasing**

The volume of new business in leasing was once again very gratifying in the first quarter of 2017 (corresponds to period 1 Oct. to 31 Dec. 2016). At EUR 204.4 million in new business, the volume exceeded the previous year's level by 12.4%. The main drivers behind the new business were movables (€ +16 million / + 25%) and vehicle leasing which gained € 9 million (+ 8%).

<b>Leasing receivables from customers</b>		<b>YoY change</b>	
<b>As at 31/3/2107</b>	<b>As at 31/3/2016</b>	<b>absolute</b>	<b>in %</b>
€ 2,079.9 m	€ 1,903.0 m	€ 176.9 m	8.5%

### **Structured finance**

Demand for structured finance continued to be robust in the first quarter of 2017. Investments in tourism benefited enormously from public funding measures and full order books. Demand was also lively in the area of refinancing and real estate, which was bolstered by the generally favourable interest rate environment and sustained high demand for housing. It may be assumed that the activities in structured finance will remain high in these segments. In financing for changes in company ownership and expansion the rise was not quite as high as in the preceding year in Q1 2017. However, based on the positive economic outlook and the development of business up to now, we do not believe that there will be a general decline in these types of financing.

### **Oberbank Opportunity Fund**

Since the start of the year, the Oberbank Opportunity Fund handled a total of 29 applications (as of 31/3/2017), which, at an unchanged high quality of the projects, was just below the very high level of the previous year. In the first quarter of 2017, a new transaction was successfully finalized.

Since the founding of the Oberbank Opportunity Fund, 59 transactions for equity and mezzanine capital have been supported as well as nine supplementary financing projects. The total volume committed is EUR 121.5 million at a fund volume of EUR 150 million. The outstanding receivables as at 31/3/2107 of EUR 48.5 million break down into EUR 26.2 million for equity capital and EUR 22.3 million for mezzanine capital.

### **Trade finance and international business**

Demand continues to be lively for the wide range of consulting services offered by Oberbank for hedging, financing and guarantees for import and export transactions as well as for international expansion.

Demand for risk mitigation instruments among customers is increasing such as letters of credit and bank guarantees, and this is also reflected in the double-digit rise in earnings in this line of business in the first quarter of 2017.

In the area of subsidised export finance, Oberbank retained its position as the strongest regional Austrian bank: The market share in export finance under Export Fund procedures was 11.06% at 31 December 2017 and for corporates in the KRR procedure it was 10.57%. Oberbank again proved its high level of competence in international business.

### **Transfer of payments**

Transfer of payments was again at the focus of sales activities in 2017. The success of these activities increased earnings by 9.7% versus the like period of the preceding year. The number of customer transactions and payment transfer accounts also increased again. To continue on the path of success, Oberbank will continue to invest in the development of electronic banking products and processes as well as in the further training of its sales staff in the coming business years.

### **International network of partner banks and institutions**

Despite the difficult framework conditions and restraint exercised due to the crisis in the politically unstable export countries, Oberbank will continue to give high priority to the support afforded to its globally-active export customers.

Customer activities in the relatively crisis-free Asian region are therefore also at the focus of Oberbank. For this reason, Oberbank intensified its activities in the first quarter of 2017 with respect to bilateral agreements and business opportunities with traditional banking partners in the principal markets of the region, by visiting banks in China, Hong Kong, Malaysia and Indonesia.

However, also in countries with higher security risks, Oberbank's network of correspondent banks enables it to meet customer demands for payment transfers, documentary and guarantee transactions as well as hedging and financing services.

Tighter compliance regulations, the prevention of money laundering and terrorist financing, compliance with US and EU sanctions, US tax regulations as well as the know-your-customer rules are factors that increasingly determine how we work together with other banks. At present, Oberbank is implementing the measures of the 4<sup>th</sup> EU Anti-Money- Laundering Directive to classify the partner banks into risk classes. Apart from developing a new concept for a basic and an enlarged AML/KYC questionnaire (anti money laundering/ know-your-customer), all correspondence banks of Oberbank worldwide must meet the "anti-money laundering qualification criteria", otherwise the business relationship must be terminated.

With around 1,500 partner banks worldwide at present, Oberbank meets the high demands of its customers in the import and export business.

### ***Primary deposits***

The sustained high supply of liquidity on the euro money market by the ECB results in constantly low interest rates for investments with maturities up to one year. In order to be able to obtain positive interest, customers had to commit their funds from around one year in 2016. Oberbank endeavoured to keep interest rates stable for its customers in this environment and also maintained the corresponding investment volumes open for its customers and their business transactions.

### ***Interest rate and currency risk management***

In the first quarter of 2017, customers engaged in lively activities on currency markets. The trend towards short-term and medium-term hedging for foreign exchange transactions continued. The potential suspension of the "quasi-pegging" of the Czech koruna to the euro added impetus and increased demand for this currency pair. This was also seen in higher number of transactions and, naturally, also in greater demand for advice.

## Personal Banking

Personal Banking segment in €m	Q1 2017	Q1 2016	+ / - absolute	+ / - in %
Net interest income	14.0	13.8	0.2	1.4%
Charges for losses on loans and	-0.6	1.8	-2.4	
Net commission income	17.2	15.7	1.5	9.7%
Net trading income	0.0	0.0	0.0	
Administrative expenses	-20.8	-21.9	1.1	-5.2%
Other operating result	-1.0	0.9	-1.9	
Profit for the year before tax	8.9	10.3	-1.4	-13.6%
Risk equivalent	1,569.1	1,415.3	153.8	10.9%
Average allocated equity	231.1	186.9	44.1	23.6%
Return on equity before tax (RoE)	15.4%	21.9%	-6.5% ppt	
Cost/income ratio	68.7%	72.2%	-3.5% ppt	

### Earnings development in Personal Banking

The pre-tax profit in Personal Banking decreased by EUR 1.4 million / -13.6% to EUR 8.9 million year on year.

Net interest income rose by EUR 0.2 million / 1.4% to EUR 14.0 million.

Charges for losses on loans and advances amounted to EUR 0.6 million compared to an income of EUR 1.8 million in the first quarter 2016.

Net commission income increased by EUR 1.5 million / 9.7% to EUR 17.2 million year on year.

Administrative expenses decreased by EUR 1.1 million / -5.2% to EUR 20.8 million.

Other operating income declined by EUR 1.9 million from EUR 0.9 million to EUR -1.0 million.

Return on equity in Personal Banking declined by -6.5%-points from 21.9% to 15.4%.

The cost/income ratio improved by 3.5%-points from 72.2% to 68.7%.

### Personal accounts

Oberbank's portfolio of personal accounts widened by 1,617 to 181,787 accounts compared to the preceding year.

