Oberbank
3 Banken Gruppe

Oberbank. Not like any other bank.

Annual Report 2014

Contents

Oberbank at a Glance

Income statement in €m	2014	2013	Change
Net interest income	372.9	335.6	11.1%
Charges for losses on loans and advances	(78.0)	(70.6)	10.5%
Net commission income	119.3	114.6	4.1%
Administrative expenses	(236.9)	(231.0)	2.6%
Profit for the year before tax	157.6	141.7	11.2%
Profit for the year after tax	136.5	122.4	11.5%

Balance sheet in €m	2014	2013	Change
Assets	17,774.9	17,531.8	1.4%
Loans and advances to customers	12,276.2	11,713.3	4.8%
Primary funds	12,288.6	12,250.4	0.3%
of which savings deposits	3,098.5	3,352.1	(7.6%)
of which securitised liabilities including subordinated capital	2,295.0	2,224.4	3.2%
Equity	1,534.1	1,421.0	8.0%
Customer funds under management	23,441.9	22,787.5	2.9%

Regulatory capital in €m[1)]	2014	2013	Change
Common equity Tier 1 capital	1,306.9		
Core Tier 1 capital	1,385.2	1,320.6	4.9%
Own funds	1,874.4	1,824.8	2.7%
Common equity Tier 1 capital ratio	10.95%		
Core Tier 1 capital ratio	11.61%	12.30%	(0.69 ppt)
Total capital ratio	15.70%	17.00%	(1.30 ppt)

Performance	2014	2013	Change
Return on equity before tax	10.68%	10.31%	0.37 ppt
Return on equity after tax	9.25%	8.91%	0.34 ppt
Cost/income ratio	50.14%	52.11%	(1.97 ppt)
Risk/earnings ratio (credit risk in% of net interest income)	20.92%	21.05%	(0.13 ppt)

Resources	2014	2013	Change
Average number of staff (weighted)	2,004	2,001	3
Number of branches	156	150	6

1) Application of Reg.(EU) No 575/2013 (Basel III) from 01/01/2014. The figures are therefore not fully comparable with previous periods.

Oberbank stock – key figures	2014	2013	2012
Number of ordinary no-par shares	25,783,125	25,783,125	25,783,125
Number of no-par preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	50.35/38.11	48.50/38.70	48.10/39.75
Low (ordinary/preference share) in €	48.45/37.00	47.60/37.50	47.00/38.10
Close (ordinary/preference share) in €	50.35/37.81	48.50/37.75	48.00/38.60
Market capitalisation in €m	1,411.6	1,363.7	1,353.4
IFRS earnings per share in €, annualised	4.75	4.26	3.87
Dividend per share in €	0.55	0.50	0.50
P/E ratio (ordinary share)	10.6	11.4	12.4
P/E ratio (preference share)	8.0	8.9	10.0

In 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 which have not been rounded off.

CEO Franz Gasselsberger
Chairman of the Management Board of Oberbank AG

Being
controlled
from outside?
No.

Making
independent
decisions?
Yes.

Dear Reader,

2014 was a year that was all but easy for the financial and the real side of the European economy.

Much of what we expected and forecast one year ago has come about: The large central banks continued to be the determining forces; a major turnaround in interest rates failed to materialise and real interest rates remained in negative territory; the pace of economic growth in the United States differed from that in Europe and the euro surrendered its position as the strongest currency worldwide.

Banks, in particular, operated in a difficult environment.

Austrian banks in general have seen a significant decline in bank profits in recent years. So far, the low was reached in 2013 with a consolidated loss of one billion euro in consolidated net annual profits.
This trend continued in 2014. According to figures published by the Austrian National Bank, the banking industry’s operating profit dropped by more than 40 per cent in the first half of 2014; indeed, with a cumulative loss of 600 million euro, consolidated results after provisions and taxes were clearly negative on balance. What is more, profitability and productivity in the Austrian banking market deteriorated badly: at last count, the cost/income ratio had risen to 73%.
Quite apart from the persistently low level of interest rates, the main reasons for the problems faced by many banks are rooted in their high exposure in Eastern Europe, a region that involves a particularly high credit risk, as well the effects of the conflict between Russia and Ukraine and the current weakness of earnings in the domestic market.

In this adverse environment, Oberbank has once again shown a really excellent development.

We once again attained an excellent result, achieved above-average lending growth and continued to expand our branch network.

Success factor: lending growth

Restraint in lending? Not at Oberbank. We boosted our lending volume by 16.0% in the last five years; in the Austrian market in general, by contrast, lending declined by 4.1% and Europe-wide indeed dropped by 4.6%.

Our risk situation is also excellent, although our lending growth is above market average.

Our average impairment allowance ratio of the past few years runs to 0.48%, which is far below the level in the Austrian market in general.

Success factor: cost management

Cost awareness is a matter of course at Oberbank. Notwithstanding the fact that we set up 33 new branch offices in the past five years, our cost/income ratio has further improved and stabilised at 50%.

Success factor: branch network expansion – while others close down branches, we are opening new ones.

Currently, Oberbank operates 156 branches; eight of these were set up in 2014.
In Germany we are expanding beyond our Bavarian market and set up three branches in Hesse and Thuringia (Freising, Eggenfelden, and Darmstadt). We also opened three branches in the Czech Republic (Jihlava, Liberec, Olomouc) as well as continuing our expansion course in Vienna (Wienerberg) and Hungary (Szeged).

With this strategy, Oberbank is clearly bucking mainstream trends: Many other banks grew too rapidly in the past, failed to streamline their branch networks in good time and their settlement processes in the branches are too expensive.
We did our homework, and it has paid off. Without underestimating the importance of online banking, the branches remain our key distribution channel.

For this reason we will continue on our persistent expansion course.
With 21 branch outlets, Oberbank features as the strongest regional bank in Vienna; in the medium term, we plan to raise this number to 30.
Bavaria, and now Hesse and Thuringia too, figure among our strongest growth markets. Currently we have 20 branches in these regions and we plan to raise this number to at least 30.
In the Czech Republic Oberbank is already very well established and we plan to expand further from 21 branches at present to at least 25 in the future.
In Hungary, the Oberbank branch network has been growing steadily over the past seven years; the risk situation there is as safe as in Austria and Oberbank continues to invest and grow.
In Slovakia we are seeing satisfactory growth, primarily in business with commercial customers.

Growth in all important areas
Based on the above success factors, we achieved growth in all important areas in 2014.
The Bank’s net profit widened by 11.5% to EUR 136 million, the lending volume grew by approximately 5% to EUR 12.3 billion and customer assets under management rose by 3% to EUR 23.4 billion.
At 11.6%, our core capital ratio is at double the statutorily required level and our profitability is excellent: the return on equity improved by 0.4 percentage points to 10.7%.

Thanks for unwavering dedication and commitment
On behalf of the entire Board of Oberbank I would like to extend my thanks to everybody who contributed to our success in the past financial year.
Our employees have rendered exemplary service to Oberbank and thus once again contributed decisively to the outstanding success of our Bank.
We would also like to thank our customers for the continued trust they have placed in us.
Special thanks are also due to the members of the Supervisory Board, which is not only the supreme monitoring body of Oberbank, but also fulfils an important advisory function in crucial matters.
Last but not least, we would like to express our gratitude to all our shareholders for the trust they have placed in Oberbank by acquiring the Bank’s shares.

It is only thanks to the collaboration and interaction of all these individuals and institutions that we were again able to generate a particularly good result in 2014. Let us continue together on this path of mutual trust and success!

Linz, March 2015

CEO Franz Gasselsberger
Chairman of the Management Board

Josef Weissl
Member of the Management
Board of Oberbank AG

CEO Franz Gasselsberger
Chairman of the Management
Board of Oberbank AG

Florian Hagenauer
Member of the Management
Board of Oberbank AG

Risky
ventures?
No.

Business we
understand?
Yes.

Austrian Code of Corporate Governance

Being a listed company, Oberbank undertakes to adhere to the Austrian Code of Corporate Governance (ÖCGK) as amended. Oberbank interprets the Code of Corporate Governance, which can be viewed at *www.oberbank.at*, as a valuable guideline for developing the respective internal mechanisms and rules. The Supervisory Board of Oberbank had already defined guidelines to ensure its members' independence in conformity with the provisions of the Code in 2006; these guidelines can be viewed at *www.oberbank.at*. At its meeting on 28 March 2007, the Supervisory Board adjusted the Rules of Procedure of the Management Board and the Supervisory Board to comply with the provisions of the Code as amended.
The Supervisory Board of Oberbank issued its first declaration of conformity at its meeting on 26 November 2007.The most recent amendment of the Code became effective in January 2012 (and, in a revised version, as of July 2012) and was applicable, as amended, for the business year 2014. At its meeting on 27 November 2012, the Supervisory Board of Oberbank issued a declaration of conformity with the Code as amended.

The Austrian Code of Corporate Governance requires companies to state reasons for any non-compliance with the so-called C Rules ("comply or explain"). In the financial year 2014, Oberbank complied with the Code by explaining the following deviations:

Rule 2 C: Based on a resolution by the Annual General Meeting on 15 April 1991, Oberbank, besides ordinary shares, has also issued preference shares. Preferred interest in profits provides preference shareholders with an attractive investment option. The ordinary shares issued by Oberbank carry one vote each, hence no shareholder has a disproportionately high voting right.

Rule 31 C: In compliance with legal requirements, the remunerations paid to the members of the Management Board are disclosed as a total amount for each Board member. For reasons of privacy and data protection, no breakdown of the individualised remunerations into fixed and variable components is presented.
The remuneration rules applicable within Oberbank in compliance with the Austrian Banking Act ensure that any and all variable remuneration payments to Board Members are commensurate with the personal performance of the respective Board Member and take appropriate account of the earnings, risk and liquidity position of Oberbank.

Rule 45 C: Owing to the historically grown shareholder structure of Oberbank, the members of the Supervisory Board include representatives from the group of the major single shareholders. Since these representatives also include banks, the respective Supervisory Board members also hold board functions in other banks that are competitors of Oberbank.
The statutory obligations the Members of the Supervisory Board are required to fulfil ensure that the rightful interests of Oberbank are protected to the fullest extent.

Rule 52a C: The Supervisory Board of Oberbank includes more than ten shareholder representatives.
With currently twelve shareholder representatives elected by the Annual General Meeting, the upper limit of a maximum of ten recommended by the Austrian Working Group of Corporate Governance (ÖCGK) is only marginally exceeded; the efficient and effective performance of the tasks assigned to the Supervisory Board is hence guaranteed. Oberbank values the expert knowledge of its supervisory body comprising senior members and leading experts from the Austrian business community.

Composition and mode of operation of the Management Board and the Supervisory Board

The Management Board of Oberbank AG conducts the Company's business in accordance with clear principles and objectives derived from the overall bank strategy and on its own responsibility within the parameters defined by the Austrian Joint Stock Companies Act (AktG) to ensure the protection of the various interests at stake. The Supervisory Board monitors the implementation of the individual projects and their success in compliance with the Articles of Association and the Standing Orders. The Management Board regularly reports to the Supervisory Board, thus ensuring a comprehensive flow of information.

Members of the Management Board

In the 2014 financial year, the Management Board of Oberbank consisted of three members.

	Year of birth	First appointed	Tenure until
Franz Gasselsberger, CEO	1959	28 April 1998	13 May 2017
Josef Weissl	1959	1 May 2005	30 April 2020
Florian Hagenauer	1963	1 December 2009	30 November 2019

Franz Gasselsberger, CEO

Having obtained a doctorate in law from Paris-Lodron University in Salzburg, Franz Gasselsberger started his career at Oberbank in 1983.
Parallel to his management function in the Bank's Salzburg operations, he completed the MBA program at the International Management Academy, earning an International Executive MBA degree.
In April 1998, the Supervisory Board appointed him to the Management Board of Oberbank AG; on 1 May 2002 he assumed the function of Board Spokesman and on 1 May 2005 was designated Chairman of the Management Board with the title of Generaldirektor (CEO).
In November 2007, the German Federal President appointed Franz Gasselsberger Honorary Consul of the Federal Republic of Germany in Upper Austria. In addition, he is a Member of the Management Board of the Federation of Austrian Industries (IV), the Austrian Bankers Association (VOeBB), the Federation of Austrian Industries, the Austrian Society for Bank Research (BWG), President of the LIMAK Austrian Business School and Chairman of the Sector Conference of the Economic Chamber of Upper Austria – Finance, Credit and Insurance Section.

Supervisory board mandates and further functions in non-Group Austrian and international companies:

Member of the Supervisory Board of AMAG Austria Metall AG
Member of the Supervisory Board of Lenzing Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft
Deputy Chairman of the Supervisory Board of BKS Bank AG
Member of the Supervisory Board of voestalpine AG

Josef Weissl, Member of the Management Board

Upon his graduation from the University of Linz, where he studied business management and law, Josef Weissl started his career at Oberbank in 1983.
Concurrently with his management function in the Bank's Salzburg operations, he concluded the LIMAK General Management Programme in 2002 and the LIMAK MBA Programme in 2005.
The Supervisory Board appointed him to the Management Board of Oberbank AG in May 2005.
In addition, he is President and member of the Austro-American Society.

Supervisory board mandates and further functions in non-Group Austrian and international companies:

Chairman of the Supervisory Board of Gasteiner Bergbahnen AG
Member of the Supervisory Board of BAUSPARERHEIM Gemeinnützige Siedlungsgemeinschaft reg. Gen.m.b.H.
Member of the Supervisory Board of VBV-Pensionskasse AG
Member of the Supervisory Board of BRP-Powertrain Gmbh & Co.KG
Member of the Supervisory Board of Wiener Börse AG
Member of the Supervisory Board of CEESEG Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft

Florian Hagenauer, Member of the Management Board

Florian Hagenauer graduated with a master’s degree in business administration from the University of Economics and Business Administration in Vienna in 1986.

In 1987 he joined Oberbank, where he worked in what was then the Foreign Department, later renamed the “Bank Relations and Payment Systems” department. In 1994 he was appointed Prokurist (authorised signatory) for the entire bank, and in 1999 became Deputy Head of the Organisation department.

He completed the LIMAK General Management Programme in 1999 and concluded the LIMAK MBA Programme in 2005.

In 2005 Florian Hagenauer was appointed Managing Director of Drei-Banken-EDV Gesellschaft. In 2008 he returned to Oberbank, taking over the function of Head of Organisation.

In 2009 the Supervisory Board appointed him to the Management Board of Oberbank AG.

In addition, he is President of the LIMAK Club and Vice President of the Verein der Förderer der OÖ. Landesmuseen/(Patrons Association of the Museums of the Province of Upper Austria).

Supervisory board mandates and further functions in non-Group Austrian and international companies:

Chairman of the Supervisory Board of Opportunity Beteiligungs AG i.L. (until 15 Oct.2014)
Member of the Supervisory Board and investment committee member of Gain Capital Participations SA
Member of the Supervisory Board and SICAR investment committee member of Gain Capital Participations II SA, SICAR
Deputy Chairman of the Supervisory Board of Buy-Out Central Europe II Beteiligungs-Invest AG
Member of the Supervisory Board of Generali Holding Vienna AG
Member of the Supervisory Board of Energie AG Oberösterreich
Managing Partner of Ottensheimer Drahtseilbrücke Gesellschaft m.b.H. (until 24. June 2014)

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of 3-Banken Wohnbaubank AG
Member of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft

Current Management Board Remits

Franz Gasselsberger, CEO	*Josef Weissl, Director*	*Florian Hagenauer, Director*
General Business Policy		
Internal Revision		
Business and Service Departments		
CIF (Corporate & International Finance)	PKU (Personal Banking)	KRM (Credit Management)
GFM (Global Financial Markets)	PAM (Private Banking & Asset Management)	Risk Controlling
PER (Human Resources)		ZSP (Payment Systems and Central Production)
RUC (Accounts & Controlling)		SEK (Corporate Secretary & Communication)
		ORG (Organisational Development, Strategy and Process Management)
Regional Business Divisions		
Southern Bavaria	Linz-Landstrasse	
Northern Bavaria	Innviertel	
Salzkammergut	Salzburg	
Linz-Hauptplatz	Lower Austria	
Wels	Slovakia	
Vienna	Czech Republic	
	Hungary	

Mode of operation of the Management Board

Cooperation within the Management Board is based on regular, usually weekly Management Board meetings. Additionally, the individual members of the Management Board cooperate closely with the second management level of the Bank.

Remuneration of the Management Board

At its meeting on 24 November 2010, the Supervisory Board resolved to delegate all matters regarding the remuneration of the Management Board to the Remuneration Committee. The latter designed the remuneration system of Oberbank so that it complies with the proportionality test pursuant to Section 39b of the Austrian Banking Act and the appertaining Annex in respect of companies of a comparable size, industry and complexity and the risk inclination of the business model, and, moreover, in such a way as to ensure that the remuneration of the members of the Management Board is commensurate with their scope of activities and responsibilities.

The remuneration system provides for a well-balanced relationship between fixed and variable components; the reference value for the variable component is 20% of the respective total remunerations and limited to a maximum of 40% of the latter. The fixed basic salaries depend on the particular remits of the Management Board members. Joint and personal performance elements as well as the overall performance of Oberbank are taken into account in the variable component.

Corporate performance is measured by specific key ratios and the degree to which medium and long-term strategic goals have been met:

- Sustained compliance with strategic risk allocation in accordance with the overall bank management strategy (ICAAP Internal Capital Adequacy Assessment Process);
- Sustained attainment of the strategic financial objectives in line with the defined strategy and the objectives of the Bank's multi-year plan;
- Sustained attainment of the Bank's strategic goals in general.

In compliance with the circular letter issued by the Austrian Financial Market Authority (FMA) in December 2012, the Remuneration Committee determined that Oberbank, on the basis of the parameters defined by the FMA (assets), is to be viewed as a highly complex institution and that the guidelines on remuneration policies and practices are therefore fully applicable.

This implies that the variable remuneration component of Management Board members for the financial year 2014, the size of which is determined by the Remuneration Committee on the basis of the "Parameters for the assessment of variable remuneration components for Management Board members", is to be paid to 50% in equity instruments and 50% in cash; the respective equity instruments are subject to a holding period of three years and the portion of 40% of variable remuneration that in accordance with paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors has to be deferred for a period of five years has to consist to equal parts of equity instruments and cash.
Total remunerations of the Management Board members disbursed in the reporting year amounted to EUR 1,451,000, of which EUR 1,138,000 related to fixed salary components and EUR 313,000 constituted variable remuneration components.

Total remuneration 2014:	Franz Gasselsberger	EUR 698,000
	Josef Weissl	EUR 418,000
	Florian Hagenauer	EUR 335,000

Sideline business activities pursued by members of the Management Board in accordance with the Standing Orders of the Management Board require approval by the Supervisory Board.
Accordingly, the above-listed mandates of the individual Board Members have all been approved by the Supervisory Board and are in compliance with the limits applicable pursuant to the Austrian Banking Act since 1 July 2014.

The magnitude of benefits from the contractually agreed company pension scheme for members of the Management Board depends on the respective member's period of service. Benefits are calculated on the basis of a graded vesting schedule of 40 years and the fixed salary at the time of retirement. For members of the Management Board appointed in or after 2005, a company pension is accumulated under a contractual scheme based on monthly contributions to a pension fund. If a Board mandate is not extended or is prematurely terminated, the respective Management Board member is entitled to termination benefits in the maximum amount of two annual salaries, subject to the provision that no material reason for which the respective Board member is responsible in accordance with Rule 27a of the Austrian Code of Corporate Governance as amended applies.

All members of the Management Board and the Supervisory Board are covered by a Directors and Officers Insurance policy, the costs of which are borne by the Company.

Members of the Supervisory Board

Supervisory board mandates or comparable functions in other Austrian or international listed companies

	Year of birth	First appointed	Scheduled tenure until
Hermann Bell (until 13 May 2014)	1932	22 April 2002	AGM 2015
Chairman of the Supervisory Board of BKS Bank AG (until 15 May 2014)			
Ludwig Andorfer	1944	24 May 2011	AGM 2016
Chairman (from 13 May 2014) Member of the Supervisory Board of Unternehmens Invest Aktiengesellschaft			
Heimo Penker (until 13 May 2014)	1947	20 May 1997	AGM 2016
1st Deputy Chairman Deputy Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg AG (until 14 May 2014)			
Peter Gaugg	1960	27 April 2000	AGM 2018
2nd Deputy Chairman (until 13 May 2014) 1st Deputy Chairman (from 13 May 2014) Member of the Supervisory Board of BKS Bank AG (until 15 May 2014) Chairman of the Supervisory Board of BKS Bank AG (from 15 May 2014)			
Herta Stockbauer (from 13 May 2014)	1960	13 May 2015	AGM 2019
2nd Deputy Chairman (from 13 May 2014) Deputy Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg AG (from 14 May 2014)			
Wolfgang Eder	1952	9 May 2006	AGM 2016
Waldemar Jud	1943	10 May 2010	AGM 2018
Member of the Supervisory Board of BKS Bank AG Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG Chairman of the Supervisory Board of DO & CO Aktiengesellschaft Chairman of the Supervisory Board of Ottakringer Getränke AG Member of the Supervisory Board of CA Immobilien Anlagen AG (until 8 Aug. 2014)			
Christoph Leitl (until 13 May 2014)	1949	23 April 2001	AGM 2017
Peter Mitterbauer	1942	15 April 1991	AGM 2017
Member of the Supervisory Board of Andritz AG (until 19 July 2014) Member of the Supervisory Board of Rheinmetall AG Member of the Supervisory Board of MIBA AG			
Helga Rabl-Stadler	1948	24 May 2011	AGM 2016

Karl Samstag Member of the Supervisory Board of PORR AG (until 4 June 2014) Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG Member of the Supervisory Board of BKS Bank AG Member of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment AG	1944	22 April 2002	AGM 2017
Herbert Walterskirchen	1937	20 May 1997	AGM 2015
Mag. Norbert Zimmermann (until 13 May 2014) Chairman of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment AG Member of the Supervisory Board of OMV AG	1947	19 April 2004	AGM 2014
Peter Thirring	1957	14 May 2013	AGM 2018
Barbara Leitl-Staudinger (from 13 May 2014)	1974	13 May 2014	AGM 2019
Barbara Steger (from 13 May 2014)	1980	13 May 2014	AGM 2019

Representatives of the Staff Council:
Wolfgang Pischinger, first delegated: 28 Jan. 1993; Chairman of the Central Staff Council of Oberbank AG
Elfriede Höchtel, first delegated: 22 May 2007; Oberbank Wels
Josef Pesendorfer, first delegated: 29 Jan. 2001; Oberbank Gmunden
Mag. Armin Burger, first delegated: 25 Oct. 2005; Credit Management Department of Oberbank AG
Herbert Skoff, first delegated: 28 March 2011; Oberbank Vienna
Markus Rohrbacher, first delegated: 28 March 2013; Oberbank Krems (until 26 March 2014)
Stefan Prohaska, first delegated: 28 March 2013; Oberbank Salzburg-Taxham
Barbara Schneebauer, first delegated: 26 March 2014; Oberbank Steyr (until 13 May 2014)
Alexandra Grabner, first delegated: 26 March 2014; Central Staff Council of Oberbank AG

State Commissioners:
Marian Wakounig, State Commissioner, appointed as of 1 August 2007
Edith Wanger, Deputy State Commissioner, appointed as of 1 July 2002

Mode of operation of the Supervisory Board
Until May 2014, the Supervisory Board consisted of 13 elected shareholder representatives and seven staff representatives delegated by the Staff Council. After re-elections held within the framework of the Annual General Meeting, the Supervisory Board was newly constituted in May 2014 and now consists of twelve elected shareholder representatives and six staff representatives delegated by the Staff Council. Given that one third each of the Staff Council representatives and Supervisory Board members are women, the Bank exceeds the target ratio of 25% for the under-represented sex fixed by circular letter in November 2013.
During the financial year 2014, the Supervisory Board held four meetings in which it performed its control functions (see also Report of the Supervisory Board).

In its meeting in September 2014, the full Supervisory Board, after discussing the matter in detail, extended the board mandates of Board Director Florian Hagenauer (new scheduled tenure until 30 April 2020) and Josef Weissl (new scheduled tenure until 30 April 2020) by five years each.

One member of the Supervisory Board, who retired as of the AGM 2014, failed to take part in more than half of the possible meetings (one meeting). All other members of the Supervisory Board personally attended more than half of the Supervisory Board meetings (Rule 58 C).

Committees set up by the Supervisory Board

With the objective of improving work efficiency, the Supervisory Board of Oberbank AG has set up a number of committees, each assigned with specific responsibilities, namely the Working Committee, the Risk and Credit Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. Their members are elected by the full Supervisory Board from among the circle of shareholder representatives and supplemented by the required number of members from among staff representatives.

The Working Committee and the Audit Committee consist of four and five shareholder representatives respectively, the Risk and Credit Committee and the Remuneration Committee of three each and the Nomination Committee consists of two shareholder representatives.

Audit Committee

The Audit Committee convened twice during the reporting year and discharged its obligations under Section 63a(4) of the Austrian Banking Act (BWG).

The key tasks of the Audit Committee include the auditing of the annual financial statements (including the consolidated financial statements) and the preparations for their approval, examination of the proposal for the appropriation of profits, the management report and the corporate governance report, and the presentation of a report on the audit findings to the plenary meeting of the Supervisory Board. In addition, the Audit Committee is charged with monitoring the auditing of the financial statements, the accounting process, the effectiveness of the Company's internal control system, the internal auditing system and the risk management system.

In a management letter, the auditor presented the findings of the audit in respect of the economic position (financial statements and consolidated financial statements) and the risk situation of the Bank to the Management Board. This management letter was also forwarded to the Chairman of the Supervisory Board, who in turn also submitted it to the Audit Committee, which dealt intensively with its content in direct discussions with the auditors.

The results of the work performed by the Audit Committee were presented to the plenary meeting of the Supervisory Board on the occasion of its next plenary meeting.

Members of the Committee*:* Hermann Bell (Chairman, until 13 May 2014), Ludwig Andorfer (Chairman, since 13 May 2014), Heimo Penker (until 13 May 2014), Herta Stockbauer (from 13 May 2014), Peter Gaugg, Herbert Walterskirchen, Waldemar Jud, Wolfgang Pischinger, Armin Burger (until 26 March 2014), Stefan Prohaska (from 26 March 2014), Herbert Skoff

Working Committee

The Working Committee takes decisions on matters of special urgency which under the Standing Orders are assigned to neither the plenary meeting of the Supervisory Board nor the Credit Committee. These include, in particular, the acquisition and divestment of shareholdings of a significant size and the acquisition, sale or encumbrance of real estate and investments exceeding defined threshold amounts, which are exactly specified in the Standing Orders of the Management Board and the Supervisory Board. In urgent matters requiring prompt decisions, the Working Committee, in accordance with the Articles of Association, exercises its decision-making power by way of resolutions by written circular and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone.

In 2014 the Working Committee approved five time-critical resolutions.

Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

Members of the Committee: Hermann Bell (Chairman, until 13 May 2014), Ludwig Andorfer (Chairman, from 13 May 2014), Heimo Penker (until 13 May 2014), Herta Stockbauer (from 13 May 2014), Peter Gaugg, Herbert Walterskirchen, Wolfgang Pischinger, Armin Burger (until 26 March 2014), Herbert Skoff (from 26 March 2014)

Risk and Credit Committee

In its meeting of 26 November 2013, the Supervisory Board resolved to assign to the Credit Committee the tasks and obligations to be performed by the Risk Committee pursuant to the Austrian Banking Act as amended effective 1 January 2014. The Standing Orders of the Supervisory Board were revised accordingly. The Credit Committee was renamed Risk and Credit Committee.

The approval of the Risk and Credit Committee is required for each investment or large-scale investment within the meaning of Section 27 of the Austrian Banking Act (BWG) exceeding a threshold amount specified in the Standing Orders of the Management Board. In urgent matters requiring prompt decisions, the Credit Committee, in accordance with the Articles of Association, exercises its decision-making power by way of resolutions by written circular and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone.

In 2014 the Credit Committee approved 93 time-critical resolutions. It also dealt with direct applications subsequently approved by the plenary meeting of the Supervisory Board.

Business matters decided by the Credit Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

Members of the Committee: Hermann Bell (Chairman, until 13 May 2014), Ludwig Andorfer (Chairman, from 13 May 2014), Heimo Penker (until 13 May 2014), Herta Stockbauer (from 13 May 2014), Peter Gaugg, Wolfgang Pischinger, Armin Burger (until 26 March 2014), Herbert Skoff (from 26 March 2014).

Nomination Committee

The Nomination Committee performs the tasks assigned to it by law. Among other things, the Nomination Committee, except in matters within the competence of the Remuneration Committee, regulates the relations between the Company and the members of the Company's Management Board, submits proposals regarding appointments to (soon to be vacated) Management Board positions and is generally charged with addressing succession planning issues. Subsequently, the full Supervisory Board takes a joint decision on these proposals.

In November 2013, the Nomination Committee in compliance with the statutory provisions applicable as from 1 January 2014, by means of a resolution by circular, among other things worked out task descriptions and applicant profiles for Management Board and Supervisory Board members to be newly appointed, defined a target quota for the underrepresented sex in the Management Board and the Supervisory Board and developed strategies for attaining this target quota.

Basing its assessment of the three new members of the Supervisory Board on these job profiles, the Nomination Committee in its meeting of 25 March 2014 deemed the candidates excellently qualified for their tasks in the Supervisory Board of Oberbank. Since the three new Supervisory Board members are of the underrepresented sex, their appointment also contributed to exceeding the target ratio of 25% and reaching a ratio of one third of representatives.

Members of the Committee: Hermann Bell (Chairman, until 13 May 2014), Ludwig Andorfer (Chairman, from 13 May 2014), Heimo Penker (until 13 May 2014), Herta Stockbauer (from 13 May 2014).

Remuneration Committee

The Remuneration Committee performs the tasks assigned to it by law. In this function, the Remuneration Committee of Oberbank, apart from defining the basic parameters of the Bank's remuneration policy and performing a proportionality analysis documented in writing with respect to the Members of the Management Board who, in application of the proportionality principles laid down in Section 39b of the Austrian Banking Act (BWG) and the appertaining Annex, are recognised as falling under the remuneration policy provisions laid down in Section 39b of the Austrian Banking Act (BWG), also determined the parameters regarding the amounts of variable remunerations and the mechanism for monitoring such disbursements.

In compliance with the pertinent legal provisions, the Remuneration Committee annually examines the practical implementation of the remuneration policy approved by the Committee and reports on the result to the full Supervisory Board at its next meeting.

In November 2013 the Remuneration Committee adjusted the proportionality assessment process in compliance with the statutory regulations applicable from 1 January 2014.

At its meeting of 25 March 2014, the Remuneration Committee also adopted a new policy for the identification of risk buyers, on the basis of which the group of persons encompassed by the remuneration guidelines is determined annually.

Members of the Committee:

Hermann Bell (Chairman, until 13 May 2014), Ludwig Andorfer (Chairman, from 13 May 2014), Heimo Penker (until 13 May 2014), Herta Stockbauer (from 13 May 2014) Herbert Walterskirchen, Wolfgang Pischinger (from 1 January 2014).

Remuneration of the Supervisory Board

The members of the Supervisory Board, besides the compensation of cash expenses incurred in connection with their function, are entitled to a fee of EUR 120 per meeting and annual emoluments. The amount of these emoluments was approved by the Annual General Meeting 2014 for the financial year 2014 and subsequent years until further notice as follows: EUR 21,000 for the Chairman, EUR 17,000 for each of his deputies and EUR 15,000 for the other board members.

The Annual General Meeting on 8 May 2012 resolved to disburse annual emoluments to the members of the committees in remuneration of the work rendered effective from the financial year 2012 onwards. The Annual General Meeting set the annual emoluments per committee member at EUR 4,000 for the members of the Audit Committee and the Risk and Credit Committee, EUR 2,000 for the members of the Working Committee and EUR 1,000 for the members of the Nomination Committee and the Remuneration Committee.

The emoluments are payable once the Annual General Meeting has ratified the committee members' actions in the respective business year.

Remuneration in € for the financial year 2014	Supervisory Board	Committee	Meeting fee	Total
Hermann Bell	7,595	4,340	120	12,055
Ludwig Andorfer	18,830	7,660	360	26,850
Heimo Penker	6,148	4,340	120	10,608
Peter Gaugg	17,000	10,000	480	27,480
Herta Stockbauer	10,852	7,660	360	18,872
Wolfgang Eder	15,000		360	15,360
Waldemar Jud	15,000	4,000	480	19,480
Christoph Leitl	5,425		0	5,425
Peter Mitterbauer	15,000		360	15,360
Helga Rabl-Stadler	15,000		360	15,360
Karl Samstag	15,000		360	15,360
Peter Thirring	15,000		360	15,360
Herbert Walterskirchen	15,000	7,000	480	22,480
Norbert Zimmermann	5,425		120	5,545
Barbara Leitl-Staudinger	9,575		360	9,935
Barbara Steger	9,575		360	9,935

The staff members delegated to the Supervisory Board by the Staff Council are not entitled to either a fixed annual emolument or fees per meeting.

Criteria for the assessment of the independence of a member of the Supervisory Board

In compliance with Rule C 53 of the Austrian Code of Corporate Governance (ÖCGK), the Supervisory Board defined guideline criteria to ensure its members' independence in conformity with the provisions of the Code; these guidelines can be viewed at *www.oberbank.at*:

A Supervisory Board member shall be considered independent if he or she has not served as a member of the Management Board or as a member of the management-level staff of the Company or one of its subsidiaries in the past three years.
A previous Management Board membership shall not be deemed to qualify a person as not independent in particular if, subject to the provision that all circumstances within the meaning of Article 87(2) of the Stock Exchange Act (AktG) apply, there is no doubt as to the independent exercise of the mandate.

The Supervisory Board member shall not maintain or have maintained, in the past year, any business relations with the Company or one of its subsidiaries to an extent of significance for such member of the Supervisory Board. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest. The approval of individual business transactions by the Supervisory Board in accordance with L Rule 48 shall not automatically qualify a person as not independent. The conclusion or existence of agreements with the Company that are customary in banking shall not be deemed to prejudice the Supervisory Board member's independence.

The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the auditing company or worked there as an employee in the past three years.

The Supervisory Board member shall not be a member of the management board of another company in which a member of the Management Board of the Company is a supervisory board member unless the two companies are part of the same group or are associated with one another through a shareholding.

The Supervisory Board member shall not be closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) with a member of the Management Board or with persons who hold one of the positions described in the foregoing items.

All members of the Supervisory Board of Oberbank elected by the Annual General Meeting have issued individual declarations of independence in accordance with these regulations. Furthermore, with the exception of Heimo Penker (BKS Bank AG), Herta Stockbauer (BKS Bank AG), Peter Gaugg (Bank für Tirol und Vorarlberg AG), Karl Samstag and Waldemar Jud, all members elected by the Annual General Meeting are members that are neither shareholders with a stake of more than 10% nor representatives of such shareholders.

Outside the scope of its ordinary banking activities, Oberbank has no business relationships with subsidiaries or individuals (including Supervisory Board members) that could jeopardise the Bank's independence.

Measures aimed at promoting women (Section 243b [2] no. 2 of the Austrian Commercial Code [UGB])

As at 31 December 2014, Oberbank (including Leasing) employed a total of 80 women in executive positions; this corresponds to 20.2% of all executive positions (2013: 73 women or 20.2%). In 2010 Oberbank launched the project "Future Women 2020", which serves the objective of doubling the number of women in executive positions in the Company by 2020. The project involves targeted staff development measures to enhance women's careers, maternity leave planning and management and flexible working time and work organisation models to ease women's return to work after maternity leave.

Within the framework of this project, Oberbank also applied for certification as a family-friendly employer. Following examination by a certified expert on 14 April 2011, the Federal Ministry of Economic Affairs, Family and Youth, for three years effective from 5 June 2011, awarded Oberbank the “berufundfamilie” Basic Certificate for its efforts to help male and female employees reconcile work and family life. Following an external evaluation by TÜV SÜD Landesgesellschaft Österreich GmbH, Oberbank was awarded this government certificate for three further years in 2014.

The implementation of further measures will now be evaluated annually by external experts. This initiative is intended to pave the way for a greater number of women to acquire management qualification at Oberbank and thus qualify for appointment to Management Board functions.

Oberbank lifted the proportion of female members of the Supervisory Board from previously 7% (shareholder representatives) and 14% (staff representatives) to 33% each. The Bank thus more than fulfils the planned ratio of 25%.

Linz, 4 March 2015
The Management Board

CEO and Chairman	Director	Director
Franz Gasselsberger	Josef Weissl	Florian Hagenauer
Remit	Remit	Remit
Corporate and Business Banking	Personal Banking	Overall Banking Risk Management

Shares and shareholder structure

The business policy of Oberbank and its corporate goals are designed to secure sustainable success in the long term and are clearly communicated to the public.

Oberbank's top priority is to safeguard its independence. This is achieved by securing high earnings strength, a sound risk policy and partnership-based relations with the other independent regional banks, namely BKS Bank AG and Bank für Tirol und Vorarlberg (BTV) AG, as well as by having shareholders committed to preserving the independence of Oberbank.

No single shareholder of Oberbank AG is in a position to assume direct or indirect control. A syndicate agreement between BKS, BTV and Wüstenrot Genossenschaft specifically aims at ensuring Oberbank's independence. Another stabilising element in the shareholder structure of Oberbank is the fact that some of the shares are held by the staff, the attached voting rights having been assigned to a collective syndicate called Oberbank Mitarbeitergenossenschaft. The commitment of both management and staff to Oberbank is a further stabilising factor, as are its long-standing alliances with dependable partners such as Wüstenrot or Generali.

A choice for investors: ordinary and/or preference shares

Investors have a choice between Oberbank ordinary shares and Oberbank preference shares. The preference share does not give the holder any type of voting right, but instead guarantees a 6% minimum dividend on the pro-rata share of the registered share capital (of EUR 9 million), payable, if necessary, in a later period. While the declared dividend has lately been the same for both classes of shares, the preference share, owing to the lack of voting rights, has been quoting with a discount against the ordinary share, thus attaining a higher dividend yield.

Ordinary share at all-time high in 2014

The Oberbank ordinary share climbed to an all-time high of EUR 50.35 on 22 December 2014. The Oberbank preference share reached its high of EUR 38.11 on 4 February 2014.

The overall annual share performance (price movement and dividend) came to a gain of +4.86% for the ordinary share and +1.51% for the preference share. The market capitalisation of Oberbank AG amounted to EUR 1,411.6 million at the end of 2014, as compared to EUR 1,363.7 million at the end of 2013.

Oberbank shares, key figures	**2014**	**2013**	**2012**
Number of ordinary no-par shares	25,783,125	25,783,125	25,783,125
Number of no-par preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	50.35/38.11	48.50/38.70	48.10/39.75
Low (ordinary/preference share) in €	48.45/37.00	47.60/37.50	47.00/38.10
Close (ordinary/preference share) in €	50.35/37.81	48.50/37.75	48.00/38.60
Market capitalisation in €m	1,411.6	1,363.7	1,353.4
IFRS earnings per share in €	4.75	4.26	3.87
Dividend per share in €	0.55	0.50	0.50
P/E ratio (ordinary share)	10.6	11.4	12.4
P/E ratio (preference share)	8.0	8.9	10.0

The Oberbank ordinary share has been listed on the Vienna Stock Exchange since 1 July 1986 and has maintained a conspicuously steady value appreciation ever since: Shareholders who acquired the Oberbank share in 1986 and participated in all capital increases achieved an average annual yield of 8.35% gross of withholding tax and taking into account dividend distributions.