Number of personal accounts		YoY change	
As at 31/3/2107	As at 31/3/2016	absolute	in %
181,787	180,170	1,617	0.9%

### Personal loans

Compared to 31 March 2016, the volume of retail loans rose by 6.4% or EUR 185.6 million to EUR 2,901.6 million.

The volume of new loans in Q1 2017 was 1.2% lower year on year. The development of consumer loans is positive. The volume of new loans was much higher than in the preceding year at EUR 29.6 million.

The potential further appreciation of the Swiss franc motivated many borrowers to convert their Swiss franc loans into euro loans. The share of foreign currency loans in the total volume of personal loans was only 3.9% at Oberbank.

Personal loans		YoY change	
As at 31/3/2107	As at 31/3/2016	absolute	in %
€ 2,901.6 m	€ 2,716.0 m	€ 185.6 m	6.4%

### Savings deposits

Compared to 31 March 2016, the volume of savings deposits declined by EUR 157.1 million / -5.4% to EUR 2,774.3 million. The low level of interest rates leaves hardly any room for an offensive interest rate policy.

Although the savings ratio is rising slightly, it is still at a low level. The trend continues of keeping money on bank accounts or in investment forms that can be called daily.

Online savings products are growing in significance and investors are searching for alternatives on the capital market and investing more and more in real estate.

Savings deposits		YoY change	
As at 31/3/2017	As at 31/3/2016	absolute	In %
€ 2,774.3 m	€ 2,931.4 m	- € 157.1 m	- 5.4%

### **Securities business**

Commissions from the securities business developed very well in the first quarter of 2017. Compared to the preceding year, commissions rose by 11.9% to EUR 11.2 million. This increase was driven by the solid sales figures for public funds and the pleasing development in portfolio management. Consequently, the number of transactions and also revenues from securities trading and management fees increased steeply and also due to the generally robust demand from customers.

The market value of securities on customer custody accounts rose by EUR 811.1 m / 6.2% to EUR 13.8 billion year on year. This is the highest level ever recorded at the close of a quarter.

### **Oberbank issues**

Issuance business developed satisfactorily despite the low level of interest rates. In total EUR 55.6 million in Oberbank bonds were floated of which EUR 14.1 million were subordinated bonds to further strengthen equity capital.

### **Private banking**

Assets under management in Private Banking have risen since the start of the year by EUR 125.7 million to a new record high of EUR 5.9 billion, which constitutes a gain of 8.8% compared to the first quarter of 2016. The intense acquisition efforts have succeeded in attracting positive net inflows of funds that contributed significantly to growth. The services developed specifically for private banking customers, such as individual portfolio management and brokerage, enjoy lively demand. In individual portfolio management, Oberbank for the first time broke the record volume of EUR 0.5 billion.

### **3 Banken-Generali**

Investment fund sales in Q1 developed excellently. The balance of selling and buying in the first three months of 2017 was a positive amount of EUR 46 million. The flow of funds into mixed funds and equity funds was particularly strong. The total volume of public funds and special funds attained a new all-time high of EUR 3.0 billion.

### **Savings in building and loan associations**

In the first quarter of 2016, a number of 3,427 building and loan contracts were concluded thus raising output by 28.6%. Despite the sustained low level of interest rates, savings in building and loan associations is still popular. Overall, the Wüstenrot partner banks recorded a decline of 2.8% in the first three months of 2017.

### **Insurance services**

This year started well for Oberbank again. In the corporate business in Austria, Oberbank continued the success of 2016 and increased production by 18.4%. Oberbank has earned premiums of EUR 8.6 million on company pension plans already. In the retail segment, the sale of endowment insurance policies was over 28% higher than in the previous year. A large share of funds went into fund-linked insurance policies.

In risk insurance, an increase of 15.4% was attained year on year, and in the life insurance business the increase was 25%. Overall, Oberbank widened its insurance business by 17.7% compared to the preceding year.

Insurance contracts – Premium volume		YoY change	
As at 31/3/2017	As at 31/3/2016	absolute	in %
€ 33.3 m	€ 27.4 m	€ 5.9 m	17.7%

## Financial Markets

Financial Markets in €m	Q1 2017	Q1 2016	+ / - absolute	+ / - in %
Net interest income	15.2	14.9	0.3	2.0%
Charges for losses on loans and	-4.2	-5.2	1.0	-19.2%
Net commission income	0.0	0.0	0.0	
Net trading income	1.6	2.4	-0.8	-31.3%
Administrative expenses	-1.8	-1.8	0.0	-0.0%
Other operating result	11.5	0.8	10.7	>100%
Profit for the year before tax	22.4	11.1	11.3	>100%
Risk equivalent	5,328.6	4,930.7	397.9	8.1%
Average allocated equity	784.6	651.2	133.5	20.5%
Return on equity before tax (RoE)	11.4%	6.8%	4.6% ppt	
Cost/income ratio	6.4%	10.1%	-3.7% ppt	

### **Earnings development in the Financial Markets segment**

The pre-tax profit in the Financial Markets segment rose by EUR 11.3 million / 101.8% to EUR 22.4 million.

Net interest income increased by EUR 0.3 million / 2.0% to EUR 15.2 million.

Charges for losses on loans and advances decreased year on year by EUR 1.0 million to EUR -4.2 million.

Net trading income decreased by EUR 0.8 million /31.3% to EUR 1.6 million.

Administrative expenses remained unchanged at EUR -1.8 million.

In Financial Markets, return on equity rose by 5.4%-points from 6.8% to 11.4%.

The cost/income ratio improved by 3.7%-points from 10.1% to 6.4%.

### **Proprietary trading**

In Q1 2017, sentiment was basically positive, although it was often interrupted for brief spells time and again due to political uncertainty.

Donald Trump as the new US president, the elections in the Netherlands and the Brexit discussion triggered volatilities on diverse markets. Further factors of influence exchange rate fluctuations were the upcoming elections in France and Germany, and the possible end of the floor to EUR/CZK. The interest rate hike by the FED also triggered movements on the capital markets.

In this challenging environment, Oberbank performed very well. In trading, the risks were well-balanced and net trading income was far above the result of the previous year.

### **Liquidity**

The oversupply of liquidity in Q1 2017 expanded further due to the last tranche of the targeted longer-term refinancing operations (TLTRO) of the ECB and its ongoing purchasing programme. In the tender, the banks tapped a further EUR 233 billion and within the framework of the securities purchasing programme, the ECB had pumped EUR 80 billion into the market by the end of March.

As a consequence, the balance held by banks with the central bank had grown by the end of March to EUR 1,500 billion, which was burdened by penalty interest of -0.4%.

Due to the attractive features (maturity of 4 years at -0.4%), Oberbank took part in the last tranche of the longer-term tender. The challenge now is to balance out the additional liquidity as well as possible in order to keep none or as little surplus liquidity with the central bank.

Oberbank is very hesitant about accepting deposits, and liquidity is reduced further by the expansion in lending. Until then, Oberbank will attempt to balance liquidity through short-term investments and swaps, which worked very well in the first quarter 2017.

## Capital resources

The Bank's own funds were EUR 2,507.9 million at 31 March 2017 which is a ratio of 19.3% or still around twice as much as the regulatory requirement. Tier 1 capital amounted to EUR 2,119.6 million and the common equity Tier 1 capital ratio was 16.3%. The common equity Tier 1 capital of EUR 2,048.9 million corresponds to a ratio of 15.7%.

## Risk

The risk policy of Oberbank accommodates all types of risk situations for all business areas including the new markets. The risk management of the Bank is focused on safeguarding the customer funds entrusted to it, compliance with capital requirements and securing liquidity.

The most important risk category is credit risk. This risk is mitigated by recognising the corresponding allowances and provisions on the balance sheet.

Oberbank can rely on decades of experience for assessing creditworthiness and collateral. Additionally, its business model as a regional bank, professional loan management, and the well-balanced distribution of the total exposure across the individual customer segments ensures that the possible impact of this risk component on Oberbank's overall performance is kept within manageable bounds. Therefore, we do not expect any extraordinary credit default risks for the year 2017.

The other risk categories include equity risk (risk of potential loss of value and/or earnings in the Bank's equity portfolio), market risk (possible losses due to fluctuations of interest rates, foreign currencies or share prices), operational risk and liquidity risk. These risks are also covered by adequate levels of capital in line with the principle of conservatism. Oberbank's position regarding liquidity risk also enables it to use the primary deposits of customers and other long-term refinancing facilities (OeKB, LfA, KfW), which amount to EUR 14.3 billion (on 31/3/2017), to refinance its entire loan exposure (31/3/2017: EUR 14.2 billion). Furthermore, Oberbank has a permanent risk controlling system, stringent process management and other efficient control and monitoring instruments in place. Therefore, Oberbank does not expect any unusual risk events in these risk categories for the full year 2017.

## Outlook 2017

- Slightly improved economic framework conditions
- Oberbank: Growth in lending and deposits, further expansion, optimism for earnings trends

**The economic framework conditions have become slightly friendlier, and the economy is developing better than expected.**

IMF just raised the growth outlook 2017 for the global economy to 3.5%. Growth rates have been on the rise for a sixth year in a row at around 3% despite the often-cited crisis.

Growth expectations for the euro area range between 1.6% and 1.7% and are developing stably at this level according to EU, IMF and OECD forecasts. The economy is forecast to grow steadily in the US – the forecasts, however, are very volatile and it remains to be seen if it will be possible to actually achieve growth rates clearly above 2%. Economic growth in China is stabilising, but is nonetheless slightly down from 6.5% in 2016 to 6.2% in 2017.

**In Europe, many sentiment indicators are at their best level in five years.**

Europe grew in Q1 2017 more strongly than the US, and 2017 is expected to be the strongest economic year since 2011 from today's standpoint. It seems likely that we will see a further improvement in sentiment indicators in the coming months: the loans granted (retail and corporate finance) are showing a positive tendency and inflation is slowly approaching the ECB's target of 2%.

**In this environment, Oberbank will continue its proactive course.**

An increase in lending volumes of around EUR 800 million is budgeted, primarily for investment and residential housing finance. Further growth is expected for customer assets under management although interest rates and the low propensity to save are depressing the market.

The path of organic growth will be continued in 2017, presently at least eight new branches are planned (two each in Vienna, Germany, Czech Republic and Hungary).

In spite of the investments made in expanding the branch network, Oberbank aims to achieve the excellent results of the preceding year also in 2017.

## Consolidated Interim Financial Statements pursuant to IFRS

### Consolidated statement of comprehensive income for the period 1/1/2017 to 31/3/2017

<b>Consolidated income statement in €k</b>		<b>1/1 - 31/3/2017</b>	<b>1/1 - 31/3/2016</b>	<b>Change in €k</b>	<b>Change in %</b>
1. Interest and similar income	(1)	99,842	101,031	-1,189	-1.2
2. Interest and similar expenses	(1)	-22,334	-25,929	3,595	-13.9
3. Income from entities accounted for by the equity method	(1)	9,469	8,577	892	10.4
<b>Net interest income</b>	<b>(1)</b>	<b>86,977</b>	<b>83,679</b>	<b>3,298</b>	<b>3.9</b>
4. Charges for losses on loans and advances	(2)	777	-1,914	2,691	>-100.0
5. Net commission income	(3)	39,700	36,883	2,817	7.6
6. Commission expenses	(3)	-3,983	-3,931	-52	1.3
<b>Net commission income</b>	<b>(3)</b>	<b>35,717</b>	<b>32,952</b>	<b>2,765</b>	<b>8.4</b>
7. Net trading income	(4)	1,708	2,372	-664	-28.0
8. Administrative expenses	(5)	-63,308	-65,437	2,129	-3.3
9. Other operating result	(6)	-288	852	-1,140	>-100.0
a) Net income from financial assets - FV/PL	(6)	-4,562	5,632	-10,194	>-100.0
b) Net income from financial assets - AfS	(6)	14,590	-5,173	19,763	>-100.0
c) Net income from financial assets - HtM	(6)	0	0	0	
d) Other operating income	(6)	-10,316	393	-10,709	>-100.0
<b>Profit for the period before tax</b>		<b>61,583</b>	<b>52,504</b>	<b>9,079</b>	<b>17.3</b>
10. Income taxes	(7)	-12,391	-10,007	-2,384	23.8
<b>Profit for the period year after tax</b>		<b>49,192</b>	<b>42,497</b>	<b>6,695</b>	<b>15.8</b>
of which attributable to the owners of the parent company and the owners of additional equity components		49,105	42,438	6,667	15.7
of which attributable to minority interests		87	59	28	47.5