Attractive valuation, constant dividend

Earnings per Oberbank share increased from EUR 4.26 to EUR 4.75 year on year. Based on the shares' closing price in 2014, the price-earnings ratio (PER) for the ordinary share was 10.6 for the preference share 8.0. At the 135th Annual General Meeting held on 19 May 2015, the Board will recommend that shareholders be paid a dividend of EUR 0.55 per qualifying share, which corresponds to an increase of five cents year on year.

Oberbank shareholder structure at 31/12/2014	Ordinaries	Total
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	18.51%	17.00%
BKS Bank AG, Klagenfurt	18.51%	16.95%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	5.13%	4.62%
Generali 3 Banken Holding AG, Wien	2.21%	1.98%
Staff shares	3.82%	3.53%
CABO Beteiligungsgesellschaft m. b. H., Wien	32.54%	29.15%
Free float	19.28%	26.27%

See also page 158.

Oberbank's share capital is divided into 25,783,125 ordinary no-par bearer shares and 3,000,000 non-voting no-par preference shares. The biggest single shareholder of Oberbank is CABO Beteiligungsgesellschaft m.b.H., a wholly owned subsidiary of UniCredit Bank Austria. The free float of about 19% of the Oberbank ordinary share capital (26.8% if preference shares are included) is held by corporates, institutional investors and private shareholders.

Investor relations and communication

Oberbank informs shareholders in detail about its financial position and earnings performance in its quarterly and annual reports. The website www.oberbank.at also provides a continuous flow of information. The invitations to the Annual General Meeting encourage shareholders to seek direct contact with the members of the Management Board and the Supervisory Board.

Potentially price-relevant events are disclosed in ad-hoc communications. In the financial year 2014, Oberbank published one such disclosure.

Investor relations – contact

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frank.helmkamp@oberbank.at
www.oberbank.at

2015 financial calendar	
Publication of the Annual Financial Statements in Wiener Zeitung	26 March 2015
Record date in respect of Oberbank shares	9 May 2015
Annual General Meeting	19 May 2015
Ex-dividend date	22 May 2015
Dividend payment date	27 May 2015
Publication of quarterly results	
1st quarter	22 May 2015
1st half	21 Aug. 2015
1st – 3rd quarter	27 Nov. 2015

Information regarding the 134th Annual General Meeting on 13 May 2014 / resolutions passed

Agenda item 2: Resolution on the appropriation of the net profit for the financial year 2013
YES: 22,611,478 votes; NO: 0 votes; ABSTENTIONS: 0 votes.

Agenda item 3: Discharge of the Management Board and the Supervisory Board
Discharge of the Management Board: YES: 22,602,758 votes; NO: 0 votes; ABSTENTIONS: 0 votes.
Discharge of the Supervisory Board: YES: 22,583,836 votes; NO: 0 votes; ABSTENTIONS: 0 votes.

Agenda item 4: Supervisory Board elections
Reduction of the Supervisory Board: YES: 22,611,997 votes; NO: 0 votes; ABSTENTIONS: 0 votes.
Election Herta Stockbauer: YES: 22,611,997 votes; NO: 0 votes; ABSTENTIONS: 0 votes.
Election Barbara Steger: YES: 22,611,887 votes; NO: 0 votes; ABSTENTIONS: 110 votes.
Barbara Leitl-Staudinger: YES: 22,611,473 votes; NO: 357 votes; ABSTENTIONS: 167 votes.

Agenda item 5: Resolution regarding the determination of the remuneration for the members of the Supervisory Board for the financial year 2014 and subsequent years.
YES: 22,610,945 votes; NO: 273 votes; ABSTENTIONS: 1,129 votes.

Agenda item 6: Appointment of the bank auditor for the financial year 2015
YES: 22,612,347 votes; NO: 0 votes; ABSTENTIONS: 0 votes.

Agenda item 7: Resolution regarding the revocation of the authorisation passed by the 132nd Annual General Meeting on 8 May 2012 for the repurchase of own shares pursuant to Article 65 (1) number 4 Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase, within a period of 30 months from the date of the resolution taken by the 134th Annual General Meeting and to the extent of up to 5% of the share capital, own shares to be offered to the staff, top executives and members of the Management Board or the Supervisory Board of the Company or an associated company pursuant to Article 65 (1) number 4 Austrian Joint Stock Companies Act.
YES: 22,612,347 votes; NO: 0 votes; ABSTENTIONS: 0 votes.

Agenda item 8: Resolution regarding the revocation of the authorisation passed by the 132nd Annual General Meeting on 8 May 2012 for the repurchase of own shares pursuant to Article 65 (1) number 7 Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase, to the extent of up to 5% of the share capital and within a period of 30 months from the date of the resolution taken by the 134th Annual General Meeting, own shares for securities trading purposes pursuant to Article 65 (1) number 7 Austrian Joint Stock Companies Act.
YES: 22,612,347 votes; NO: 0 votes; ABSTENTIONS: 0 votes.

Agenda item 9: Resolution regarding the revocation of the authorisation passed by the 132nd Annual General Meeting on 8 May 2012 for the repurchase of own shares pursuant to Article 65 (1) number 8 of the Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase own shares to the extent of up to 10% of the share capital pursuant to Article 65 (1) number 8 Austrian Joint Stock Companies Act and buy said shares back without specified purpose within a period of 30 months from the date of the resolution taken by the 134th Annual General Meeting.
YES: 22,612,312 votes; NO: 0 votes; ABSTENTIONS 0 votes.

Agenda item 10: Resolution regarding the amendment of the Standing Orders in Article 19 and Article 25.
YES: 22,612,312 votes; NO: 0 votes; ABSTENTIONS: 0 votes.

Directors' Dealings

The Management Board and the Supervisory Board of Oberbank are required to notify the Austrian Financial Market Authority (FMA) of all transactions involving equities and equity instruments of Oberbank AG and to publish the pertinent information.
In the financial year 2014, four such notifications were filed and, in accordance with Article 48 d (4) of the Stock Exchange Act, published by the FMA on its website *www.fma.gv.at*.

Compliance

Compliance monitoring in accordance with the Standard Compliance Code of the Austrian Banking Industry, the Austrian Securities Supervision Act (WAG 2007) and the provisions of the Issuers Compliance Ordinance (ECV) was performed as required also in 2014. Benefitting from automated processes, the Compliance Office carried out regular checks of financial transactions in 2014. The pertinent reports on compliance activities were forwarded to the management. Moreover, the Bank organised employee training sessions, in particular for staff involved in the settlement of securities transactions.
In the autumn of 2014, special road shows addressed to all staff members of central departments were organised on this topic.

Money laundering

Anti-money-laundering measures were once again a particular concern of Oberbank in the financial year 2014. System-supported monitoring designed to detect potentially suspicious transactions, embargo checks and the thorough examination of new business relationships with politically exposed persons were performed in line with legal requirements. In special training courses on money laundering and terrorist financing, employees were trained to enable them to detect potentially suspicious transactions or business contacts at an early stage. Any doubtful activities were reported to the competent anti-money-laundering authorities. Monthly reports focusing on the Bank's anti-money laundering activities served to keep the management up to date on matters related to this issue. In the autumn of 2014, special road shows addressed to staff members of central departments were organised on this topic.

A Brief Historical Summary

The foundation and the first few decades

At a meeting convened in Linz on 13 April 1869, the participants resolved to establish a “joint stock company in partnership with its consorts”. The company to be established was to be designated “Bank für Ober-Oesterreich und Salzburg” and have its head office in Linz. The new bank was to be officially founded on 1 July 1869. The Federal Province of Upper Austria became a shareholder of Oberbank in 1920, followed by Bayerische Vereinsbank in 1921. In 1929, Creditanstalt für Handel und Gewerbe (CA) became the majority owner of Oberbank.

Oberbank in the aftermath of World War II

In 1945 Oberbank, besides its Linz head office and the Salzburg principal branch, consisted of eleven branch offices. As early as 1946, the Austrian National Bank granted Oberbank a foreign currency trading licence; in 1949 the Bank was appointed ERP Bank under the Marshall Plan. Starting in 1955, a pronounced upward turn marked the Bank’s development as it adopted the business model of a universal bank. The Bank gained personal banking customers, expanded its business by taking in deposits from private individuals and extending loans to this customer group, and thus laid the foundation for gaining an equally strong foothold in corporate and personal banking.

The 3 Banken Group

After World War II, Creditanstalt, which held majority stakes in the three regional banks Oberbank, Bank für Kärnten AG (today BKS Bank AG) and Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV), divided its shares into three lots, retained one third of each lot itself and sold off a stake of one third in each of the banks to the respective other two regional banks.

The originally capital-based links between Oberbank, BKS and BTV developed into a close, partnership-based cooperation that continues today, evidenced by a joint marketing approach under the banner of the 3 Banken Group. The three banks cooperate closely wherever there is synergy potential to be utilised, and their jointly held subsidiaries such as DREI-BANKEN-EDV Gesellschaft, Drei-Banken Versicherungs-Aktiengesellschaft und 3 Banken-Generali Investment-Gesellschaft all boast a particularly successful track record. In the jointly owned large-loan guarantee company ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT (ALGAR) the three banks hedge their large exposure risk. This cooperation in no way interferes with the three banks’ market presences as autonomous banking institutions.

Listing on the Vienna Stock Exchange

By going public on 1 July 1986, Oberbank and its sister banks paved the way for the three banks to lastingly distance themselves from the influence of CA and continue with an independent strategy. Today, Oberbank’s shareholder structure includes, besides its two sister banks, UniCredit Bank Austria, Wüstenrot, Generali and the Oberbank employees; the free float accounts for roughly 19% of ordinary shares.

Oberbank today: “A regional bank at the heart of Europe”

The freedom of establishment of banks introduced in the 1970s allowed Oberbank to extend its catchment area beyond its original heartlands of Upper Austria and Salzburg. Oberbank has been represented with separate branches in Lower Austria since 1985, in Vienna since 1988, in Bavaria since 1990, in the Czech Republic since 2004, in Hungary since 2007 and in Slovakia since 2009.

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Oberbank's Investment Portfolio

Oberbank only makes long-term investments in other companies if these investments serve to safeguard the survival of headquarters and locations of local enterprises or help enable the Bank to live up to its role of principal local banker, or if the activities of a potential joint venture partner are complimentary to the Bank's core banking business (e.g. real estate or investment fund companies).
A complete list of Oberbank's investments is provided on pages 136 to 139 of this Annual Report.

The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV. Details regarding the shareholder structure of the three banks and their key figures are provided on pages 158 to 159 of this Annual Report. Oberbank also holds stakes in other companies with which the Bank closely cooperates in day-to-day business, among them Bausparkasse Wüstenrot, Oesterreichische Kontrollbank AG or CEESEG AG (the parent company of Wiener Börse AG).

As a strategic partner, Oberbank holds, among others, an equity interest in the steelmaker voestalpine AG (7.75%), the Upper Austrian energy provider Energie AG (4.13%), the pulp, paper and textile manufacturer Lenzing AG (5.22%), the spinning and weaving company LINZ TEXTIL HOLDING AKTIEN-GESELLSCHAFT (6.22%) and the lift operator Gasteiner Bergbahnen AG (32.62%).
In October 2014, Oberbank sold the major part of its equity interest in the aluminium products producer AMAG (originally 5.01%) to B&C Industrieholding GmbH, thus reducing the Bank's interest in the company to roughly 0.1%.
With the sale of the shares Oberbank contributed to securing a stable long-term decision-making and shareholder structure for AMAG. In B&C, which now holds the majority of the capital, AMAG has a reliable majority shareholder with a long-term focus. Oberbank remains connected with AMAG through a syndication agreement with B&C.

The Oberbank Opportunity Fonds creates the basis for Oberbank to act as a private equity finance partner.

In real estate business, Oberbank holds equity interests in companies set up for the construction or management of Oberbank-owned real estate, as well as in selected residential developers that feature as potentially important partners in residential construction finance issues.

Oberbank's leasing sub-group bundles the Bank's Austrian and foreign leasing companies and also includes companies established for the purpose of financing individual customer projects or Oberbank projects.

Other investments include stakes in companies whose activities lie outside the core business of Oberbank and which either provide bank-related services (DREI-BANKEN-EDV Gesellschaft and Einlagensicherung der Banken und Bankiers GmbH, the deposit protection company of the Austrian commercial banks) or have specific regional significance in the catchment area of Oberbank (various technology or business incubation centres).

Values like reliability, stability and solidity have always formed the bedrock of all banking business. Guided by these basic values, Oberbank formulated eight strategic goals: these constitute the framework for the Bank's exceptionally successful business policy that has proved its worth over the years.

Priority goal: safeguarding the independence and autonomy of Oberbank

It is, first and foremost, Oberbank's focus on this goal that ensures that all the Bank's activities will always serve the interests of its customers, shareholders and employees in a well-balanced manner.

High quality of advisory services

The Bank's business strategy defines business customers – primarily industrial and medium-sized companies – and personal banking customers as equally important pillars. In corporate and business banking, Oberbank has established itself as a highly competent partner in cross-border business, a key player with special know-how in the field of investment finance and as a supplier of alternative forms of financing such as equity and mezzanine capital finance. In personal banking, Oberbank excels with high quality and expertise in providing financial services that require a substantial amount of advisory support; the same applies with regard to private banking and asset management as well as residential construction finance.

Organic growth

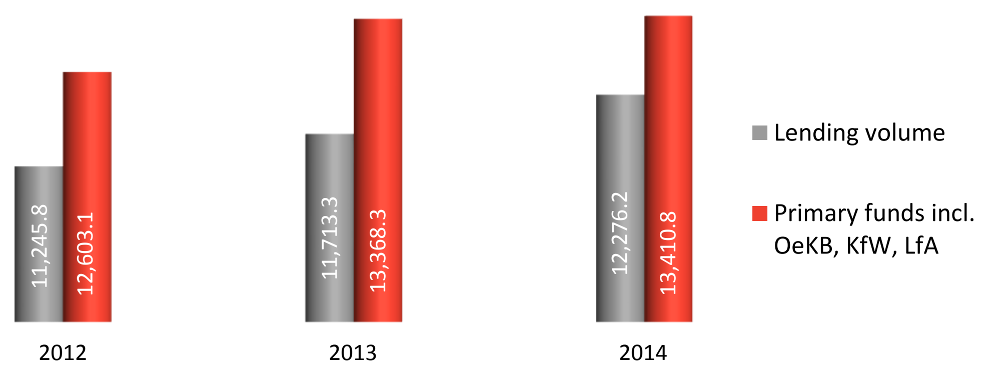
Oberbank's growth course is based on organic growth, that is, through expanding its network of branches. The objective of this expansion policy is to enable the Bank to accompany existing customers into new markets and to participate in the high growth potential of such markets by acquiring new customers there.
At the end of 2014, Oberbank operated a total of 156 branch offices. In Upper Austria and Salzburg Oberbank had 51 and 16 locations, in Lower Austria and Vienna 31 and in Bavaria, the Czech Republic, Hungary and Slovakia a total of 58.

Risk Management

Oberbank only takes on risks it can handle on the strength of its own resources. Key objectives are to maintain corporate risk stable at a low level as well as to hold the risk/earnings ratio below 25% in the long term while keeping the impairment allowance ratio below 0.7%.

Safeguarding long-term liquidity

Lending volume and primary funds in €m



Oberbank has traditionally tried to ensure that the Bank's entire lending volume can be refinanced from primary deposits by customers and other long-term refinancing resources. Furthermore, Oberbank holds extensive liquidity reserves in the form of securities and eligible loan assets. What is more, the Bank has access to open refinancing lines at a large number of other banks and institutional investors.

No proprietary trading detached from customer business

Oberbank does not conduct any noteworthy proprietary trading that is not related to customer business. The work focus of the Global Financial Markets department is on services in the field of interest rate and currency risk management for customers and on activities for the Bank's Asset/Liability and Liquidity Management department.

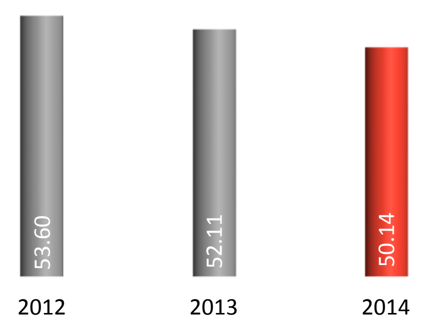
Staff development

Oberbank consistently endeavours to enhance the professional expertise and social competence of its staff through systematic and needs-oriented further training of its staff members. The management by objectives (MbO) approach and predefined standards of performance provide clear orientation for management and employees and ensure regular targeted feedback.

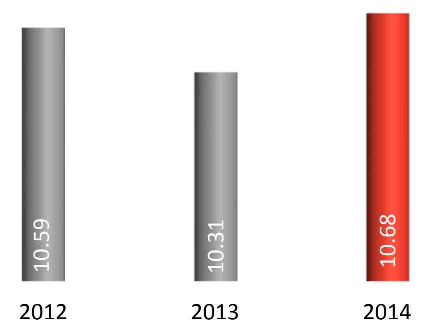
Lean processes

Business processes are efficiently designed and company structures are kept lean. Rationalisation projects and a shifting of resources from administrative processes to customer activities contribute to creating the basis for a solid earnings trend and constantly good profitability ratios.

Cost/income ratio in%



Return on equity in%



"Strategy 2020"

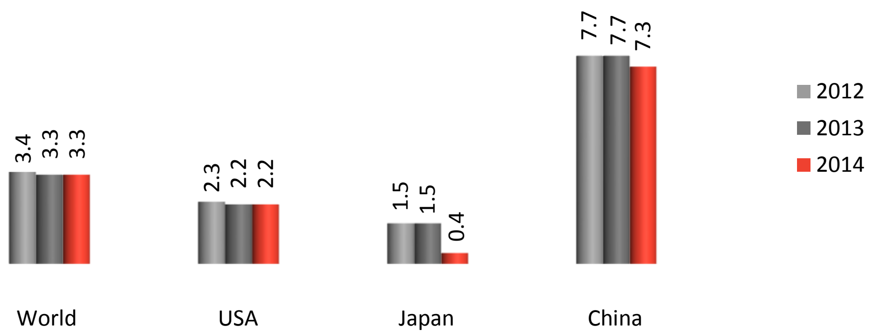
In the autumn of 2014, Oberbank launched the "Strategy 2020" project with the objective of equipping the Company for future challenges. In a first step, Oberbank plans to define, by mid-2015, the "guideline parameters" within which the Company will be moving in the next few years.

The strategy and the business model of Oberbank have proved to be highly crisis-resistant, even in the difficult environment of the past few years. As a result, Oberbank – quite in contrast to many other banks – is not confronted with the need for a fundamental reorientation. Hence the new strategy will not trigger a revolution, but rather carry ahead an evolutionary process designed to secure the continuation of Oberbank's exceptionally successful development going forward.

The world economy posted 3.3% growth

Developments in Europe were largely responsible for the fact that world economic growth came to a mere 3.3% in 2014: factoring out the sluggish European economy, global growth would have been more than 4%.
Posting 2.2% overall growth, US economic growth widened at the same rate as in 2013, but growth accelerated perceptibly as the year progressed. The US economy thus appears to be back on a stable growth trajectory.
In the absence of impulses from monetary and fiscal policy measures, which had driven growth in previous years, the Japanese economy all but stagnated (+0.4%).
China's GDP increased by 7.3%; this figure marks a slowdown as compared with previous years.