<b>Income and expenses recognised directly in equity in €k</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Profit for the period year after tax	49,192	42,497
Items not reclassified to profit or loss for the year	4,819	965
+/- Actuarial gains/losses IAS 19	0	0
+/- Deferred taxes on actuarial gains/losses IAS 19	0	0
+ / - Share from entities accounted for by the equity method	4,819	965
Items reclassified to profit or loss of the year	29,805	-922
+ / - Unrealised gains and losses not recognised in income under IAS	33,581	-1,225
Amounts recognised in equity	47,818	-1,108
Reclassification adjustments	-14,237	-117
+ / - Deferred tax on items recognised directly in equity under IAS 39	-8,395	306
Amounts recognised in equity	-11,955	277
Reclassification adjustments	3,559	29
+ / - Currency exchange differences	-2	148
+ / - Share from entities accounted for by the equity method	4,621	-151
<b>Total income and expenses recognised directly in equity</b>	<b>34,624</b>	<b>43</b>
<b>Total comprehensive income for the period from net profit and income/expenses recognised directly in equity</b>	<b>83,816</b>	<b>42,540</b>
of which attributable to the owners of the parent company and the owners of additional equity components	83,729	42,481
of which attributable to minority interests	87	59
<b>Performance indicators</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Cost/income ratio in %	51.01	54.60
Return on equity before tax in %	10.65	10.85
Return on equity after tax in %	8.51	8.78
Risk/earnings ratio (credit risk to net interest income) in %	-0.89	2.29
Earnings per share in € (annualised values)	5.57	5.28

### Balance sheet as at 31/3/2017 / Assets

in €k		31/3/2017	31/12/2016	Change in €k	Change in %
1. Cash and balances at central banks	(9)	901,540	657,558	243,982	37.1%
2. Loans and advances to credit institutions	(10)	470,889	726,110	-255,221	-35.1%
3. Loans and advances to customers	(11)	14,202,927	13,777,893	425,034	3.1%
4. Charges for losses on loans and advances	(12)	-424,748	-452,515	27,767	-6.1%
5. Trading assets	(13)	51,461	62,729	-11,268	-18.0%
6. Financial investments	(14)	3,694,190	3,779,595	-85,405	-2.3%
Financial assets - FV/PL	(14)	238,072	236,934	1,138	0.5%
b) Financial assets - AfS	(14)	717,177	712,238	4,939	0.7%
c) Financial assets - HtM	(14)	2,003,470	2,113,691	-110,221	-5.2%
d) Interest in entities recog. by equity method	(14)	735,471	716,732	18,739	2.6%
7. Intangible assets	(15)	999	1,080	-81	-7.5%
8. Property, plant and equipment	(16)	238,990	240,790	-1,800	-0.7%
a) Investment property	(16)	95,806	96,545	-739	-0.8%
b) Other property, plant and equipment	(16)	143,184	144,245	-1,061	-0.7%
9. Other assets	(17)	388,232	365,299	22,933	6.3%
Deferred tax assets	(17)	35,634	37,850	-2,216	-5.9%
b) Positive fair values of closed out derivatives in the banking book	(17)	147,096	170,047	-22,951	-13.5%
c) Other	(17)	205,502	157,402	48,100	30.6%
<b>Total assets</b>		<b>19,524,480</b>	<b>19,158,539</b>	<b>365,941</b>	<b>1.9%</b>

### Balance sheet as at 31/3/2017 / Equity and liabilities

in €k		31/3/2017	31/12/2016	Change in €k	Change in %
1. Amounts owed to credit institutions	(18)	3,540,871	3,158,643	382,228	12.1%
2. Amounts owed to customers	(19)	10,832,404	10,944,486	-112,082	-1.0%
3. Securitised liabilities	(20)	1,345,518	1,403,957	-58,439	-4.2%
4. Provisions for liabilities and charges	(21)	330,171	322,049	8,122	2.5%
5. Other liabilities	(22)	431,618	386,142	45,476	11.8%
a) Trading liabilities	(22)	40,974	44,896	-3,922	-8.7%
b) Tax liabilities	(22)	23,430	6,268	17,162	>100%
ba) Current tax liabilities	(22)	19,276	2,103	17,173	>100%
bb) Deferred tax liabilities	(22)	4,154	4,165	-11	-0.3%
c) Negative fair values of derivatives in the banking book	(22)	26,899	35,151	-8,252	-23.5%
d) Other	(22)	340,315	299,827	40,488	13.5%
6. Subordinated debt capital	(23)	671,817	660,499	11,318	1.7%
7. Equity	(24)	2,372,081	2,282,763	89,318	3.9%
a) Equity after minorities	(24)	2,317,124	2,227,772	89,352	4.0%
b) Minority interests in equity	(24)	4,957	4,991	-34	-0.7%
c) Additional equity capital components	(24)	50,000	50,000	0	
<b>Total equity and liabilities</b>		<b>19,524,480</b>	<b>19,158,539</b>	<b>365,941</b>	<b>1.9%</b>

## Consolidated statement of changes in equity as at 31/3/2017

in €k	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Gains (losses) pursuant to IAS 39	Actuarial gains (losses) acc. to IAS 19	Associated companies	Equity after minorities	Minority interests	Additional equity components	Equity
As at /1/2016	96,431	348,291	935,787	-1,995	47,822	-21,808	466,577	1,871,105	4,559	50,000	1,925,664
Consolidated net profit			37,903	148	-919		5,349	42,481	59		42,540
Net annual profit (loss)			37,903				4,535	42,438	59		42,497
Other comprehensive income				148	-919		814	43			43
Dividend distribution											
Coupon payments on additional equity components											
Capital increase											
Issuance of additional equity capital components											
Repurchased own shares	-585	-1,904						-2,489			-2,489
Unrealised gains and losses not recognised in the income			4,507				-1,144	3,363	-109		3,254
As at 31/3/2016	95,846	346,387	978,197	-1,847	46,903	-21,808	470,782	1,914,460	4,509	50,000	1,968,969
As at 1/1/2017	105,837	505,523	1,069,554	-1,678	85,052	-19,568	483,053	2,227,772	4,991	50,000	2,282,763
Consolidated net profit			44,260	-2	25,186		14,285	83,729	87		83,816
Net annual profit (loss)			44,260				4,845	49,105	87		49,192
Other comprehensive income				-2	25,186		9,440	34,624			34,624
Dividend distribution											
Coupon payments on additional equity components											
Capital increase											
Issuance of additional equity capital components											
Repurchased own shares	70		1,224					1,294			1,294
Unrealised gains and losses not recognised in the income			-126				4,454	4,328	-121		4,207
As at 31/3/2017	105,907	505,523	1,114,912	-1,680	110,238	-19,568	501,792	2,317,124	4,957	50,000	2,372,081

<sup>1)</sup> Repurchase of own shares was modified following the rules of Austrian Tax Amendment Act (RÄG) 2014

<b>Consolidated statement of cash flows in €k</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
<b>Profit for the year</b>	49,192	42,497
Non-cash positions in profit for the year and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-2,718	-5,825
Change in provisions for staff benefits and other provisions for liabilities and charges	8,122	938
Change in other non-cash items	41,117	-6,956
Gains and losses on financial investments, property, plant and equipment and intangible assets	-14,477	-44
<b>Subtotal</b>	<b>81,236</b>	<b>30,610</b>
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	274,507	37,639
- Loans and advances to customers	-430,997	-260,583
- Trading assets	12,637	-15,184
- Other current assets	26,344	-5,384
- Other assets arising from operating activities	-4,326	14,128
- Amounts owed to credit institutions	375,327	30,836
- Amounts owed to customers	-120,245	147,289
- Securitised liabilities	-67,579	-48,455
- Other liabilities arising from operating activities	-50,288	-21,178
<b>Cash flow from operating activities</b>	<b>96,616</b>	<b>-90,282</b>
Proceeds from the sale of		
- financial investments	158,209	217,425
- property, plant and equipment and intangible assets	1,683	969
Outlay on purchases of		
- financial investments	-8,815	-72,802
- property, plant and equipment and intangible assets	-6,071	-3,825
<b>Cash flow from investing activities</b>	<b>145,006</b>	<b>141,767</b>
Capital increase	0	0
Dividend distributions	0	0
Coupon payments on additional equity components	0	0
Subordinated liabilities and other financing activities	2,360	-21,638
<b>Cash flow from financing activities</b>	<b>2,360</b>	<b>-21,638</b>
<b>Cash and cash equivalents at the end of previous period</b>	<b>657,558</b>	<b>354,023</b>
Cash flow from operating activities	96,616	-90,282
Cash flow from investing activities	145,006	141,767
Cash flow from financing activities	2,360	-21,638
Effects of changes in the consolidation scope and revaluation	0	0
Effects of changes in foreign exchange rates	0	0
<b>Cash and cash equivalents at the end of the period</b>	<b>901,540</b>	<b>383,870</b>
Interest received	105,082	92,147
Dividends received	7,198	6,882
Interest paid	-41,980	-42,434
Coupon payments on additional equity components	0	0
Income tax payments	7,344	5,514

Cash and cash equivalents comprise the line item Cash and balances at central banks, consisting of cash on hand and credit balances with central banks of issue.

## Notes

### Changes to accounting policies 2017

The quarterly report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31/12/2016.

An exception has been made for standards and interpretations that become effective from the financial year beginning on or after 1 January 2017. Only those new standards and interpretations are listed which are of relevance for the business activities of Oberbank.

The following standards and interpretations, as amended, have been mandatory since January 2017.

- Amendment to IAS 7 – Statement of Cash Flows – Disclosure Initiative
- Amendment to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual improvement to the International Financial Reporting Standards (Cycle 2014-2016)

### The Oberbank group of consolidated companies

The group consolidated companies as at 31 March 2017 included, apart from Oberbank AG, 31 Austrian and 18 foreign subsidiaries. Compared to 31 December 2016, the group of consolidated companies did not change. The company name of Oberbank Airplane Leasing GmbH, Linz changed to Oberbank Bergbahnen Leasing GmbH, Linz.

## Details of the income statement in €k

<b>1) Net interest income</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Interest income from		
Credit and money market business	80,364	79,814
Shares and other variable-yield securities	1,328	1,207
Other equity investments	1,001	923
Subsidiaries	237	711
Fixed-interest securities and bonds	16,912	18,376
<b>Interest and similar income</b>	<b>99,842</b>	<b>101,031</b>
Interest expenses for		
Deposits	-12,440	-15,310
Securitised liabilities	-4,982	-6,033
Subordinated liabilities	-4,912	-4,586
<b>Interest and similar expenses</b>	<b>-22,334</b>	<b>-25,929</b>
Income from entities accounted for by the equity method	9,469	8,577
<b>Net interest income</b>	<b>86,977</b>	<b>83,679</b>
<b>2) Charges for losses on loans and advances</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Allocated to loan loss provisions	-27,280	-31,530
Direct write-offs	-275	-447
Reversals of loan loss provisions	27,688	29,640
Recoveries of written-off receivables	644	423
<b>Charges for losses on loans and advances</b>	<b>777</b>	<b>-1,914</b>
<b>3) Net commission income</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Payment services	12,682	11,892
Securities business	11,196	10,006
Foreign exchange, foreign bank notes and precious metals business	3,361	2,900
Lending operations	7,150	6,544
Other service and advisory business	1,328	1,610
<b>Net commission income</b>	<b>35,717</b>	<b>32,952</b>
<b>4) Net trading income</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Gains (losses) on interest rate contracts	533	515
Gains (losses) on foreign exchange, foreign bank note and numismatic business	1,846	1,056
Gains (losses) on derivatives	-671	801
<b>Net trading income</b>	<b>1,708</b>	<b>2,372</b>
<b>5) Administrative expenses</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Staff costs	38,582	38,387
Other administrative expenses	21,670	23,924
Write-offs and valuation allowances	3,056	3,126
<b>Administrative expenses</b>	<b>63,308</b>	<b>65,437</b>
<b>6) Other operating income</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Net income from financial assets - FV/PL	-4,562	5,632
b) Net income from financial assets - AfS	14,590	-5,173
c) Net income from financial assets - HtM	0	0
d) Other operating income	-10,316	393
thereof stability tax	-939	-3,468
thereof operational risks	-1,573	-567
thereof gains from the sale of land and buildings	103	64
thereof from operating leases	607	714
thereof other	-8,514	3,650
<b>Other operating income net of other operating expenses</b>	<b>-288</b>	<b>852</b>

<b>7) Income taxes</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Current income tax expense	18,583	9,308
Deferred income tax expenses (income)	-6,192	699
Income taxes	12,391	10,007

<b>8) Earnings per share in €</b>	<b>1/1-31/3/2017</b>	<b>1/1-31/3/2016</b>
Number of shares as at 31/03	35,307,300	32,237,100
Average number of shares in issue	35,297,647	32,166,773
Consolidated profit for the year after tax	49,192	42,497
Earnings per share in €	1.39	1.32
Annualised values	5.57	5.28

Since no financial instruments with diluting effect had been issued, diluted earnings per share were identical with undiluted earnings per share. Earnings per share were the same for both ordinary and preference shares.