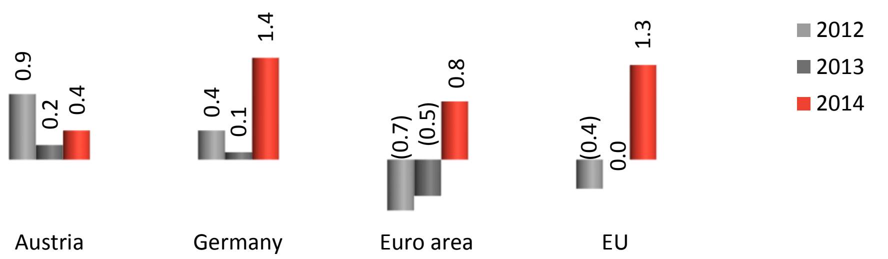
GDP growth in %



With 1.3% growth in the European Union, the euro area was only slightly above stagnation level.

Widening by 0.8% in 2014, economic growth in the euro area remained sluggish, despite a slight acceleration. Widening by 1.3%, the European Union as a whole posted a somewhat more positive growth rate, which was due to the comparatively better developments in Central and Eastern European member states.
Germany was a positive exception with 1.4% GDP growth in 2014 (2013: +0.1%).

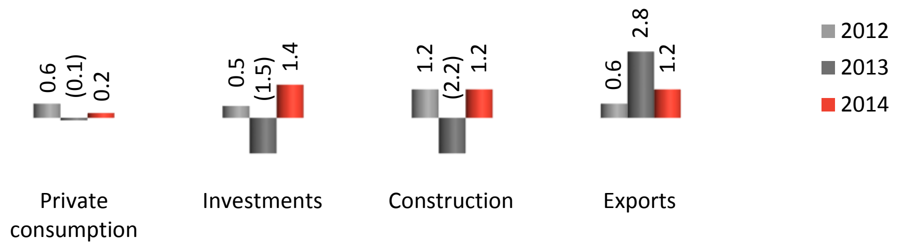
GDP growth in %



Austria's economy posted 0.4% growth in 2014.

A remarkable feature was that exports, which had been the driver of growth for quite a number of years, grew at a lower rate than the economy in general. Private consumption continued to be very weak, while investments picked up slightly again after declining in 2013.

Breakdown of demand in Austria, year-on-year change in %



Interest rates remained at record low.

The US central bank (Fed) kept the target rate for the federal funds rate unchanged within a bandwidth of 0.00% to 0.25%. The ECB changed the main lending rate twice, reducing it from 0.15% to 0.05% with its latest step on 4 September 2014.

Money market and capital market rates also hovered around particularly low levels in 2014. The 3-month Euribor declined to an annual average of 0.21%, the 3-month USD Libor was at an annual average of 0.23% in 2014. The 10-year euro swap rate averaged 1.46% in 2014, while that for the USD was at 2.63%.

Exchange rate developments in 2014

With an average EUR/USD exchange rate of 1.33, the euro’s average exchange rate against the dollar remained at the previous year’s level. In the course of the year, however, the euro declined from 1.36 (average rate in January 2014) to 1.23 (average rate in December 2014). The main reasons for this development were the more robust economic development in the United States and, notably in the fourth quarter, medium-term prospects for a hike in US interest rates.

The EUR/CHF exchange rate moved between 1.20 and 1.23, thus remaining within the target bandwidth set by the Swiss national bank.

Mixed developments on international stock markets

In 2014, stock market indices showed substantial growth, particularly in the United States. Key performance drivers were the economic upswing and the perceptible reindustrialization trend in the US economy.

The strength of the US economy benefited the strongly export-oriented Japanese economy, as it also contributed to a pronounced increase in the Topix in 2014. Held in check by the sluggish economy in the euro area, Europe’s leading benchmark index, by contrast, showed no more than a slight uptick.

The ATX, the Austrian benchmark index, performed poorly, losing 15% in 2014. This was mainly due to the ATX’s overweight of banks and utilities, two sectors that featured in the group of losers among the European stock markets in the past financial year.

Index	31/12/2013	31/12/2014	Development in 2014
Dow Jones (USA)	16,577	17,823	7.5%
S&P 500 (USA)	1,848	2,059	11.4%
Euro Stoxx 50 (Europe)	3,109	3,146	1.2%
Topix (Japan)	1,302	1,408	8.1%
DAX (Germany)	9,552	9,806	2.7%
ATX (Austria)	2,547	2,160	(15.2%)

General Accounting Policies

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRSs). Pursuant to Section 59a of the Austrian Banking Act (BWG) and Section 245a of the Austrian Commercial Code (UGB), these Consolidated Financial Statements prepared in accordance with internationally accepted accounting standards replace the consolidated financial statements and group management report prepared in accordance with Austrian law. The Group Management Report was drawn up in accordance with international financial reporting standards.

The Oberbank group of consolidated companies

Besides Oberbank AG, the group of consolidated companies in 2014 included 27 domestic and 22 foreign subsidiaries.

Compared to 31 December 2013, the consolidated group changed as follows:

- Oberbank Sterneckstraße 28 Immobilien-Leasing Gesellschaft m.b.H., Linz was sold.
- Purchase of a further 25% of the shares of Oberbank KB Leasing Gesellschaft m.b.H., Linz.
  Subsequently, 10% of the shares of Oberbank KB Leasing Gesellschaft m.b.H. were sold to "AM" Bau- und Gebäudevermietung Gesellschaft m.b.H.
- Foundation of Oberbank Kfz-Leasing GmbH, Linz.
  Cession of 10% of the shares each to BKS Bank AG and BTV Leasing Gesellschaft m.b.H.
  Change of the company name to 3 Banken Kfz-Leasing GmbH.
- Purchase of 90% of Oberbank Mattigtal Immobilienleasing GmbH.
- Foundation of Oberbank Leasing Bauhaus Pilsen s.r.o.

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was taken into account on a pro-rata basis in the Consolidated Financial Statements.

Besides Drei-Banken Versicherungs-Aktiengesellschaft, BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for under the equity method.

Not included in the scope of consolidation were 25 subsidiaries and 19 associated companies, which, however, have no significant influence on the Group’s assets and its financial and earnings position.

Segmentation

In terms of customer segmentation, the reporting format is broken down into the segments Corporate and Business Banking, Personal Banking, Financial Markets and Other.

In regional terms, the 156 branch offices of Oberbank are spread over the following markets: Austria (98 branches), Germany (25), Czech Republic (21), Hungary (7) and Slovakia (5).

For further details regarding business and earnings developments in the individual customer segments and geographic regions, please refer to the segment reporting section starting on page 49 and the Notes on pages 101 and 135 of this Annual Report.

Oberbank showed an excellent earnings development in the financial year 2014.

The profit for the year before tax widened by 11.2% to EUR 157.6 million. Notwithstanding a year-on-year increase in tax expenses by 9.7%, the net profit widened by as much as 11.5% to EUR 136.5 million.

IFRS consolidated income statement in €m	**2014**	**2013**	**Change.**
Net interest income	372.9	335.6	11.1%
Charges for losses on loans and advances	(78.0)	(70.6)	10.5%
Net commission income	119.3	114.6	4.1%
Net trading income	5.3	5.1	2.5%
Administrative expenses	(236.9)	(231.0)	2.6%
Other operating result	(25.0)	(12.1)	>100%
Profit for the year before tax	**157.6**	**141.7**	**11.2%**
Income taxes	(21.1)	(19.3)	9.7%
Profit for the year after tax	**136.5**	**122.4**	**11.5%**
of which attributable to equity holders of the parent	136.6	122.4	**11.6%**
of which attributable to minority interests	(0.1)	0.0	>

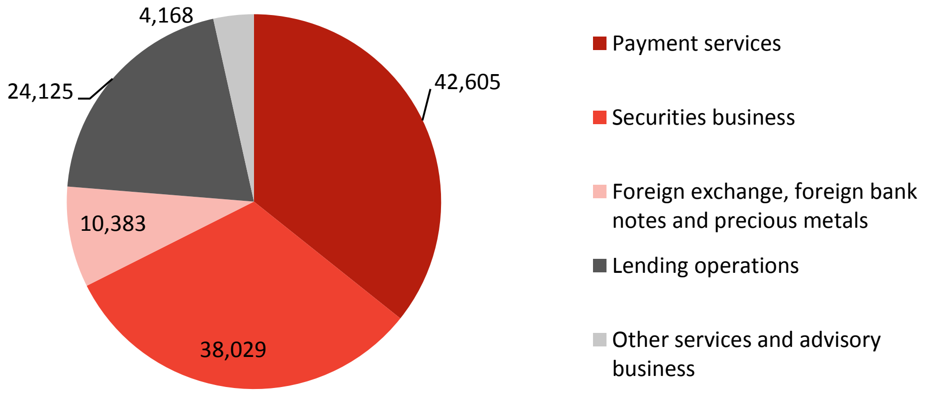
Net interest income increased by 11.1% to EUR 372.9 million.

This development was due to a 9.4% rise in profit from credit operations to EUR 313.9 million and an increase of 21.0% in the contribution attributable to earnings from equity investments to EUR 59.0 million.

Adequate provisions were set up for all discernible risks.

Besides specific valuation allowances, a general allowance for impairment of the portfolio in accordance with IAS 39 was also recognised. Taking into account write-offs of receivables, the Group's net charges for losses on loans and advances came to EUR 78.0 million in 2014, after EUR 70.6 million in the previous year; this resulted in an increase of the Bank's impairment allowance ratio from 0.60% to 0.64%.

Structure of net commission income in EUR thousands



Net commission income increased by 4.1% to EUR 119.3 million in 2014.

Commission income from payment services rose by 2.9% to EUR 42.6 million, that from the securities business by 5.6% to EUR 38.0 million. Commission income from lending operations also posted sturdy growth of 5.6% to EUR 24.1 million, while income from foreign exchange and foreign notes and coins business declined by 1.6% to EUR 10.4 million.

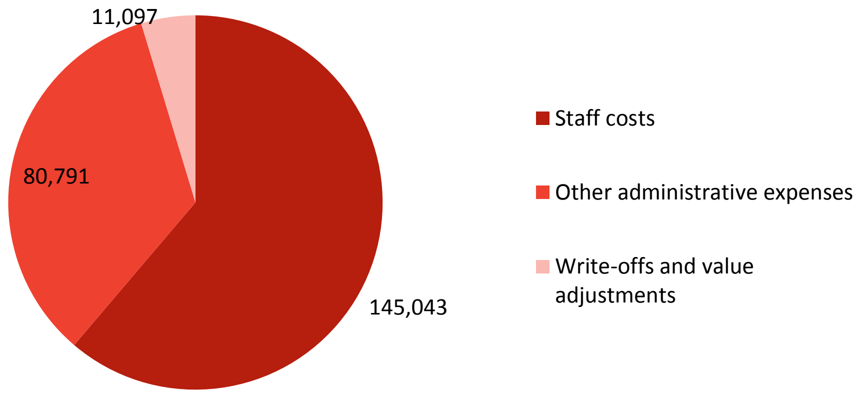
Net trading income

The net trading income comprises earnings from securities and derivatives in the trading book as well as earnings from dealings in foreign exchange, foreign bank notes and precious metals. At EUR 5.3 million in 2014, net trading income was 2.5% higher than in the previous year.

Administrative expenses

Administrative expenses increased by 2.6% to EUR 236.9 million year on year in 2014.
Staff costs rose by 3.4% to EUR 145.0 million; other administrative costs widened by 2.1% to EUR 80.8 million. At EUR 11.1 million, depreciation declined by 3.8% year on year.
The Bank's cost/income ratio of 50.1% in 2014 continued to outperform the entire Austrian banking industry by a notable margin.

Structure of administrative expenses in EUR thousands



Excellent development of profit before and after taxes

At EUR 157.6 million, the profit for the year before tax and after charges for losses on loans and advances increased by 11.2% year on year in 2014.
Income taxes amounted to EUR 21.1 million, which corresponds to an increase of 9.7% year on year.
On balance, the consolidated net profit for the year came to EUR 136.5 million in 2014, which is 11.5% above the previous year's level.
After EUR 134,000 in minority interests, the Oberbank Group showed a consolidated net profit for the year of EUR 136.6 million (+11.6%).
The total number of shares issued by Oberbank AG came to 28,783,125 as at the balance sheet date. Earnings per share amounted to EUR 4.75 in 2014, after EUR 4.26 one year earlier.

Proposed appropriation of profit

Distributable profit is determined on the basis of the Annual Financial Statements of the Group parent, Oberbank AG.
At the level of Oberbank AG, the net profit for 2014 totalled EUR 94.2 million. After a net allocation of EUR 78.5 million to reserves and adding a profit carried forward of EUR 0.3 million, the distributable net profit amounted to EUR 16.0 million.
Subject to approval by the Annual General Meeting, the Company will distribute a dividend of EUR 0.55 per eligible share on the share capital of EUR 86.3 million.

Given a total of 28,783,125 shares, the distribution will amount to EUR 15,830,718.75. The Management Board will propose to carry forward to new account the remainder of EUR 134,985.05.

Analysis of key performance indicators

The return on equity (ROE) before tax increased – owing to the excellent earnings development of Oberbank – to 10.68% from 10.31% one year earlier, whereas the ROE after tax improved from 8.91% to 9.25%.
Widening from EUR 4.26 in 2013 to EUR 4.75 in 2014, IFRS earnings per share increased substantially.
At 50.14%, Oberbank's cost/income ratio continued to be excellent in 2014. The risk/earnings ratio improved slightly, namely from 21.05% to 20.92% notwithstanding continued high allocations to impairment provisions.

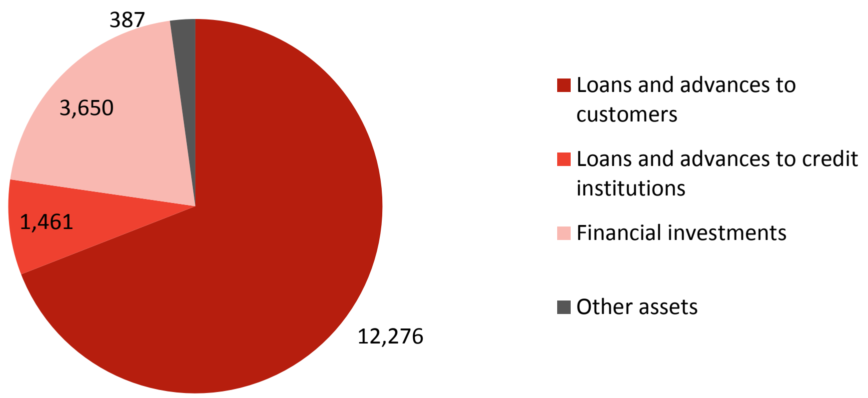
Key performance indicators, IFRS figures	2014	2013
Return on equity before tax	10.68 %	10.31 %
Return on equity after tax	9.25 %	8.91 %
IFRS earnings per share in €	4.75	4.26
Cost/income ratio	50.14 %	52.11 %
Risk/earnings ratio (credit risk in % of net interest income)	20.92 %	21.05 %

Assets and financial position

Total assets of the Oberbank Group amounted to EUR 17,774.9 million as at the end of 2014 and had thus increased by 1.4% as compared with the previous year's balance sheet date.

Balance sheet assets

Structure of balance sheet assets in €m



Loans and advances to credit institutions declined by 13.7% to EUR 1,461.0 million in 2014.

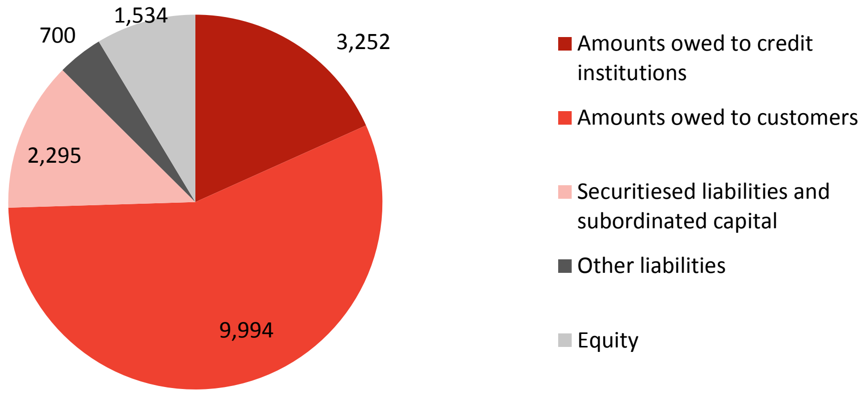
Loans and advances to customers widened by 4.8% to EUR 12,276.2 million.
Loans and advances to domestic customers increased by 3.2% to 7,596.2 million; concurrently, loans and advances to foreign customers posted 7.5% growth to 4,680.1 million.

The increase of impairment provisions by 9.0% to EUR 474.4 million on balance is due to differences between allocations and reversals of specific valuation allowances and portfolio adjustments recognised in accordance with IAS 39.

Financial investments declined by 4.7% to EUR 3,650.4 million year on year. This volume is spread across the different sub-items as follows: EUR 241.2 million in financial assets recognised at fair value; EUR 726.4 million in available-for-sale financial assets; EUR 2,051.5 million in held-to-maturity financial assets and EUR 631.3 million in investments valued at equity.
The remaining assets comprised the line items Cash and balances at central banks, Trading assets, Intangible assets, Property, plant and equipment and Other assets.
Trading assets increased by 45.4% to EUR 56.6 million, intangible assets declined by 21.9% to EUR 1.6 million. Property, plant and equipment increased by 7.9% to EUR 254.6 million year on year. The line item Other assets, which increased by 43.4% to EUR 401.8 million, comprises other asset items such as positive fair values of derivatives in the banking book, down payments on lease contracts as well as lease contracts not yet entered into force, other receivables by leasing companies as well as deferred tax assets and other deferred items.

Balance sheet equity and liabilities

Structure of balance sheet equity and liabilities in €m



At EUR 3,252.4 million, amounts owed to credit institutions remained almost unchanged (+0.4%) in 2014.

At EUR 12,288.6 million, primary funds on balance remained stable (+0.3%) at the previous year's level.
Amounts owed to customers of EUR 9,993.6 million included in this item also remained almost stable (-0.3%) year on year. Curbed by the low level of interest rates and the Austria-wide decline of the savings rate, savings deposits declined by 7.6% to EUR 3,098.5 million, while other liabilities rose by 3.3% to EUR 6,895.1 million.
Securitised liabilities showed a slight decline of 0.8% to EUR 1,580.6 million. At EUR 714.4 million, the balance sheet item Subordinated debt capital posted a substantial year-on-year increase of 13.1% to EUR 714.4 million.

The increase in equity capital by 8.0% to EUR 1,534.1 million is to a large extent due to the Bank's excellent profit situation, which permitted substantial allocations to reserves.

The equity-and-liabilities-side item Other includes provisions for liabilities and charges and other liabilities.
Provisions for liabilities and charges increased by 8.7% to EUR 383.0 million in total. They are mainly made up of provisions for termination and post-employment benefits (EUR 235.9 million) and loan loss provisions (EUR 81.3 million).

Other liabilities increased by 17.7% to EUR 316.8 million. This item comprises the negative fair values of derivatives in the banking book, other short-term provisions, other liabilities of the Leasing sub-group and deferred items.

Funding base in €m	**2014**	**2013**	**Change**
Amounts owed to customers	9,993.6	10,026.0	(0.3 %)
Securitised liabilities	1,580.6	1,592.9	(0.8 %)
Subordinated debt capital	714.4	631.6	13.1%
Primary deposits including subordinated debt capital	**12,288.6**	**12,250.4**	**0.3%**
Amounts owed to credit institutions	3,252.4	3,239.0	0.4%
Total	**15,541.0**	**15,489.4**	**0.3%**

Statement of changes in equity

Equity on the balance sheet in €m	**2014**	**2013**	**Change**
Subscribed capital	85.9	86.0	(0.1%)
Capital reserves	193.6	194.0	(0.2%)
Retained earnings	1,230.7	1,116.1	10.3%
Untaxed reserves	18.7	20.0	(6.6%)
Negative goodwill	1.9	1.9	-
Minority interests	3.2	3.0	9.4%
Equity on the balance sheet	**1,534.1**	**1,421.0**	**8.0%**
Regulatory capital pursuant to Part 2 of Reg.(EU) No 575/2013[1)]	**2014[2)]**	**2013[3)]**	**Change[4)]**
Common equity Tier 1 capital	1,306.9	n. a.	
Core Tier 1 capital	1,385.2	1,320.6	4.9%
Own funds	1,874.4	1,824.8	2.7%
Common equity Tier 1 capital ratio	10.95%	n. a.	
Core Tier 1 capital ratio	11.61%	12.30%	(0.69 ppt)
Total capital ratio	15.70%	17.00%	-

1) Subject to approval by the Supervisory Board on 23 March 2015.
2) From 1 Jan. 2014 application of Regulation (EU) No 575/2013 (Basel III).
3) Until 31 Dec. 2013 calculation according to the provisions of Basel II.
4) The figures are not fully comparable with previous periods.

In 2014, equity on the Consolidated Balance Sheet of the Oberbank Group grew by 8.0% to EUR 1,534.1 million year on year. At EUR 85.9 million, the subscribed share capital remained almost unchanged as compared to the end-of-year level of 2013. The consolidated common equity Tier 1 capital of the Oberbank Group amounted to EUR 1,306.9 million as at 31 December 2014 and thus exceeded the statutory requirement of EUR 477.4 million by EUR 829.5 million or 173.8%. The consolidated Tier 1 capital amounted to EUR 1,385.2 million (after EUR 1,320.6 million in 2013) and thus exceeded the requirement by EUR 728.8 million or 111.0%.

At EUR 1,874.4 million (2013: EUR 1,824.8 million) the surplus of own funds over the applicable own funds requirement amounted to EUR 919.6 million or a rate of 96.3%. Consequently, the common equity Tier 1 capital ratio amounted to 10.95% in 2014, the core Tier 1 capital ratio to 11.61% (2013: 12.30%) and the total capital ratio to 15.70% (2013: 17.00%).

Important events since the end of the 2014 financial year

No important events have occurred since the end of the 2014 financial year.

Solid international economic growth, but huge regional differences

Overall, the world economy is expected to post 3.5% growth in 2015. Basically, this figure creates a solid environment for internationally active businesses. However, growth rates in the different markets will vary substantially.
The US economy is set to attain about 3% growth, while the European Union, widening by little more than 1%, will be lagging behind by a substantial margin.

In Hungary, the Czech Republic and Slovakia, Oberbank's three Eastern European markets, the crisis in Ukraine will be dampening growth, but the growth rates of these economies are still likely to exceed the EU average.
At an estimated 7%, economic growth in China will be substantially higher than in the western industrial nations, though growth is expected to decelerate by comparison to the average of the previous years.
Russia is anticipated to slide into deep recession following the rouble crash and the nose dive in oil prices.

Economic growth in Austria below EU average

In 2015, Austrian GDP growth is expected to decline to below 1% and thus to drop below EU and euro area average for the first time in many years.
This weakness of growth in 2015 will have an impact in all key areas of the economy: growing by a mere +0.4%, consumption will continue on a very low level, corporate sector investments are expected to widen by a mere 1.1% and the anticipated 2.5% growth in exports will not suffice to have any substantial impact on GDP growth.

Inflation is expected to hover around 1.5% and thus remain clearly below the ECB's target rate.
Unemployment is anticipated to rise further to 5.3%, mirroring the lack of a clear economic recovery in Austria.
The Austrian balance on current account will continue to remain clearly positive; the budget deficit is expected to drop to 2.4% of GDP in 2015, after 3.0% in 2014.

Exchange rate and interest rate developments

The United States have announced initial rate hikes for 2015. Solid economic performance figures and the positive labour market development prompted the US central bank Fed to discontinue its bond purchasing programme in the autumn of 2014.
In the euro area, the ECB is set to continue its zero interest rate policy as the situation on the labour market, the lack of growth impulses and the crisis in Ukraine dampen hopes of an imminent economic recovery.
The interest rate differences between the United States and the euro area will therefore increase further.

Both the differences in economic growth and the contrasting development of interest rates will contribute to the further strengthening of the US dollar. This development is very much in the interest of the European economy, which thus gains the urgently needed support in its export markets.

The low level of interest rates bodes well for equity markets in 2015, as low interest rates help to channel capital flows into equities. Other positive factors are that corporate profits benefit from solid global economic growth and low financing costs and that equities carry relative attractive valuations in comparison to bond yields. However, stock market volatility is likely to increase further owing to geopolitical crises (Ukraine, Middle East).

Outlook for 2015

Focus areas of Oberbank's business activities

In the challenging environment ahead, Oberbank plans to continue its offensive policy course.
Perceptible growth is expected both in terms of lending volume and customer assets under management.
The already excellent capital base is to be strengthened further with planned capital measures in a volume of roughly EUR 100 million.

The policy of generating organic growth by setting up new branches will be continued in 2015. Oberbank plans to establish up to seven new branches in Vienna, Germany and Hungary in 2015.

As regards risk management, Oberbank will consistently adhere to its time-tested cautious strategy.

Earnings development in 2015

There is still considerable insecurity regarding the extent of the economic upturn; therefore, it is not possible to formulate precise earnings projections for 2015.
While anticipating that net commission income will improve further, the Management Board of Oberbank expects net interest income, curbed by the continued low level of interest rates, to drop below the level of 2014.
Expenses are likely to rise only moderately, notwithstanding the planned establishment of seven new branches.

Overall, the Management Board of Oberbank will strive to attain a result in 2015 that matches the outstanding performance achieved in the previous year and maintain profits in an order of magnitude that allows the Bank to strengthen its capital base by making allocations to reserves, finance growth from own resources and pay an attractive dividend to its shareholders.

Deliberate and targeted assumption of risks is a key feature of banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term. The responsibility for defining the Group's central risk management strategy, the risk management and the risk controlling across the Oberbank Group lies with Oberbank AG. The basis for the risk strategy of Oberbank is the Bank's position as a regional bank. The Management Board and all of the Bank's employees consistently act in accordance with the principles laid down in the Bank's risk policy, and decisions are invariably made on the basis of these guidelines.

Organisation of risk management

At Oberbank, risk management is an integral element of the Bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for risk management lies with the Management Board of Oberbank AG as a whole. Management competences as well as the share of available economic capital allocated to a specific risk (limits) or predefined management and control processes are specified and laid down for every material risk within the Oberbank Group. The Bank's Asset/Liability Management (ALM) Committee is responsible for integrating the individual risk types into the overall bank risk. The ALM Committee is headed by the Management Board member in charge of the Risk Management department.

Risk controlling

The central and independent risk controlling function required by the Austrian Banking Act (Article 39 (2) BWG) is assumed by the Accounts and Controlling Department. This is the unit responsible for measuring, analysing and monitoring all material risks within Oberbank. The department reports to the Management Board, the ALM Committee, the respectively responsible heads of department and staff and once annually to the Risk and Credit Committee of the Supervisory Board.

Internal Control System

Oberbank's Internal Control System (ICS) is in compliance with the internationally recognised COSO Framework standards. A detailed description of ICS processes and procedures is available; all risk-relevant processes in the Bank and the pertinent control measures are consistently documented. Responsibilities and functions relating to the ICS are clearly defined. Internal control activities are documented and monitored. ICS-relevant risks are regularly evaluated and adjusted. A continuous optimisation process is thus assured. The Internal Audit department of Oberbank AG serves as an independent supervisory body and in this capacity performs audits of the internal control system. It examines the effectiveness and adequacy of the ICS and reviews compliance with working instructions.

Overall risk management process and calculation of risk-taking capability

At Oberbank AG, the regulatory requirements for qualitative risk management arising from the Internal Capital Adequacy Assessment Process (ICAAP) are fulfilled by the risk-taking capability calculation. The basis for the assessment of the Bank's risk-taking capability is a quantification of all material banking risks and the economic capital allocated to each of them. Within the framework of the risk-taking capability calculation, ICAAP risk limits for material banking risks resulting from the business model of Oberbank are derived on the basis of the economic coverage capital. These risks include the credit risk (risks quantified within the credit risk include the default risk, the counterparty risk, the foreign currency loan risk, the credit valuation adjustment (CVA) risk and the credit risk concentration risk), the market risk in the trading book, the market risk in the banking book, the liquidity risk, the operational risk and the risks stemming from the macroeconomic environment. In the risk-taking capability calculation, the risk appetite of Oberbank is limited to 90% of economic coverage capital. The remainder of 10% is not allocated. Apart from using economic capital management as a tool for limiting risk, Oberbank controls material risks by means of processes and individual limits applied within the context of operational risk management.

Credit risk

The credit risk is understood to represent the risk of a borrower's full or partial failure to fulfil the contractually agreed payment obligations. The credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group. Credit risk management is the responsibility of the Credit Management department, which is separate from sales operations. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process, up to the Management Board level.

The Bank's credit risk strategy is based on the regionality principle; the headquarters of lending customers are located in the regions covered by the Bank's branch network. In Austria and Bavaria, the principal focus is on lending to industry and medium-sized enterprises. In the Czech Republic, Slovakia and Hungary, Oberbank lends mainly to small and medium-sized businesses. Operational risk targets are revised and fixed no less than annually by the management in cooperation with the head of the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments.

Every lending decision is based on a credit rating, i.e. an assessment of the respective customer's creditworthiness. In personal and corporate banking business in Austria and Germany, these assessments are performed using credit rating processes developed with statistical methods and in compliance with the requirements defined for the IRB (Internal Ratings Based) approach. The expert systems hitherto in use in the CEE markets are replaced by newly developed statistical methods form 7 January 2015. Assessments are based on quantitative (hard facts) and qualitative criteria (soft facts, warning signals), which together provide an objective and future-oriented picture of a customer's creditworthiness. The rating processes are subject to annual validation and the resultant findings are used as a basis for the ongoing further development and optimisation of the rating system.

Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the danger of a shortage of cover poses high demands in terms of correct and up-to-date valuation of collateral. For this reason, the management and administration of collateral is, as a matter of principle, separated from sales throughout the Oberbank Group and is performed by the respective back-office credit management groups of the Payment Systems and Central Production department.

Equity risk

Equity risk is defined as the risk of value impairments caused by lost dividends, partial write-offs and disposal losses well as a reduction of undisclosed reserves caused by the risk of negative business developments.

The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV; together with these two institutions, Oberbank AG forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only for reasons related to banking or sales, i.e. if their activities are a direct extension of banking or constitute services ancillary to banking. Where new equity investments are to be made, the Company, as a matter of principle, performs analyses as soon as the acquisition process is started, in order to gain as complete a picture as possible of the particular entity's earning power, strategic fit and legal position.

The default risk associated with equity investments is quantified in the context of the credit risk within the framework of the ICAAP. The market risk associated with exchange-listed equity investments is additionally quantified within the context of the market risk.

Market risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in financial market prices and rates. Market risk is centrally managed by Oberbank AG, including the Bank's foreign business units as well as its fully consolidated subsidiaries.
Within Oberbank, the management of market risks is split between two competence centres, which manage these risks within the framework of the limits assigned to them.
The Global Financial Markets department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book and the foreign currency risk of the entire Oberbank Group. The Accounts and Controlling department is in charge of daily limit control as well as reporting on the risk and earnings situation to the Management Board and the Global Financial Markets department.
The ALM Committee is responsible for managing the interest rate risk of long-term EUR positions (rate commitments >12 months), for strategic stock and investment fund positions in the banking book as well as the credit spread risk. The ALM Committee convenes monthly; its members are the Management Board member responsible for risk management of Oberbank AG as well as representatives of various departments, namely Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Credit Management, Corporate & International Finance, Corporate Secretary & Communication, Internal Audit, and Organisational Development, Strategy and Process Management.

Macroeconomic risk

The macroeconomic risk is defined as the risk of possible losses arising due to changes in the macroeconomic environment (decline in real GDP growth, substantial increase in unemployment and business failures, decline in equity prices and real estate prices, etc.).

Operational risk

Operational risks are an inseparable part of banking operations. Oberbank defines operational risks as risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or external events.

The management of operational risks is carried out by the respective operating departments and the regional sales offices (risk taking units) responsible for operational risk in connection with products and processes within their respective spheres of responsibility. An electronic logging process supports the recording of information regarding nascent operational risks.

A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision and adjustment of the applied methodology. Concrete measures have been taken to hedge against any major risks threatening the Company's existence identified within the framework of risk analyses (e.g. insurance contracts, IT emergency concepts, backup computer centre).

Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank's being unable to meet its present and future payment obligations fully and on schedule or having to raise additional capital at increased cost. The primary objective of liquidity management therefore is to ensure the availability of sufficient liquidity at all times and to optimise the Bank's refinancing structure in terms of risk and results.

Oberbank has traditionally and steadfastly adhered to the financing principle of ensuring that the Bank's entire customer loans volume can be refinanced from primary deposits by customers and assistance funds made available by Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle is invariably valid. Furthermore, Oberbank holds extensive refinancing reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks.

The responsibility for managing short-term liquidity lies with the Global Financial Markets department, which is also responsible for the Bank's compliance with regulatory provisions. The Accounts and Controlling department calculates a 30-days-forward liquidity gap analysis including the available risk buffer minus liquidity at risk, thus determining the limit for the purpose of day-to-day liquidity management and for the information of the Management Board member in charge of risk management. The Bank's long-term, strategic liquidity is managed by the Management Board and the Asset/Liability Management (ALM) Committee. The Accounts and Controlling department is responsible for the reporting. A comprehensive liquidity gap analysis is drawn up for the purpose of medium and long-term liquidity risk management. An emergency plan is in place for the eventuality of extreme market conditions.

Risk concentration

Risk concentrations constitute a concentration risk with a potential to cause losses large enough to threaten the stability of a financial institution's health or to produce a material change in its risk profile.

A differentiation is made between two types of risk concentration:

Inter-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories. The sensitivity of Oberbank AG for the inter-risk concentration risk is assessed by means of scenario analyses performed on a quarterly basis within the context of measuring the Bank's risk-bearing capacity.

Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories. Owing to the specific business model of Oberbank, the intra-risk concentration risk is a crucial factor above all within the credit risk and is limited by means of internally fixed limits and management processes. Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

One essential key element of Oberbank's sustained economic success is the competence and commitment of the Company's staff. Targeted promotion and continued improvement of the professional expertise of its staff have therefore been defined as central focus areas to secure the Company's ongoing success.

Focus on recruiting, developing and retaining employees

Oberbank uses educational institutions, media and platforms like XING and Kununu to position the Company as an attractive employer. A state-of-the-art recruiting software and a strong focus on quality in the recruiting process help to find suitable qualified job candidates. A professional onboarding process comprising everything from welcome folder to training plan supports the integration of new employees.

Thanks to targeted staff development and career support, Oberbank is in most cases able to fill vacant key positions from within the Company's own ranks.

The management by objectives (MbO) approach and predefined standards of performance provide clear orientation for management and employees and ensure regular targeted feedback.

Comparatively long employee lengths of service (13 years on average) reflect the positive working environment, as does the low staff fluctuation rate, which has further improved to a mere 5.73% in 2014.

Focus on training and further education

Oberbank sets great store by professional and personal training and further education of its employees and in 2014 invested more than EUR 1.5 million for this purpose.

High standards and certification of training and education measures pooled under the three "academies" Personal Banking Customers, Corporate and Business Customers and Executive Staff create the basis for systematic needs-based learning. Alongside face-to-face training courses, the programme also includes virtual training via e-learning and webinars aimed at supporting life-long learning.

In 2014, Oberbank very successfully launched a cross-border cross-learning project designed as a platform for know-how transfer and the communication of best practices. The issues of money laundering, fraud and compliance as well as FACTA constituted further important training priorities in 2014.

In implementing its objectives, Oberbank cooperates with recognised educational institutions such as the Austrian Institute for SME Research, Management Akademie & Consulting GmbH, the LIMAK Austrian Business School, the Frankfurt School of Finance and Management and the FH Kufstein University of Applied Sciences. This enables the Bank to train its staff to the highest standards.

Focus on exemplary leadership

One of the goals of Oberbank is the continued improvement of employees' leadership competences. Based on the MBO performance standards for executive staff, the development, training and performance evaluation of candidates for higher level management positions is consistently aligned with the Company's management culture. Besides management academy courses, efforts in 2014 were also on preparing individual development plans for newly appointed managerial staff.

"Asset Health" project

Workplace health and safety promotion are integral components of the corporate culture of Oberbank. The Bank has been making consistent efforts to promote individuals' ability to take responsibility for their health and its preservation. The programme focus is on physical exercise, healthy nutrition and mental fitness. An aspect that met with a very positive response is the partial opening of the programme to the family members of Oberbank employees. The traditionally very low sick-leave rate within Oberbank was only 2.7% in 2014.

"Future Women 2020" project

Equal opportunity employment for all staff members is an important policy commitment at Oberbank. The regular income report that is presented to the workforce representatives confirms that there are no discriminatory differences in terms of payment. As in previous years, no incidents were reported for examination by the Equal Treatment Commission in 2014.

At the beginning of 2014 the Bank established the function of a women's representative to act as a communication hub and contact point for family and women's issues. Initiatives like the breakfast for women re-entering the workforce, networking and sports events, the "curtain call for women" seminar and participation in the local government cross-mentoring programme were successfully continued.

For its ongoing efforts to create favourable conditions enabling staff members to meet their family commitments, the Bank was again awarded the "**audit** beruf**und**familie" certificate and the family prize awarded by the Upper Austrian government, as well as taking third place in its category in the Felix Familia awards in Upper Austria. Flexible working time arrangements, childcare services during school holidays, teleworking options, active parental leave planning and financial assistance for childcare are some of the measures that are highly appreciated by the Bank's employees.

Managing human resources risks

With a view to managing important person-related risks (staff availability, labour law, employment practice, staff conflicts, misconduct of staff members), the latter are systematically recorded and evaluated within the framework of the operational risk assessment process. On the basis of these evaluations, measures aimed at eliminating or minimising hazards and risks are elaborated. This issue has been addressed by a system of internal controls monitored by the Group Audit department.

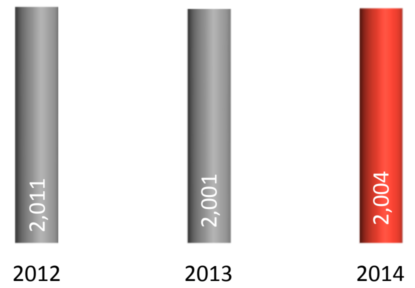
Number of employees

The average number of employees increased to 2,004 in 2014.

In line with the Bank's growth strategy, Oberbank further strengthened its presence in its domestic and foreign expansion markets by adding eight new branches and 32 additional personnel capacities.

In parallel, the Bank achieved cost optimisation and cost saving effects through ongoing streamlining and optimisation of all internal processes, exploiting synergies and taking advantage of the effects of natural fluctuation. This process is continuously monitored and controlled and on the basis of the results relevant measures are derived and decided taking into account organisational and human resources capacities.