<b>9) Cash and balances at central banks</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Cash in hand	67,110	76,711
Credit balances with central banks of issue	834,430	580,847
Cash and balances at central banks	901,540	657,558

<b>10) Loans and advances to credit institutions</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Loans and advances to Austrian credit institutions	151,201	287,094
Loans and advances to foreign credit institutions	319,688	439,016
Loans and advances to credit institutions	470,889	726,110

<b>11) Loans and advances to customers</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Loans and advances to Austrian customers	8,676,345	8,350,890
Loans and advances to foreign customers	5,526,582	5,427,003
Loans and advances to customers	14,202,927	13,777,893

<b>12) Impairment provisions</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Impairment provisions for banks	2,806	2,846
Impairment provisions for customers	421,942	449,669
Impairment provisions for other assets	0	0
Impairment provisions	424,748	452,515

<b>13) Trading assets</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
<b>Bonds and other fixed-interest securities</b>		
Listed	4,443	10,620
<b>Stocks and other variable-yield securities</b>		
Listed	433	813
<b>Positive fair values of derivative financial instruments</b>		
Currency contracts	2,114	2,870
Interest rate contracts	44,454	48,426
Other contracts	17	0
Trading assets	51,461	62,729

<b>14) Financial investments</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Bonds and other fixed-interest securities	2,383,580	2,516,189
Stocks and other variable-yield securities	372,734	342,503
<b>Equity investments/shares</b>		
In subsidiaries	83,065	84,700
In entities accounted for using the equity method		
Banks	329,954	325,585
Non-banks	405,517	391,147
Other equity investments		
Banks	13,051	13,051
Non-banks	106,289	106,420
<b>Financial investments</b>	<b>3,694,190</b>	<b>3,779,595</b>
a) Financial assets - FV/PL	238,072	236,934
b) Financial assets - AFS	717,177	712,238
c) Financial assets - HtM	2,003,470	2,113,691
d) Interest in entities accounted for by the equity method	735,471	716,732
<b>Financial investments</b>	<b>3,694,190</b>	<b>3,779,595</b>
<b>15) Intangible assets</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Other intangible assets	498	568
Customer base	501	512
<b>Intangible assets</b>	<b>999</b>	<b>1.080</b>
<b>16) Property, plant and equipment</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Investment property	95,806	96,545
Land and buildings	54,456	51,464
Business equipment and furnishings	77,776	77,054
Other property, plant and equipment	10,952	15,727
<b>Property, plant and equipment</b>	<b>238,990</b>	<b>240,790</b>
<b>17) Other assets</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Deferred tax assets	35,634	37,850
Other items	188,021	153,187
Positive fair values of closed out derivatives in the banking book	147,096	170,047
Deferred items	17,481	4,215
<b>Other assets</b>	<b>388,232</b>	<b>365,299</b>
<b>18) Amounts owed to credit institutions</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Amounts owed to Austrian banks	1,985,560	1,777,551
Amounts owed to foreign banks	1,555,311	1,381,092
<b>Amounts owed to credit institutions</b>	<b>3,540,871</b>	<b>3,158,643</b>
<b>19) Amounts owed to customers</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Savings deposits	2,774,345	2,794,166
Other	8,058,059	8,150,320
<b>Amounts owed to customers</b>	<b>10,832,404</b>	<b>10,944,486</b>
<b>20) Securitised liabilities</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Bonds issued	1,333,141	1,391,143
Other securitised liabilities	12,377	12,814
<b>Securitised liabilities</b>	<b>1,345,518</b>	<b>1,403,957</b>

<b>21) Provisions for liabilities and charges</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Provisions for benefits and pensions	172,761	173,370
Provisions for anniversary bonuses	11,734	11,688
Provisions for credit risks	105,800	98,109
Other provisions	39,876	38,882
<b>Provisions for liabilities and charges</b>	<b>330,171</b>	<b>322,049</b>

<b>22) Other liabilities</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Trading liabilities	40,974	44,896
Tax liabilities	23,430	6,268
Current tax liabilities	19,276	2,103
Deferred tax liabilities	4,154	4,165
Other liabilities	252,844	227,218
Negative fair values of closed out derivatives in the banking book	26,899	35,151
Deferred items	87,471	72,609
<b>Other liabilities</b>	<b>431,618</b>	<b>386,142</b>

<b>Other liabilities (trading liabilities)</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Currency contracts	2,087	2,870
Interest rate contracts	38,887	42,026
Other contracts	0	0
<b>Trading liabilities</b>	<b>40,974</b>	<b>44,896</b>

<b>23) Subordinated debt capital</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Subordinated bonds issued including supplementary capital	612,192	601,391
Hybrid capital	59,625	59,108
Additional Tier 1 capital	0	0
<b>Subordinated debt capital</b>	<b>671,817</b>	<b>660,499</b>

<b>24) Equity</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Subscribed capital	105,907	105,837
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	1,703,822	1,614,540
Negative goodwill	1,872	1,872
Additional equity components	50,000	50,000
Minorities	4,957	4,991
<b>Equity</b>	<b>2,372,081</b>	<b>2,282,763</b>

<b>25) Contingent liabilities and commitments</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Other contingent liabilities (guarantees and letters of credit)	1,394,360	1,383,567
<b>Contingent liabilities</b>	<b>1,394,360</b>	<b>1,383,567</b>
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	3,864,536	3,828,322
<b>Credit risks</b>	<b>3,864,536</b>	<b>3,828,322</b>

<b>26) Segment reports as at 31/03/2017</b> <b>Core business segments in €k</b>	<b>Personal Banking</b>	<b>Corporate</b>	<b>Financial Markets</b>	<b>Other</b>	<b>Total</b>
Net interest income	14.0	57.8	15.2	0.0	87.0
Charges for losses on loans and advances	-0.6	5.5	-4.2	0.0	0.8
Net commission income	17.2	18.5	0.0	0.0	35.7
Net trading income	0.0	0.1	1.6	0.0	1.7
Administrative expenses	-20.8	-34.3	-1.8	-6.4	-63.3
Other operating result	-1.0	-0.5	11.5	-10.3	-0.3
Extraordinary result	0.0	0.0	0.0	0.0	0.0
Profit for the year before tax	8.9	47.0	22.4	-16.7	61.6
Average risk-weighted assets	1,569.1	8,810.7	5,328.6	0.0	15,708.5
Average allocated equity	231.1	1,297.4	784.6	0.0	2,313.1
Return on equity before tax	15.4%	14.5%	11.4%		10.7%
Cost/income ratio	68.7%	45.2%	6.4%		51.0%

<b>27) Human resources</b>	<b>31/3/2017</b>	<b>31/12/2016</b>
Salaried employees	2,034	2,048
Blue-collar	14	13
Total resources	2,048	2,061