Workforce development



Assuming Responsibility

Oberbank is explicitly committed to ensuring that ecological and social aspects of economic activities are always and systematically taken into account in all considerations. In the banking sector more than anywhere else, reliability, stability and solidity are valuable assets that need to be treated with great care and diligence, because the trust of customers, employees and other stakeholders is an asset of utmost importance.

Sustainability of all action

Oberbank can only be economically successful if it lives up to its ecological and social responsibility. The Management Board has therefore taken great care to implement appropriate measures to ensure that the Bank fully discharges its social responsibility, thus safeguarding the sustainability of the Company's business model.

Economic responsibility

A responsible approach to conducting a business is the only way to ensure that an enterprise will be effectively and enduringly integrated in the economic structure of a region, will contribute to enhancing the common weal and generate lasting value added for society. Oberbank is expressly committed to the goal of sustainable business development. The Bank's strategy, business policy, target planning and remuneration system put their focus on long-term business success and make sustainable, successful development the guiding principle of all corporate action.

Ecological responsibility

Using resources responsibly is part and parcel of corporate social responsibility, which is why Oberbank strives for the highest levels of environmental compatibility in all its operations, processes and products. Emphasising environmental aspects in building and energy management as well as in the planning of business trips and in procurement policy sets the course towards reducing costs in the long term and achieving a lasting change in behaviour throughout the Bank.

Responsibility in product design

Oberbank is making an effort to live up to its ecological responsibility on the product side as well. Customers of Oberbank's investment fund company 3 Banken-Generali Investment-Gesellschaft have the opportunity to invest their money in an eco-friendly and ethical fund: The 3 Banken Nachhaltigkeitsfonds invests in enterprises committed to sustainable management. The fund's sustainability criteria include a focus on clean and renewable energy, energy efficiency, health, water, sustainable consumption, sustainable mobility as well as environmental and educational services.

Social responsibility

Addressing social issues constitutes a further important aspect of Oberbank's commitment. Financial and organisational assistance for different projects ensures that Oberbank's economic success also benefits people and groups that live in a less privileged economic environment. Oberbank furthermore takes an active role in promoting cultural activities, which the Bank perceives as an important aspect of its corporate social responsibility.

Research and development

Oberbank develops individual financial services in the areas of finance and investment in response to the needs and requirements of its customers, but does not engage in research and development in the classic sense.

Disclosure Pursuant to Section 243a of the Austrian Enterprise Code (UGB)

Share capital, share denomination and authorised capital

As of 31 December 2014, Oberbank AG had a share capital of EUR 86,349,375 divided into 25,783,125 ordinary no-par bearer shares and 3,000,000 non-voting no-par bearer preference shares entitling their holders to a minimum dividend of 6% per share, payable, if necessary, in a later period.

Share buy-back

The Annual General Meeting authorised the Management Board of Oberbank AG to acquire the Company's own shares in an amount of up to 5% each for both securities trading purposes and for the purpose of passing them on to employees of the Oberbank Group. Own shares in an amount of up to 10% of the Company's share capital may be acquired for no specific purpose.

Syndicate agreement and shares vested with special rights of control

A syndicate agreement is in place between Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. Its purpose is to preserve the independence of Oberbank AG. In this agreement, the members of the syndicate have agreed to jointly exercise their voting rights and have granted mutual pre-emptive rights. The voting rights embodied in shares held by Oberbank employees have been assigned to a syndicate called OBK-Mitarbeiterbildungs- und Erholungsförderung registrierte Genossenschaft mit beschränkter Haftung.

Shareholder structure and employee stock ownership

On the reporting date 31 December 2014, Bank für Tirol und Vorarlberg Aktiengesellschaft held 17.00% of the total share capital of Oberbank AG, BKS Bank AG held 16.95%. With a stake of 29.15%, CABO Beteiligungsgesellschaft m.b.H., a wholly owned subsidiary of UniCredit Bank Austria, was the biggest single shareholder of Oberbank AG. Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. held 4.62%, Generali 3 Banken Holding AG 1.98%. The share of Oberbank stock held by its own employees amounted to 3.53%.

Appointment of boards and officers and change of control

No rules and regulations with regard to the appointment and dismissal of the Management Board and the Supervisory Board and amendments of the Articles of Association are in place above and beyond those specified by the law. No single shareholder is in a position to control Oberbank AG directly or indirectly. The Company is not aware of any agreements that could take effect in the event of any arranged change of control. In addition, no indemnity agreements are in place between the Company and the members of its Management Board or Supervisory Board or its employees for the contingency of a public takeover bid.

Linz, 4 March 2015

The Management Board

CEO	Director	Director
Franz Gasselsberger	Josef Weissl	Florian Hagenauer
Remit	Remit	Remit
Corporate and Business Banking	Personal Banking	Overall Banking Risk Management

Segment Report

Segmentation and Overview

The segment reporting format defines the segments Corporate and Business Banking, Personal Banking, Financial Markets and Other (primary segments).

The Corporate and Business Banking segment encompasses business with corporates and self employed customers. Vis-à-vis this customer constituency, Oberbank has positioned itself as a banker with profound foreign market expertise serving industry and high-end medium-sized enterprises. The Leasing sub-group is also included in this segment.

The Personal Banking segment comprises business relations with wage and salary earners and private individuals.

The Financial Markets segment covers earnings from equity investments and trading activities as well as interest income from maturity transformation and structural earnings.

The segment "Other" includes income and expense items – notably overheads recognisable as other administrative expenses, staff costs and depreciation and amortisation – which cannot be meaningfully assigned to any of the other segments.

A breakdown according to secondary segments is not required because neither profit contributions nor allocable assets reached the 10% thresholds specified in the IFRSs.

Segment overview 2014 in €m	**Corporate and Business Banking**	**Personal Banking**	**Financial Markets**	**Other**	**Consolidated income statement for 2014**
operative interest income	238.1	55.4	20.4		313.9
at equity			59.0		59.0
Net interest income	238.1	55.4	79.4		372.9
Charges for losses on loans and advances	(72.8)	0.7	(6.0)		(78.0)
Net commission income	63.3	56.4	0		119.3
Net trading result	(0.1)		5.3		5.3
Administrative expenses	(120.6)	(84.2)	(5.9)	(26.3)	(236.9)
Other operating income/loss	1.8	(0.9)	(28.3)	2.4	(25.0)
Extraordinary result					
Profit for the year before tax	109.8	27.1	44.6	(23.9)	157.6
Return on equity before tax (ROE)	12.1%	19.6%	10.4%		10.7%
Cost/income ratio	39.8%	76.1%	10.5%		50.1%

Corporate and Business Banking segment in €m	2014	2013	Change
Net interest income	238.1	227.7	4.6%
Charges for losses on loans and advances	(72.8)	(46.3)	57.1%
Net commission income	63.3	59.9	5.7%
Net trading result	(0.1)	(0.1)	(1.5%)
Administrative expenses	(120.6)	(116.3)	3.7%
Other operating income	1.8	1.8	(1.2%)
Extraordinary result			
Profit for the year before tax	109.8	126.7	(13.4%)
Segment's contribution to consolidated profit for the year before tax	69.7%	89.4%	(19.7 ppt)
Average credit and market risk equivalent (BWG)	8,299.5	8,298.2	0.0%
Segment assets	9,468.9	9,219.1	2.7%
Segment liabilities	6,572.6	6,387.0	2.9%
Average allocated equity	910.8	867.3	5.0%
Return on equity before tax (ROE)	12.1%	14.6%	(2.5 ppt)
Cost/income ratio	39.8%	40.2%	(0.4 ppt)

Overview of business performance in 2014

In Corporate and Business Banking the profit for the year decreased by 13.4% to EUR 109.8 million in 2014.

Net interest income rose by 4.6% to EUR 238.1 million, net commission income widened by 5.7% to EUR 63.3 million in 2014.

Charges for losses on loans and advances increased by the remarkably high rate of 57.1% to EUR 72.8 million.

Administrative expenses rose by 3.7% to EUR 120.6 million. At EUR 1.8 million, other operating income remained almost unchanged year on year.

The return on equity in Corporate and Business Banking declined by 2.5 percentage points to 12.1%; concurrently, the cost/income ratio improved by 0.4 percentage points to 39.8%.

At the end of 2014, Oberbank was servicing a total of approximately 44,000 corporate and business customers; 6,500 of these were newly acquired in the reporting year.

Corporate and business loans

Notwithstanding the declining trend in the market in general, Oberbank increased its total volume of loans to corporate and business customers by 3.6% to EUR 9,834.6 million in 2014. Thanks to its excellent capital base and liquidity position, Oberbank was able to supply its customers with sufficient liquidity.

Investment finance

The volume investment finance loans extended by Oberbank increased by 5.0% to EUR 7.3 billion in 2014: In Austria and Germany, the number of applications for subsidised loans exceeded the 1,000 mark (+1.5%) notwithstanding the adverse economic environment.

Oberbank once again defended its position as top market player in terms of ERP business promotion loans and clearly leads the Austrian market in subsidised lending, both to industry and SMEs: well above 20% of all approved business promotion loans were based on applications filed by Oberbank.

Structured finance

Focal areas of the Bank's structured finance activities, besides the financing of investment and change of ownership projects, include transacting real estate and tourist infrastructure projects as well as deploying liquidity management instruments. Projects with a volume of almost EUR 300 million successfully concluded in 2014 bear testimony to Oberbank's expert know-how in this business line. This total means an increase of more than 11% year on year. Notwithstanding the persistently difficult market environment, the Bank expects continued high demand for special financing facilities in 2015.

Oberbank's private equity and mezzanine capital network

With a total volume of EUR 150 million, the Oberbank Opportunity Fonds is among the largest private equity and mezzanine capital funds in the whole of Austria and Bavaria. Of this total, EUR 50 million is earmarked for equity / private equity participation capital and about EUR 100 million for mezzanine capital finance (primarily subordinated, unsecured loans). Through its stake in the Upper Austrian high-tech incubator fund OÖ HightechFonds GmbH, Oberbank helps to finance early-stage ventures as well.

The Oberbank Opportunity Fonds handled a total of 141 enquiries in 2014; the quality of the projects and the total financing volume both remained at the very high level achieved in the previous year. Five new projects and one follow-up finance project for an existing portfolio company were successfully concluded.

Since its inception, the fund has allocated a volume of roughly EUR 100 million in equity and mezzanine capital***.***

Leasing

Despite an initially very cautious market assessment at the beginning of 2014, the year as a whole continued along highly satisfactory lines for the Leasing subgroup. With new business amounting to EUR 577 million, 2014 stands out as the best year since the outbreak of the economic crisis in 2008/2009.

The key growth drivers were movables leasing, which posted almost 30% growth, as well as vehicle leasing with a gratifying growth rate of 15.4%.

The main sources of sales growth were once again Austria and Bavaria. The Bank's expansion markets also picked up after a sluggish first half and following brisk growth in the third and fourth quarters closed the year substantially above previous year's levels.

As at 30 September 2014 (the end of the financial year 2013/14 in the Leasing subgroup), total leasing receivables were at EUR 1,694 million, i.e. 9% above the previous year's level.

Export finance

Austrian exports continued on a growth trajectory in the first half of 2014. In the second half of the year growth momentum slackened owing to the beginning deceleration in Germany, previously Europe's growth engine, and the effects of the sanctions imposed on Russia.

In this increasingly challenging environment, Oberbank successfully maintained its second place in an Austria-wide ranking with a market share of 11.6% in terms of export finance under Export Fund procedures and regained second place with a market share of 10.95% in terms of KRR export promotion loans addressed to large corporates.

Syndicated loans and international lending

The Bank's syndication and international lending business, while declining marginally in terms of volume, posted slight growth in the number of new deals.

In a number of promising projects in Austria and Bavaria Oberbank obtained the mandates to act as arranger and lead manager; additionally, the Bank participated as a syndication partner in a number of international transactions.

Oberbank's success in this business line is also owed to selective investments in borrower's note loans placed by Austrian and German issuers. This market, however, was heavily affected by a stunning year-on-year decline in margins, which was offset by a higher number of transactions.

Documentary business and guarantees

The weak order book situation in the export sector dampened demand for documentary export credits and debt collection services in documentary and export guarantees business. This weakness, however, was more than offset by highly positive import-side developments. Posting 3% growth in terms of volume and a 9% rise in terms of numbers, Oberbank further consolidated its strong overall position in documentary business.
The volume of domestic business matched the previous year's level while earnings posted a slight plus of 1.3%.

Payment services

The transition to SEPA standards, a process in which Oberbank had supported its customers with intensive advice and extensive services, was successfully concluded as of 1 August 2014.
Currently, banks are faced with a new industry trend: customers in business segments handling large amounts of cash are increasingly installing cash deposit solutions on their business premises. Oberbank is the first Austrian Bank to successfully implement a tool enabling the automatic validation and booking to account of deposits made.

Personal Banking

Personal Banking segment in €m	2014	2013	Change
Net interest income	55.4	56.4	(1.8%)
Charges for losses on loans and advances	0.7	(0.4)	>(100.0%)
Net commission income	56.1	54.8	2.3%
Net trading result			
Administrative expenses	(84.2)	(84.3)	(0.1%)
Other operating income	(0.9)	2.4	>(100.0%)
Profit for the year before tax	27.1	28.9	(6.3%)
Segment contribution to consolidated profit before tax	17.2%	20.4%	(3.2 ppt)
Average credit and market risk equivalent (BWG)	1,261.7	1,209.1	4.4%
Segment assets	2,387.6	2,157.6	10.7%
Segment liabilities	4,951.7	5,126.7	(3.4%)
Average allocated equity	138.5	126.4	9.6%
Return on equity before tax (ROE)	19.6%	22.9%	(3.3 ppt)
Cost/income ratio	76.1%	74.2%	1.9 ppt

Overview of business performance in 2014

In the Personal Banking segment profit declined by 6.3% to EUR 27.1 million in 2014.

Net interest income decreased by 1.8% to EUR 55.4 million, while net commission income widened by 2.3% to EUR 56.1 million.

Charges for losses on loans and advances, after a negative balance of EUR 0.4 million in 2013, showed a positive balance of EUR 0.7 million owing to reversals of prior impairments.

Administrative expenses edged down marginally, namely by 0.1% to EUR 84.2 million.

The return on equity in the Personal Banking segment declined by 3.3 percentage points to 19.6%; the cost/income ratio increased by 1.9 percentage points to 76.1%.

At the end of 2014, Oberbank was servicing approximately 290,000 customers in this segment, about 18,500 of whom had been newly acquired.

Deposit banking

The low level of interest rates in tandem with the persistently low savings rate caused passbook deposits and similar deposit products to decline by 5.7% to EUR 3,648.3 million.

The Austrian savings rate remained at a very low level throughout 2014. The volume of regular savings deposits declined by 7.6% to EUR 3,098.5 million, whereas the Bank’s range of euro online savings account options posted 24.3% volume growth and widened by EUR 42.2 million to EUR 216.2 million.

Personal loans

Personal lending developed along excellent lines in 2014, with the volume of personal loans outstanding rising by 10.1% to EUR 2,441.7 million.

Key drivers of this sturdy growth were Vienna, which in the meantime has become Oberbank’s largest Austrian Business Division in terms of branch numbers (26.1% growth), as well as the Bank’s core markets of Upper Austria and Salzburg, which also showed dynamic lending growth.

Besides these, Slovakia and the Czech Republic also made a sizable contribution to personal lending growth.

A focus on promoting consumer lending in 2014 resulted in a gratifying 18% growth in new consumer lending.

Personal accounts

In 2014, the Bank’s portfolio of personal accounts increased by 2,615 accounts to a total of 176,685.

With the introduction of innovative account models in 2013, Oberbank had created the foundation for a positive long-term development in this business line. An extensive marketing focus in the summer of 2014 contributed additional growth impulses.

Oberbank app and internet customer portal

After the Oberbank app's successful launch in Austria in 2013, it was subsequently adapted for the German and Czech markets, where it was equally well received. The launch of the app in the Slovak market is planned for 2015.

The past financial year witnessed intensive work on the development of a modern internet customer portal (joint banking platform for personal banking and business customers). Oberbank expects to launch the new online portal for Personal Banking customers in the course of 2015.

Portfolio of card products

The card portfolio of Oberbank developed along very satisfactory lines in the reporting period: At the 2014 balance sheet date, the Bank had 148,476 ATM cash cards (of which 21,813 gold cards) and 55,573 credit cards issued by the various Austrian providers in circulation.

Securities business

Pulled along in the slipstream of the predominantly positive development of international equity markets (with the exception of the Vienna stock exchange) and bond markets as well as the strong US dollar, 2014 was another successful year for the Bank's securities business.

Customers' tendency to have funds managed by asset management or investment fund companies persisted, pushing growth of deposit and management fees as well as transaction fees and thus contributing substantially to a successful overall performance.

The market value of securities in customer deposits rose by 5.8% to a new record level of EUR 11.2 billion, while commission income in this business line increased by 5.6% to EUR 38 million. This marks the highest level by far since the onset of the financial crisis in 2008.

For German customers (in Austria) Oberbank offers comprehensive information and services on the tax treatment of income from securities, including professional tax reporting in cooperation with a specialist services provider.

3-Banken Wohnbaubank AG

At 3-Banken Wohnbaubank AG, developments in 2014 were highly satisfactory considering the challenging environment: total assets rose from EUR 68.8 million to EUR 103.6 million. The company issued tax-privileged home construction bonds in the amount of EUR 33.6 million.

The total issuing volume in the Austrian mortgage bond market was EUR 681.1 million in 2014, which corresponds to a year-on-year decline of 46%. 3-Banken Wohnbaubank AG increased its market share in this business line from 3.4% in 2013 to 4.9% in the year under report.

Each of the three partner banks (Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft und BKS Bank AG) made use of the option to issue new bonds.

Overall, 2014 witnessed the floating of four new issues structured as step-up bonds; two of these issues were placed on fiduciary's behalf for Oberbank AG, and one each for Bank für Tirol und Vorarlberg Aktiengesellschaft and BKS Bank AG. Demand was particularly strong in December, as many investors took advantage of the investment-related tax allowance on business profits.

Oberbank issues

Oberbank's activities in this line of business were successful, considering the persistently low level of interest rates in 2014.

Demand from corporate and business customers for uncovered bonds primarily focused on money-market products from the Cash Garant product line, which thus accounted for a very large share of the overall issuing volume. Private investors showed a predilection for step-up bonds as well as for a product innovation, the "MinMax-Floater".

In addition, the Bank floated two subordinated bond issues (supplementary own funds) as well as covered bonds. An AT1 bond issue (additional core capital) in the volume of EUR 20 million was floated as a private placement in 2014. Activities in the foreign-currency sector included two CZK-denominated bond issues and a USD-denominated MinMax Floater.

The total volume of securitised liabilities including subordinated capital and AT1 bonds amounted to EUR 2,295.0 million as at 30 December 2014 and had thus risen by 3.2% year on year.

3 Banken-Generali Investment-Gesellschaft

Following on from the gratifying development of the past few years, 3 Banken-Generali Investment-Gesellschaft continued in the fast lane in 2014 as well. The volume of funds managed by the company increased by 16.2% or EUR 1.1 billion to EUR 7.7 billion in 2014; this marks a clear outperformance of the Austrian market in general, which widened by 8.6%. New inflows of funds accounted for approximately EUR 600 million of this volume growth, while the strong value appreciation of the different products added the remainder of EUR 470 million. Apart from the continued brisk development of specialist funds, retail fund business clearly stabilised, chipping in a positive performance contribution.

In 2014, 3 Banken-Generali Investmentgesellschaft earned laurels not only with the best-performing national equity product (3 Banken Österreich-Fonds) but also the top-performing international equity product in the category of global equities (3 Banken Value-Aktienstrategie, which came out in first place among more than 400 mutual funds in the Morningsstar rating).