<b>28) Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013</b>	<b>31/3/2017</b>	<b>31/12/2016</b>	<b>31/3/2016</b>
Subscribed capital	101,422	102,322	93,111
Capital reserves	505,523	505,523	349,127
Retained earnings	1,546,301	1,557,113	1,427,924
Minority interests	0	0	0
Accumulated other comprehensive income	69,408	35,670	2,757
Regulatory adjustment items	-18,243	-39,124	-26,396
Deductions from common equity Tier 1 capital items	-155,488	-152,121	-158,136
<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>2,048,923</b>	<b>2,009,383</b>	<b>1,688,387</b>
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs.to national implementation rules	29,500	35,400	35,400
Deductions from AT1 capital items	-8,847	-8,827	-8,751
<b>Additional Tier 1 capital</b>	<b>70,653</b>	<b>76,573</b>	<b>76,649</b>
<b>TIER 1 CAPITAL</b>	<b>2,119,576</b>	<b>2,085,956</b>	<b>1,765,036</b>
Qualifying supplementary capital instruments	331,960	337,264	352,326
Nominal capital preference shares purs. to transition rules	4,500	3,600	3,600
AT1 capital instruments purs. to transition rules	29,500	23,600	23,600
Supplementary capital items purs. to national impl. rules	35,607	45,688	53,607
General credit risk adjustments	0	0	0
Deductions from supplementary capital items	-13,224	-13,892	-4,556
<b>Supplementary capital</b>	<b>388,343</b>	<b>396,260</b>	<b>428,577</b>
<b>CAPITAL RESOURCES</b>	<b>2,507,919</b>	<b>2,482,216</b>	<b>2,193,613</b>
<b>Total risk exposure purs. Art. 92 CRR</b>			
Credit risk	11,991,949	11,799,980	11,571,360
Market risk, settlement risk and CVA risk	56,073	50,558	57,386
Operational risk	970,730	970,730	951,842
<b>Total exposure</b>	<b>13,018,752</b>	<b>12,821,268</b>	<b>12,580,588</b>
<b>Capital ratios purs. Art. 92 CRR</b>			
Common equity Tier 1 capital ratio	15.74%	15.67%	13.42%
Tier 1 capital ratio	16.28%	16.27%	14.03%
Total capital ratio	19.26%	19.36%	17.44%
<b>Regulatory capital ratio requirement purs. to transition rules in %</b>			
Common equity Tier 1 capital ratio	5.783%	5.125%	5.125%
Tier 1 capital ratio	7.283%	6.625%	6.625%
Total capital ratio	9.283%	8.625%	8.625%
<b>Regulatory capital requirements purs. to transition rules in €k</b>			
Common equity Tier 1 capital	752,814	657,090	644,755
Tier 1 Capital	948,096	849,409	833,464
Total capital	1,208,471	1,105,834	1,085,076
<b>Free capital components</b>			
Common equity Tier 1 capital	1,296,109	1,352,293	1,043,632
Tier 1 Capital	1,171,480	1,236,547	931,572
Total capital	1,299,448	1,376,382	1,108,537

29) Fair value of financial instruments as at 31/3/2017 in €k							
	HtM	FV/PL	HFT	AfS	L&R/Liabilities	Other	Total
Cash and balances at central banks						901,540	901,540
						901,540	901,540
Loans and advances to credit institutions					470,889		470,889
					471,371		471,371
Loans and advances to customers	52,964	59,858		98,218	13,991,887		14,202,927
	53,822	59,858		98,218	14,063,428		14,275,326
Impairment provisions					-424,748		-424,748
					-424,748		-424,748
Trading assets			51,461				51,461
			51,461				51,461
Financial investments	2,003,470	238,072		621,947		830,701	3,694,190
	2,163,444	238,072		621,947			
Intangible assets						999	999
Property, plant and equipment						238,990	238,990
Other assets			147,096			241,136	388,232
			147,096				
of which closed derivatives positions in the banking book			147,096				147,096
			147,096				147,096
<b>Total assets</b>	2,056,434	297,930	198,557	720,165	14,038,028	2,213,366	19,524,480
	2,217,266	297,930	198,557	720,165	14,110,051		
Amounts owed to credit institutions		65,002			3,475,869		3,540,871
		65,002			3,482,551		3,547,553
Amounts owed to customers		426,849			10,405,555		10,832,404
		426,849			10,423,673		10,850,522
Securitised liabilities		378,307			967,211		1,345,518
		378,307			977,095		1,355,402
Provisions for liabilities and charges						330,171	330,171
Other liabilities			67,873			363,745	431,618
			67,873				
of which closed derivatives positions in the banking book			26,899				26,899
			26,899				26,899
Subordinated debt capital		420,792			251,025		671,817
		420,792			253,741		674,533
Capital						2,372,081	2,372,081
<b>Total equity and liabilities</b>	-	1,290,950	67,873	-	15,099,660	3,065,997	19,524,480
	-	1,290,950	67,873	-	15,137,060		

The first line item shows the book value; the line below shows the fair value of the same item.

**Presentation of the fair value hierarchy of financial instruments as at 31/3/2017**

	HtM Book value	FV/PL Book value	HFT Book value	AfS Book value	L&R/ Liabilities Book value	Other Book value	Total Book value	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
<b>Financial assets carried at fair value in €k</b>										
Loans and advances to customers	0	59,858	0	98,218	0	0	158,076	0	98,218	59,858
Trading assets	0	0	51,461	0	0	0	51,461	4,599	46,862	0
Financial assets - FV/PL	0	238,072	0	0	0	0	238,072	53,791	184,281	0
Financial assets - AfS	0	0	0	621,947	0	0	621,947	495,689	51,642	74,616 <sup>1)</sup>
Other assets	0	0	147,096	0	0	0	147,096	0	147,096	0
of which closed derivatives positions in the banking book	0	0	147,096	0	0	0	147,096	0	147,096	0
<b>Financial assets not carried at fair value</b>										
Loans and advances to credit institutions	0	0	0	0	470,889	0	470,889	0	0	471,371
Loans and advances to customers	52.964	0	0	0	13,991,887	0	14,044,851	0	53,822	14,063,428
Financial assets - HtM	2.003.470	0	0	0	0	0	2,003,470	2,078,929	84,515	0
<b>Financial liabilities carried at fair value</b>										
Amounts owed to credit institutions	0	65,002	0	0	0	0	65,002	0	10,721	54,281
Amounts owed to customers	0	426,849	0	0	0	0	426,849	0	426,849	0
Securitised liabilities	0	378,307	0	0	0	0	378,307	0	378,307	0
Other liabilities	0	0	67,873	0	0	0	67,873	0	67,873	0
of which closed out derivatives positions in the banking book	0	0	26,899	0	0	0	26,899	0	26,899	0
Subordinated debt capital	0	420,792	0	0	0	0	420,792	0	420,792	0

1) This item is made up of equity investments the market value of which was measured using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method).

Presentation of the fair value hierarchy of financial instruments as at 31/3/2017

	HtM Book value	FV/PL Book value	HFT Book value	AfS Book value	L&R/ Liabilities Book value	Other Book value	Total Book value	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
<b>Financial liabilities not carried at fair value</b>										
Amounts owed to credit institutions	0	0	0	0	3,475,869	0	3,475,869	0	51,409	3,431,142
Amounts owed to customers	0	0	0	0	10,405,555	0	10,405,555	0	85,094	10,338,579
Securitised liabilities	0	0	0	0	967,211	0	967,211	0	977,095	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	251,025	0	251,025	0	253,741	0

The fair value corresponds to the price at which an asset can be sold or a liability settled by market participants in an orderly transaction under market conditions on the balance sheet date. The assessment of the fair value is based on the assumption that the transaction takes place either on the principal market for the respective asset or debt instrument or, if no such principal market exists, the most advantageous active market for the respective transaction, provided the entities involved have access to such markets. Where market prices are available for identical assets or debt instruments in an active market to which access is available on the balance sheet date, the assets/debt instruments are measured using the prices quoted on these markets (level 1). Where no such market prices are available, the fair value is determined using valuation models based on market-based parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).

All fair value measurements refer to regularly performed measurements. There was no one-off fair value measurement in the reporting year.

### **Valuation method**

Responsibility for independent monitoring and communication of risks as well as the valuation of financial instruments lies with Strategic Risk Management of Oberbank. The unit is functionally and organisationally separate from trading, which is responsible for the initiation and conclusion of transactions. Trading book positions are marked-to-market daily at the close of business. Valuation is based on current stock exchange quoted prices where such quoted prices are publicly available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived from current market data (yield curves, volatilities, etc.) are used. The market data is validated daily, and at regular intervals, the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with the model values of the partner banks. The management is sent a daily update on risk positions and the valuation results based on entire trading book positions. The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

### **Valuation methods for measuring fair values**

The valuation methods used are in compliance with recognised mathematical methods for measuring financial instruments taking into account any and all factors that market participants would consider appropriate for determining a price. The income-based methodology is the valuation approach applied to derivatives, securitised liabilities and subordinated capital bonds. The market-based approach is applied in the fair value measurement of structured products.

### **Input factors for fair value measurement**

The measurement of the fair value of financial instruments in level 1 is based on prices quoted on active markets. These instruments include listed securities and derivative instruments. If direct measurement based on prices quoted on securities exchanges is not possible, the present value in level 2 is estimated using model values derived from current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are obtained from the Reuters Market Data System.

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes options pricing model). Structured products are measured on the basis of price information obtained from third parties. The exchange rates used are the reference rates published by the ECB.

All derivative instruments are measured on a counterparty-risk-free basis in a first step. In a second step, a credit risk markdown is determined (credit valuation adjustment, CVA) based on the internal default probabilities of an expected loss.

The fair values of non-listed securities are obtained from the GEOS system. The fair value of investment fund units is obtained from the fund management companies. The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities, subordinated capital and borrower's note loans; the cash flows of own issues are calculated using the contractual interest rate.

The interest rates used for discounting are derived from the discount curve applicable for the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue.

The fair value of level 3 assets is measured using generally-accepted valuation models. In level 3, the discounted cash flow method is used to calculate the fair values of receivables and liabilities.

Discounted cash flows are calculated on the basis of future payment flows and the reference interest rate applicable on the respective closing date. The interest rates used for discounting are derived from the discount curve applicable to the respective currency. The exchange rates used are the reference rates published by the ECB.

For these financial instruments, no risk premiums commensurate with credit ratings are observable on the market.

Changes in the fair value hierarchy or classification take place whenever there is any change in the quality of the input parameters used in the valuation method. Classification adjustments are made at the end of the reporting period.

Financial assets in the AfS portfolio (participating interests and shares in affiliated companies) in the amount of €k 95,230 are recognised at cost. There is no active market for these instruments and Oberbank does not intend to sell these.

The following table shows the development of participating interests AfS measured at fair value and assigned to level 3. The fair value of these assets is measured using the discounted cash-flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method).

Movements in the reporting year in €k:	
Carrying value as at 1/1/2017	74,616
Additions (purchases)	0
Disposals (sales)	0
Value changes recognised in equity	0
Value changes recognised in income	0
<b>Carrying value as at 31/3/2017</b>	<b>74,616</b>

Positions made up of this type of instrument included in net income from financial assets - AfS:

Realised gains	0
Value changes recognised in income	0
	0

The item Other comprehensive income decreased by €k 0 for these instruments.

The remaining level 3 financial instruments valued at fair value comprise loans and advances to customers and/or amounts owed to credit institutions for which the fair value option was used.

Movements in the reporting year in €k:	Loans and advances to customers	Amounts owed to credit institutions
Carrying value as at 1/1/2017	62,588	54,740
Additions	0	0
Disposals	-2,250	0
Changes in fair value	-480	-459
of which disposals	-17	0
of which portfolio instruments	-463	-459
<b>Carrying value as at 31/3/2017</b>	<b>59,858</b>	<b>54,281</b>

The resulting change in market value is included in the item Net income from financial assets - FV/PL (netted against the corresponding offsetting items to prevent the accounting mismatch that would otherwise occur). The item Other comprehensive income was not affected by these positions.

## STATEMENT BY THE MANAGEMENT BOARD PURSUANT TO § 87 AUSTRIAN STOCK EXCHANGE ACT

### The Management Board confirms that

- These condensed interim financial statements for the financial year 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) currently in force and published by the International Accounting Standards Board (IASB) as applicable in the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC), and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group.
- These consolidated interim financial statements cover the first quarter of 2017 (1 January 2017 to 31 March 2017) and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

Major transactions with individuals and companies as at 31 March 2017 were:

Associate companies	€k 0
Subsidiaries	€k 0
Other related parties	€k 0

Linz, 19 May 2017

### The Management Board

Franz Gasselsberger, Chairman

Josef Weißl

Florian Hagenauer

### Note:

The forecasts that refer to the future development of Oberbank are estimates made on the basis of all the information available to us on the reporting date. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialise to an extent not anticipated, the actual results may vary from those currently expected. The information provided on market shares are based on the most recent data available at the copy deadline of this report.

When adding up rounded figures and calculating percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures that have not been rounded off.

### Financial calendar 2017

The Interim Report to Shareholders of Oberbank is published three times a year.

19 May 2017 Quarterly results for Q1 2017

25 August 2017 Quarterly results for Q1-2 2017

29 November 2017 Quarterly results for Q1-3 2017

All of the information is available electronically at [www.oberbank.at](http://www.oberbank.at) under Investor Relations.

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