Asset Management

Oberbank's Asset Management is looking back on another record year. Both the standardised variant "Oberbank Management Asset Mix Plus" (OVM) and the individual strategies (iPM) posted substantial inflows of funds.

All three iPM portfolio variants and the OVM posted a clearly positive performance.

In 2014, internationally positioned portfolios outperformed portfolios focused on the Austrian market by a wide margin. Besides the good equity market performance, notably of the US market, a key contributor to the outstanding success of Oberbank's Asset Management were USD currency gains.

Brokerage services

Oberbank's brokerage services again continued along positive lines in 2014. Both the number of deposits and the volume of assets managed by the Brokerage group increased substantially.

Private Banking

The successful performance in Private Banking continued unbroken in 2014. The volume of assets under management for this group of customers rose to a new record high of EUR 5.0 billion. A conspicuous development, however, were clear shifts from passbook and savings account deposits to securities deposits. Acquisition efforts focused on gaining private asset management mandates from entrepreneurs.

Inclusive of financing facilities, total assets managed for this group increased to EUR 5.2 billion.

Building and loan association saving

State-aided building and loan association saving continued to feature among Austrians' favourite saving schemes. The number of building and loan contracts brokered by Oberbank for the building and loan association Bausparkasse Wüstenrot widened by 1.7% to a total of 12,879 in 2014.

Insurance services

Following an excellent result in 2013, Oberbank was again able to increase production in 2014 and thus looks back on the best result in its history in this business line. A particularly noteworthy development was an increase of 24% in the endowment insurance business in Austria and Germany, which is all the more conspicuous against the backdrop of declining sales in the market in general.

Within the scope of its activities as broker of policies for its cooperation partner Generali Versicherung AG, the Personal Banking segment lifted sales by 47.8%. Classical endowment insurance policies were still the most popular products; besides, accident insurance products continued along the previous year's successful lines.

In the Corporate and Business Banking segment, Oberbank, in cooperation with 3 Banken Versicherungsmakler GmbH, again boosted activities in the field of company pension plans. Widening by 65%, sales of business property insurance policies showed an extraordinarily positive development.

Sales of risk insurance products through Drei-Banken Versicherungs-Aktiengesellschaft posted 3.3% growth.

Overall, premium volumes in Oberbank's insurance operations in its Austrian and German markets widened by 21.8% to EUR 103.8 million.

Financial Markets Segment

Financial Markets segment in €m	2014	2013	Change
operative interest income	20.4	2.8	>100.0%
at equity	59.0	48.8	21.0%
Net interest income	79.4	51.5	54.1%
Charges for losses on loans and advances	(6.0)	(23.9)	(75.0%)
Net commission income	0	0	
Net trading result	5.3	5.2	2.5%
Administrative expenses	(5.9)	(6.0)	(0.7%)
Other operating income	(28.3)	(13.2)	>100.0%
Extraordinary result			
Profit for the year before tax	44.6	13.7	>100.0%
Segment's contribution to consolidated profit before tax	28.3%	9.7%	18.6 ppt
Average credit and market risk equivalent (BWG)	3,888.0	3,636.4	6.9%
Segment assets	5,260.4	5,676.0	(7.3%)
Segment liabilities	5,606.1	5,433.9	3.2%
Average allocated equity	426.7	380.1	12.3%
Return on equity before tax (ROE)	10.4%	3.6%	6.8 ppt
Cost/income ratio	10.5%	13.7%	(3.2 ppt)

Overview of business performance in 2014

In the Financial Markets segment, net interest income rose by 54.1% to EUR 79.4 million; this increase was due to both a substantial rise in operative interest income and higher income from equity participations.

Charges for losses on loans and advances decreased greatly from EUR 23.9 million to EUR 6.0 million year on year.

Net trading income increased by 2.5% to EUR 5.3 million; Other operating income showed a balance of net expenses of EUR 28.3 million.

The segment's contribution to consolidated profit before tax rose markedly from EUR 13.7 million to EUR 44.6 million.

ROE in the Financial Markets segment increased by 6.8 percentage points to 10.4% and the cost/income ratio improved by 3.2 percentage points to 10.5%.

Interest rate and currency risk management

A clearly poorer economic trend in Europe and the ECB's massive liquidity injections caused the euro to weaken substantially in 2014. Led by the US central bank Fed, other central banks started to gradually phase out their extremely expansive monetary policies.

The second half of 2014 notably witnessed pronounced currency fluctuations, which entailed increased customer demand for hedging solutions. Oberbank successfully leveraged these market movements in its own trading activities.

Direct customer services

Strong currency movements, especially in the second half of the year, gave rise to high demand for currency hedging solutions among direct customers. Developments once again made evident that numerous customers appreciate efficient currency management paired with the capacity for swift deal transaction. In the area of short-term investments, the Bank was able to keep customer numbers stable. Declining money market rates entailed a trend towards shorter investment periods as compared to previous years.

Liquidity

The measures taken by the ECB (four-year tender, bond purchase programme) contributed to driving up excess liquidity even further.

The sizeable short-term liquidity overhang is partially reinvested with the ECB, despite negative interest rates. There is hardly any market at all for longer maturities: on the one hand, demand is rather low; on the other hand, the price of long-term loans is very low for investors.

Primary deposits

The ECB's interest rate policy caused interest rates to drop to a historic low in 2014. Cutting the key rate twice to 0.05% at last count, the ECB emphasised its offensive stance on monetary policy.

The conspicuously low money market rates entailed a change in the investment behaviour of many companies and private individuals and in turn caused strong growth in sight deposits. In this adverse environment, Oberbank maintained its strong position in terms of primary deposits, closing the year at a volume of EUR 12,288.6 million.

International network of partner banks and institutions

In 2014, Oberbank's continued support of export customers in their worldwide activities through the Bank's international network of banks and institutions continued to be a top priority issue.

In order to offer customers competent and risk-adequate cross-border services, the Global Financial Markets department not only intensified and strengthened personal contacts to the respective banking partners, but also conducted concrete negotiations on payments-related and trade-finance-related issues.

More and more, bilateral relations among banks are characterised by a changed banking environment in which actors increasingly set great store by compliance issues and preventing money laundering and terrorist financing as well as ensuring compliance with US and EU sanctions, US tax provisions and international know-your-customer principles. To this end, Oberbank maintains a world-wide network of partner banks through which customer transactions are commonly settled.

Regulatory requirements and changes

2014 also brought quite a number of new regulatory requirements and changes. For one thing, Oberbank continued implementation work initiated in 2013, such as on ensuring compliance with FACTA ("Foreign Account Tax Compliance Act") and EMIR ("European Market Infrastructure Regulation" aimed at reducing risks associated with the European derivatives market), and concluded the process for the implementation of the Single Euro Payments Area SEPA.

Further, the Bank finalised the implementation of a number of new Basel III provisions such as the Liquidity Coverage Ratio (LCR), which enters into force in 2015. Preparatory work was taken up on upcoming new regulations such as MiFID II/MFIIR (Market in Financial Instruments Directive).

Segment Report

Other

The segment “Other” encompasses the income and expense items which cannot be meaningfully assigned to any of the other segments, including, above all, overheads classified as staff costs and other administrative expenses as well as depreciation and amortisation.

This segment posted a pre-tax loss of EUR 23.9 million in 2014.

Consolidated Financial Statements

Consolidated Financial Statements of the Oberbank Group for 2014

Prepared in Accordance with International

Financial Reporting Standards (IFRS)

Contents of the Consolidated Financial Statements Prepared in Accordance with IFRS

Contents of the Consolidated Financial Statements Prepared in Accordance with IFRS

In 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 which have not been rounded off.

Statement of comprehensive income for the financial year 2014

Consolidated income statement in €k		2014	2013	Change in €k	Change in %
1. Interest and similar income	(3)	483,085	481,329	1,756	0.4
2 Interest and similar expenses	(3)	(169,162)	(194,485)	25,323	(13.0)
3. Income from entities accounted for using the equity method	(3)	58,994	48,758	10,236	21.0
Net interest income	(3)	372,917	335,602	37,315	11.1
4. Charges for losses on loans and advances	(4)	(78,027)	(70,634)	(7,393)	10.5
5. Commission income	(5)	132,486	127,002	5,484	4.3
6. Commission expenses	(5)	(13,176)	(12,379)	(797)	6.4
Net commission income	(5)	119,310	114,623	4,687	4.1
7. Net trading income	(6)	5,274	5,144	130	2.5
8. Administrative expenses	(7)	(236,931)	(230,995)	(5,936)	2.6
9. Other operating income	(8)	(24,952)	(12,070)	(12,882)	> 100.0
a) Net income from financial assets – FV/PL	(8)	(12,800)	11,913	(24,713)	> (100.0)
b) Net income from financial assets – AfS	(8)	(3,893)	(17,351)	13,458	(77.6)
c) Net income from financial assets – HtM	(8)	(498)	0	(498)	
d) Other operating income	(8)	(7,761)	(6,632)	(1,129)	17.0
Profit for the year before tax		157,591	141,670	15,921	11.2
10. Income taxes	(9)	(21,120)	(19,255)	(1,865)	9.7
Profit for the year after tax		136,471	122,415	14,056	11.5
of which attributable to the owners of the parent company		136,605	122,375	14,230	11.6
of which attributable to non-controlling interests		(134)	40	(174)	> (100.0)

Income and expenses recognised directly in equity in €k	**2014**	**2013**
Profit for the year after tax	136,471	122,415
Items not reclassified to profit or loss for the year	**(26,221)**	**(11,027)**
+/- Actuarial gains/losses IAS 19	(30,402)	453
+/- Deferred taxes on actuarial gains/losses IAS 19	7,601	(113)
+/- Share from investments accounted for by applying the equity method	(3,420)	(11,367)
Items reclassified to profit or loss of the year	**16,924**	**(20,565)**
+ / - Value changes recognised directly in equity IAS 39	12,950	(20,829)
Amounts recognised in equity	18,666	(38,054)
Reclassification adjustments	(5,716)	17,225
+ / - Deferred tax on value changes recognised directly in equity IAS 39	(3,238)	5,207
Amounts recognised in equity	(4,667)	9,513
Reclassification adjustments	1,429	(4,306)
+ / - Exchange differences	(2,036)	(764)
+ / - Share from investments accounted for by applying the equity method	9,248	(4,179)
Total income and expenses recognised directly in equity	(9,297)	(31,592)
Total comprehensive income for the period of net profit for the period and income and expenses recognised directly in equity	127,174	90,823
of which attributable to the owners of the parent company	127,308	90,788
of which attributable to non-controlling interests	(134)	35

Performance indicators	**2014**	**2013**
Cost/income ratio in %	50.14	52.11
Return on equity before tax in %	10.68	10.31
Return on equity after tax in %	9.25	8.91
Risk/earnings ratio (credit risk to net interest income) in %	20.92	21.05
Earnings per share in €	4.75	4.26

Balance sheet as at 31/12/2014 / Assets

	in €k		31/12/2014	31/12/2013 1)	Change in €k	Change in %	31/12/2013 2)
1.	Cash and balances at central banks	(11)	147,009	174,599	(27,590)	(15.8)	174,599
2.	Loans and advances to credit	(12)	1,460,988	1,692,787	(231,799)	(13.7)	1,692,787
3.	Loans and advances to customers	(13)	12,276,238	11,713,262	562,976	4.8	11,713,262
4.	Impairment provisions	(14)	(474,410)	(435,327)	(39,083)	9.0	(396,201)
5.	Trading assets	(15)	56,649	38,964	17,685	45.4	38,964
6.	Financial investments	(16)	3,650,387	3,829,359	(178,972)	(4.7)	3,829,359
	a) Financial assets – FV/PL	(16)	241,238	249,924	(8,686)	(3.5)	249,924
	b) Financial assets – AfS	(16)	726,363	780,504	(54,141)	(6.9)	780,504
	c) Financial assets – HtM	(16)	2,051,487	2,227,199	(175,712)	(7.9)	2,227,199
	d) Interest in entities accounted for	(16)	631,299	571,732	59,567	10.4	571,732
7.	Intangible assets	(17)	1,558	1,994	(436)	(21.9)	1,994
8.	Property, plant and equipment	(18)	254,643	236,039	18,604	7.9	236,039
	a) Investment property	(18)	101,568	92,750	8,818	9.5	92,750
	b) Other property, plant and	(18)	153,075	143,289	9,786	6.8	143,289
9.	Other assets	(19)	401,824	280,123	121,701	43.4	280,123
	a) Deferred tax assets	(19)	64,138	49,013	15,125	30.9	49,013
	b) Positive fair values of derivatives in the banking book	(19)	202,066	113,851	88,215	77.5	113,851
	c) Other	(19)	135,620	117,259	18,361	15.7	117,259
	Total assets		17,774,886	17,531,800	243,086	1.4	17,570,926

1) The previous year's figures were adjusted in the context of the first application of IFRS 11 (see also Note 2).
2) Figures published as of 31 Dec. 2013.

Balance sheet as at 31/12/2014 / Equity and liabilities

	in €k		31/12/2014	31/12/2013 1)	Change in €k	Change in %	31/12/2013 2)
1.	Amounts owed to credit institutions	(20)	3,252,390	3,238,957	13,433	0.4	3,238,957
2.	Amounts owed to customers	(21)	9,993,608	10,026,006	(32,398)	(0.3)	10,026,006
3.	Securitised liabilities	(22)	1,580,642	1,592,867	(12,225)	(0.8)	1,592,867
4.	Provisions for liabilities and charges	(23)	383,012	352,275	30,737	8.7	391,401
5.	Other liabilities	(24)	316,781	269,173	47,608	17.7	269,173
	a) Trading liabilities	(25)	55,372	37,281	18,091	48.5	37,281
	b) Tax liabilities	(24)	8,752	4,496	4,256	94.7	4,496
	ba) current tax liabilities	(24)	4,918	159	4,759	>100.0	159
	bb) deferred tax liabilities	(24)	3,834	4,337	(503)	(11.6)	4,337
	c) Negative fair values of derivatives in the banking book	(24)	43,459	45,847	(2,388)	(5.2)	45,847
	d) Other	(24)	209,198	181,549	27,649	15.2	181,549
6.	Subordinated debt capital	(26)	714,376	631,551	82,825	13.1	631,551
7.	Equity	(27)	1,534,077	1,420,971	113,106	8.0	1,420,971
	a) Equity after minorities	(27)	1,530,839	1,418,011	112,828	8.0	1,418,011
	b) Minority interests in equity	(27)	3,238	2,960	278	9.4	2,960
	Total equity and liabilities		17,774,886	17,531,800	243,086	1.4	17,570,926

1) The previous year's figures were adjusted in the context of the first application of IFRS 11 (see also Note 2).
2) Figures published as of 31 Dec. 2013.

Consolidated statement of changes in equity as at 31/12/2014

in €k	Subscribed capital	Capital reserves	Retained earnings	Translation reserve	Gains (losses) rec. in equity acc. to IAS 39	Actuarial gains (losses) acc.to IAS 19	Associated companies	Equity after minorities	Minorities	Equity
As at 01/01/2013	86,096	194,041	703,345	221	33,240	(22,227)	344,803	1,339,519	2,925	1,342,444
Consolidated net profit			88,329	(764)	(15,622)	340	18,505	90,788	35	90,823
Net annual profit /loss			88,329				34,051	122,380	35	122,415
Other comprehensive income				(764)	(15,622)	340	(15,546)	(31,592)		(31,592)
Dividend distribution			(14,354)					(14,354)		(14,354)
Capital increase										
Reacquired own shares	(62)	(3)						(65)		(65)
Unrealised gains and losses not recognised in the income statement			(1)				2,124	2,123		2,123
As at 31/12/2013	86,034	194,038	777,319	(543)	17,618	(21,887)	365,432	1,418,011	2,960	1,420,971
As at 1/1/2014	86,034	194,038	777,319	(543)	17,618	(21,887)	365,432	1,418,011	2,960	1,420,971
Consolidated net profit			92,991	(2,036)	9,712	(22,801)	49,442	127,308	(134)	127,174
Net annual profit /loss			92,991				43,614	136,605	(134)	136,471
Other comprehensive income				(2,036)	9,712	(22,801)	5,828	(9,297)		(9,297)
Dividend distribution			(14,372)					(14,372)		(14,372)
Capital increase										
Reacquired own shares	(110)	(446)						(556)		(556)
Unrealised gains and losses not recognised in the income statement			104				344	448	412	860
As at 31/12/2014	85,924	193,592	856,042	(2,579)	27,330	(44,688)	415,218	1,530,839	3,238	1,534,077

Changes in equity due to available-for-sale assets	2014	2013
Gains	18,341	4,703
Losses	(4,342)	(33,244)
Deducted from equity	(4,287)	12,919
Total	9,712	(15,622)

Consolidated statement of cash flows

in €k	2014	2013[1)]	2013[2)]
Profit for the year	136,605	122,375	122,375
Non-cash positions in profit for the year and reconciliation of net cash from operating activities			
Write-offs, impairment losses, write-ups	75,907	78,285	78,285
Change in provisions for staff benefits and other provisions for liabilities	7,936	(8,444)	(8,784)
Change in other non-cash items	(17,352)	(7,203)	(7,203)
Gains and losses on financial investments, property, plant and equipment and intangible assets	(5,485)	(1,910)	(1,910)
Subtotal	197,611	183,103	182,763
Change in assets and liabilities arising from operating activities after corrections for non-cash positions			
Loans and advances to credit institutions	259,320	107,104	107,104
Loans and advances to customers	(588,101)	(500,636)	(499,967)
Trading assets	(14,534)	22,936	22,936
Other current assets	38,762	326,313	325,072
Other assets arising from operating activities	(12,906)	115,826	115,826
Amounts owed to credit institutions	(1,949)	(809,870)	(809,870)
Amounts owed to customers	(84,915)	640,645	640,645
Securitised liabilities	(42,805)	58,124	58,124
Other liabilities arising from operating activities	(3,801)	(125,218)	(125,218)
Net cash from operating activities	(253,318)	18,327	17,415
Proceeds from sales of			
Financial investments	564,677	504,325	534,702
Property, plant and equipment and intangible assets	12,467	7,864	7,864
Outlay on purchases of			
Financial investments	(342,965)	(447,568)	(447,568)
Property, plant and equipment and intangible assets	(48,491)	(36,345)	(36,345)
Net cash from (used in) investing activities	185,688	28,276	58,653
Capital increase	0	0	0
Dividend distributions	(14,372)	(14,354)	(14,354)
Subordinated liabilities and other financing activities	54,412	(40,443)	(40,443)
Net cash from (used in) financing activities	40,040	(54,797)	(54,797)
Cash and cash equivalents at the end of previous period	174,599	182,793	182,793
Net cash from (used in) operating activities	(253,318)	18,327	17,415
Net cash from (used in) investing activities	185,688	28,276	58,653
Net cash from (used in) financing activities	40,040	(54,797)	(54,797)
Effects of changes in the scope of consolidation and revaluation	0	0	(28,701)
Effects of foreign exchange rate changes	0	0	(764)
Cash and cash equivalents at the end of the period	147,009	174,599	174,599
Interest received	459,816	483,246	483,246
Dividend received	44,701	24,262	24,262
Interest paid	(184,977)	(200,515)	(200,515)
Income taxes paid	(28,349)	(23,491)	(23,491)

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

1) Previous year’s values after adjustment for the effects of recognising changes due to changes in the group of consolidated companies, valuations and exchange rates directly in equity.

2) Figures published as at 31 Dec. 2013.

Breakdown of interest, dividends and income tax payments

in €k		Operating activities	Investing activities	Financing activities	Total
Interest received	2014	398,187	61,629	0	459,816
	2013	414,305	68,941	0	483,246
Dividends received	2014	21,460	23,241	0	44,701
	2013	1,344	22,918	0	24,262
Interest paid	2014	(165,207)	0	(19,770)	(184,977)
	2013	(182,229)	0	(18,286)	(200,515)
Dividends paid	2014	0	0	(14,372)	(14,372)
	2013	0	0	(14,354)	(14,354)
Income tax payments	2014	(17,884)	(15,407)	4,943	(28,349)
	2013	(10,827)	(17,235)	4,572	(23,491)

Notes to the consolidated financial statements

Introduction

Oberbank AG is Austria's oldest remaining independent Aktienbank (joint stock bank). It is wholly privately owned and is listed on Wiener Börse. Oberbank's registered office is at Untere Donaulände 28, 4020 Linz, Austria. Oberbank AG's positioning in the marketplace is characterised by its regional ties, its independence, its strong focus on customer relationships and its deep regional penetration of its catchment areas. Oberbank offers all the classical banking services of a so-called universal bank. Oberbank does not strive to carry on any proprietary foreign business non-associated with its customers but aims to assist and support customers operating abroad.
The financial statements for the financial year 201$ were approved and released for publication on 26 March 2014.

1) Scope of consolidation of Oberbank
In addition to Oberbank AG, the scope of consolidation in 2014 included 27 Austrian and 22 foreign subsidiaries.
Compared to 31 December 2013, the consolidated group changed as follows:

- Sale of Oberbank Sterneckstrasse 28 Immobilien-Leasing Gesellschaft m.b.H., Linz (this entailed an increase of €k 273 in Other operating profit and a decline of €k 727 in assets and of €k 124 in Other liabilities).
- Purchase of a further 25% interest in Oberbank KB Leasing Gesellschaft m.b.H., Linz; subsequent sale of 10% of the shares of Oberbank KB Leasing Gesellschaft m.b.H. to „AM" Bau- und Gebäudevermietung Gesellschaft m.b.H. (this entailed an increase of €k 54 in the equity capital).
- Foundation of Oberbank Kfz-Leasing GmbH, Linz; cession of 10% of the shares each to BKS Bank AG and BTV Leasing Gesellschaft m.b.H.; renaming of the company to 3 Banken Kfz-Leasing GmbH (the cession entailed an equity reduction of €k 10, an increase in amounts due from customers of €k 9,653 and an increase in Other liabilities of €k 2,709).
- Purchase of 90 % of Oberbank Mattigtal Immobilienleasing GmbH (this entailed an increase of €k 6,507 in Receivables from customers and of €k 4,771 in Other liabilities).
- Foundation of Oberbank Leasing Bauhaus Pilsen s.r.o. (this entailed an increase of €k 5 in Other assets and of €k 5 in Other liabilities).

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was accounted for in the consolidated financial statements by proportionate consolidation in accordance with IFRS 11.
In addition to Drei-Banken Versicherungs-Aktiengesellschaft, BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for in the consolidated financial statements using the equity method.
25 subsidiaries and 19 associates whose influence on the Group's assets and financial position and on the results of its operations was, overall, immaterial were not consolidated.
The reporting date for the purposes of the consolidated financial statements is 31 December. Sub-group financial statements for the leasing companies accounted for in the consolidated financial statements were prepared as at and for the period ended 30 September.

2) Summary of accounting policies

Applied IAS and IFRS
The consolidated financial statements of Oberbank AG for the financial year 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as in force and as adopted by the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC). They also satisfy the requirements of Section 59a of the Austrian Banking Act (BWG) and Section 245a of the Austrian Enterprises Code (UGB) regarding exempting consolidated financial statements that comply with internationally

accepted accounting principles. The going-concern assumption was applied. No events of special significance took place after the end of the financial year.

The following table lists newly published and amended standards and interpretations as at the balance sheet date, which were applied for the first time in the reporting period.

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
IFRS 10	Consolidated Financial Statements	1/1/2014	Yes
IFRS 11	Joint Arrangements	1/1/2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	1/1/2014	Yes
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition Regulations	1/1/2014	Yes
Amendments to IFRS 10, IFRS 12 und IAS 27	Investment Entities	1/1/2014	Yes
Amendments to IAS 27	Separate Financial Statements	1/1/2014	Yes
Amendments to IAS 28	Investments in Associates and Joint Ventures	1/1/2014	Yes
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1/1/2014	Yes
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1/1/2014	Yes
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1/1/2014	Yes

The amendment of IAS 11 requires adjustment of the corresponding previous year's figures. This had the following impacts:

Balance sheet items	2013 adjusted	2013 published	Adjustment amount	Effect of IAS 11 Amendment
Assets 4. Impairment provisions	(435,327)	(396,201)	(39,126)	(39,126)
Equity and liabilities 4. Provisions for liabilities and charges	352,275	391,401	(39,126)	(39,126)

The adjustment was made because provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. are shown in the asset item Impairment provisions starting with the 2014 financial year. This was an indirect effect of the newly introduced IFRS 11.

The next table shows standards and interpretations published and amended as at the balance sheet date that have fully been put into effect by the IASB or partly by the EU endorsement procedure but are not yet mandatory and were not applied in the present Consolidated Financial Statements. A premature application is not planned.

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
IFRIC 21	Levies	1/7/2014	Yes
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1/7/2014	No
Amendments to IFRS 11	Acquisition of an Interest in a Joint Operation	1/1/2016	No
Amendment to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1/1/2016	No
Amendment to IAS 16 and IAS 41	Agriculture: Bearer Plants	1/1/2016	No
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1/1/2016	No
Amendment to IAS 27	Separate Financial Statements (Equity Method)	1/1/2016	No

IFRS 14	Regulatory Deferral Accounts	1/1/2016	No
IFRS 15	Revenue from Contracts with Customers	1/1/2017	No
IFRS 9	Financial Instruments	1/1/2018	No

IFRIC 21 is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets; it clarifies the issue of when a present payment obligation that arises from a levy imposed by a government actually occurs and the entity is consequently required to set up a provision or recognise a liability. No substantial material effects on future consolidated statements are expected.
Neither are any material effects expected from the amendments to IAS 19 Defined Benefit Plans: Employee Contributions. The amendments clarify the rules governing the accounting of employee contributions in respect to periods of service.

To the extent that Oberbank has already examined the remaining standards, these are not expected to have any substantial material effects on future consolidated statements.
The effects of IFRS 9 on the Oberbank Group are currently examined. A reliable statement regarding the effects of IFRS 9 on future financial statements is not possible on the basis of current knowledge.

In conformity with IAS 39, all financial assets and liabilities, including all derivative financial instruments, are carried on the balance sheet. Financial guarantees were likewise recognised in conformity with IAS 39. All financial instruments held for trading and securities not held for trading were recognised as at the day on which they were traded, whereas other financial instruments were recognised as at the day on which they were realised or settled. Financial assets were valued according to the particular asset class to which they belonged. These asset classes were differentiated as follows:

The principal purpose of financial assets and liabilities held for trading is to effect gains from short-term price fluctuations or dealer’s margin.
Financial investments held to maturity are assets with fixed payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity.
All assets and liabilities to which the fair value option within the meaning of IAS 39 was applied were measured at fair value. On the one hand, use of the fair value option under IAS 39 serves to avoid or rectify inconsistencies in recognition and measurement of assets and liabilities. On the other hand, the fair value option was applied in respect of a group of financial assets whose changes in value were assessed and managed at fair value on the basis of a documented investment strategy (certain investment fund shares).
Loans and receivables are financial assets which the enterprise has originated itself through the direct provision of money, goods or services and which are not held for trading. Essentially, this class comprises loans and advances to credit institutions and customers. Receivables purchased by the enterprise were not recognised here. Instead, they were assigned to the held-for-trading or available-for-sale portfolio.
The remaining items, i.e. all assets that are not assignable to one of the aforesaid classes, were designated as available-for-sale assets. The Bank recognised these holdings as financial investments. Financial liabilities not held for trading included, in particular, amounts owed to credit institutions and customers, securitised liabilities, and subordinated debt capital.

All financial instruments were initially recognised at cost; these amounts correspond to the fair value of consideration given (when financial assets are acquired) or received (when financial liabilities are acquired). Thereafter, financial assets were generally measured at fair value. Exceptions included originated loans and receivables that were not held for trading and certain financial assets whose fair value could not be reliably measured. Another exception was held-to-maturity securities. These exceptions were recognised at amortised cost. Insofar as they were not trading liabilities, financial liabilities were also recognised at amortised cost. A financial asset is derecognised when control of the contractual rights arising from that asset is lost. A financial liability is derecognised when it has been settled. If impairment existed for the purposes of IAS 39, such impairment was recognised in the income statement.

Consolidation policies

All material subsidiaries under the control of Oberbank AG were accounted for in the consolidated financial statements.
Material equity investments up to a participating interest of 50% were accounted for using the equity method (Drei-Banken Versicherungs-Aktiengesellschaft, BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG). For an entity to be accounted for using the equity method, Oberbank must be able to exert a significant influence on its business policies. Such an influence also gives a strategic investor a degree of responsibility for the entity concerned. Consequently, it seems insufficient for its valuation to be based solely on its share price. In the interest of a sustainable equity investment strategy, it is in any event appropriate also to take account of the entity's equity from time to time. Similarly, profit distributions are no yardstick for the Group's interest in an associate's performance. Income from an equity investment is more accurately captured by taking into account the Group's interest in its profit for the year.
Joint ventures (ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.) were accounted for by proportionate consolidation.
Subsidiaries whose effect on the assets and financial position of the Group and the results of its operations was, as a whole, immaterial were not consolidated.
Other equity investments were recognised at their fair values where these can be reliably measured.

Capital consolidation took place in accordance with the provisions of IFRS 3 using the purchase method. Positive differences attributable to separately identifiable intangible assets acquired during the business combination were recognised distinctly from goodwill, differences also being disclosed on a prorated basis with respect to minority interests. Insofar as a useful life could be determined for such assets, they are being amortised over their expected useful lives. Insofar as they were not immaterial, intra-Group receivables and payables, expenses and income were eliminated. An elimination of intercompany profits was not required because there were no material intercompany profits.

Corporate acquisitions

As at 15 August 2014, 90% of the shares of Oberbank Mattigtal Immobilienleasing GmbH were acquired. The acquisition involved purchase costs in the amount of €k 4,238; equity held at the time of acquisition amounted to €k 4,742. At the same date, the company had fixed assets in the amount of €k 6,507, accounts receivable in the amount of €k 4,806 and liabilities and provisions amounting to €k 6,571. The company contributed a net profit of €k 22 to the consolidated result. Company assets taken into account in the consolidated financial statement of Oberbank amounted to €k 11,313.

Discretionary decisions, assumptions and estimates

These consolidated financial statements contain values determined on the basis of discretionary decisions, assumptions and estimates. These assumptions and estimates are based on past experience, budgets and forecasts regarding future events that appear likely from our current perspective.

Discretionary decisions, assumptions and estimates contained in the present consolidated financial statements basically relate to the following items.

Impairment provisions

The calculation of impairment provisions depended above all on expectations regarding future loan losses and the structure and quality of the loan portfolio. In addition, the calculation of any future impairment loss requires estimates of the amounts and dates of future cash flows. Incurred but not reported losses are recognised by way of portfolio impairment allowances in accordance with IAS 39, which are based on the probabilities of default of the individual rating categories.
For further details see Note 41 in the risk report (Credit risk).

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be measured using current quoted prices because no publicly quoted market prices are available, model values are used. The valuation models, input parameters, the fair value hierarchy and the fair values of financial instruments are described in detail in Note 29 (Fair value of financial instruments).

Impairment losses on investments accounted for using the equity method

If there are objective indications that an asset accounted for using the equity method is impaired, the value in use is calculated on the basis of the estimated future payment flows expected to be generated by the respective associated company.

For details regarding the book values of interests held in at equity companies see Note 16 (Financial investments).

Impairment losses on debt securities and equity securities

Debt instruments have to be tested for impairment if their fair value has dropped by at least 20% below their cost of purchase and this decline persists over a period of more than nine months.

Equity instruments must be tested for impairment if their fair value has dropped by at least 20% below their cost of purchase or if the fair value of an equity instrument remains persistently below its cost for a period of not less than nine months.

An assessment is made at each reporting date as to whether any event has occurred that may have an effect on future payment flows and that can be reliably determined. If it is found that an instrument cannot be expected to recover its cost during the planned holding period, impairment has to be recognised.

Useful lives of fixed assets

Ordinary depreciation and amortisation of property, plant and equipment as well as intangible assets is applied on a straight line basis over the assets' expected useful lives. For details regarding book values please refer to Note 17 (Intangible fixed assets) and Note 18 (Property, plant and equipment).

Deferred taxes

Calculations for each taxable entity were carried out applying the tax rates that were expected to be applicable in respect of the tax period in which any temporary difference was going to reverse. Deferred tax assets were recognised with respect to tax loss carry-forwards insofar as taxable profits in the equivalent amount were to be expected within the same entity in the future. For details on deferred taxes please refer to Note 19 (Other assets).

Provisions for staff benefits

Provisions for staff benefits are calculated on the basis of expert actuarial valuations. In addition to post-employment benefits and acquired benefit rights known on the balance sheet date, expected future increases in salaries and pensions are also taken into account.

Note 23 (Provisions for liabilities and charges) provides an overview of material actuarial assumptions as well as a sensitivity analysis of the effects of changes in important actuarial assumptions.

Other provisions for liabilities and charges

Measuring the need to set up provisions for liabilities and charges requires estimates regarding the size and due dates of future payment flows. Further details are shown in Note 23 (Other provisions for liabilities and charges).

Leasing

In this field the lessor needs to make discretionary decisions, particularly with regard to differentiating between a finance lease and an operating lease contract. The decisive criterion is that a finance lease essentially transfers all the risks and rewards from the lessor to the lessee. For further details see Note 13 (Receivables from customers) and Note 18 (Property, plant and equipment).

Foreign currency translation and Group currency

Foreign-currency translation took place in conformity with the provisions of IAS 21. Accordingly, monetary assets and liabilities not denominated in euro were translated into euro at the market exchange rates ruling on the balance sheet date. Outstanding forward transactions were translated applying the forward rates ruling on the balance sheet date. The annual financial statements of foreign subsidiaries prepared in foreign currencies were translated applying the middle rates of exchange ruling on the balance sheet date for the purposes of the balance sheet and applying average rates of exchange over the year for the purposes of the income statement. The consolidated financial statements were prepared in euro.

Cash and balances at central banks

The line item Cash and balances at central banks consists of cash on hand and credit balances at central banks of issue.

Trading assets

All trading assets, comprising securities held for trading, the positive fair values of derivative financial instruments in the trading book, and open derivative financial instruments in the banking book were recognised at their fair values. In addition to stock exchange prices, commercially available prices were also applied when valuing trading assets. If such prices were not available, generally accepted valuation models were employed.

Loans and advances to credit institutions and customers

These were recognised at amortised cost with the exception of hedged items, in respect of which use was made of the fair value option. Instead of being charged against the corresponding receivables, impairment provisions for specific and country risks were disclosed on the balance sheet.

Derivatives

Financial derivatives were recognised in the balance sheet at their fair values, changes in value in the course of the financial year in general being recognised immediately through profit or loss. Insofar as use was made of the fair value option under IAS 39, it served to eliminate or reduce inconsistencies in the recognition and measurement of assets and liabilities. Accordingly, in such cases, assets and liabilities were measured at fair value through profit or loss. The Management Board has elected to pursue an investment strategy within the scope of which the elimination of mismatches through the use of the fair value option is prescribed.

Leasing

Oberbank offers customers both finance leases and operating leases.

According to IAS 17, a finance lease is a lease that essentially transfers all the risks and rewards incidental to ownership of an asset. Even title may eventually be transferred. In the case of a finance lease, Oberbank as lessor recognises an amount receivable from the lessee equal to the cash value of the contractually agreed payments. Income from leases is shown in the item Interest and similar income.

An operating lease is a lease other than a finance lease. In the case of operating leases, leased assets reduced by depreciation and amortization are shown in the item Property, plant and equipment. Real estate held as financial investments is carried at amortised cost.

Leasing income is shown in the item Other operating income.

Impairment provisions

The calculation of impairment provisions depends above all on expectations regarding future loan losses and the structure and quality of the loan portfolio. Specific allowances or provisions in the amount of expected loan losses were recognised for all identifiable credit risks arising from domestic and foreign credit operations. The Bank also recognised a general allowance for impairment of the portfolio in accordance with IAS 39. The assessment of the risk associated with loans to borrowers abroad (country risk) took into account the respective economic, political and regional circumstances. The total balance of impairment provisions is disclosed as a deduction on the assets side of the balance sheet. The impairment provisions associated with off-balance-sheet transactions (including, in particular, guarantees and other loan commitments) are reported in the line item Provisions for liabilities and charges.

Financial investments

Financial investments comprise the categories FV/PL (Fair Value/Profit or Loss), HtM (Held to Maturity), AfS (Available for Sale) and interests in entities accounted for using the equity method. Assets recognised using the fair value option pursuant to IAS 39 are measured at their fair values. Assets in the held-to-maturity portfolio were measured at amortised cost; impairments arising due to reduced creditworthiness that were expected to be permanent were recognised in the income statement. Interests in entities that were neither consolidated nor accounted for using the equity method were classified as available-for-sale. Assets in the available-for-sale portfolio were measured at fair values and unrealised gains and losses were booked without impact on income. Participating interests and shares in affiliated undertakings, with a volume of EUR 136.0 million (previous year: EUR 250.5 million), which are not intended to be sold and for which there is no active market, are valued at cost. For the purpose of determining the need to recognise impairment, Oberbank distinguishes between debt instruments (loans and receivables, HtM assets, and fixed-interest AfS assets) and equity instruments. Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. If there are objective indications that an asset accounted for using the equity method is impaired, the value in use is calculated on the basis of the estimated future payment flows expected to be generated by the respective associated company. The fair value is determined using a discounted cash flow approach. As at 31 December 2014, no impairment loss had to be recognised.

Debt instruments have to be tested for impairment if their fair value has fallen by at least 20% below the cost of the debt instruments and this decline persists over a period of nine months. The instrument is reviewed to determine whether an event has occurred that has an impact on future cash flows of the debt instrument that can be reliably estimated (IAS 39.59). If it is found that the debt instrument cannot be expected to recover its initial value during the planned holding period (exclusion of market fluctuations), impairment has to be recognised.

Equity instruments have to be tested for impairment if their fair value has fallen by at least 20% below the cost of the equity instruments or if the fair value of an equity instrument remains persistently below its cost for a period of not less than nine months. The instrument is reviewed to determine whether an event has occurred that has an impact on the future cash flows of the equity instrument that can be reliably estimated (IAS 39.59) or whether there is a danger that the cost of the investment in the equity instrument may not be recovered (IAS 39.61). If it is found that an equity instrument cannot be expected to recover its cost during the planned holding period (exclusion of market fluctuations), impairment has to be recognised.

No reclassifications of assets from AfS to HtM were made in the financial year 2014.

Intangible assets and property, plant and equipment

Intangible assets consisted mainly of patents, licences, software, the customer base and rights as well as acquired goodwill. These assets were valued at cost of purchase and/or conversion less ordinary and extraordinary amortisation. Ordinary amortisation is applied on a straight-line basis over assets' expected useful lives. The useful lives of intangible assets held by Oberbank lie between three and 20 years. Property, plant and equipment (including real estate carried as financial investments) was valued at the cost of acquisition and/or conversion less ordinary depreciation. If impairment was expected to be permanent, extraordinary depreciation was recorded. Ordinary depreciation is applied on a straight-line basis over assets' expected useful lives.

The following average useful lives are applied at Oberbank:

- Buildings used for banking operations: 10 to 50 years
- Business equipment and furnishings: 4 to 20 years
- Standard-software: 4 years

As at the balance sheet date, these items are tested for impairment by determining the fair market value of the respective assets. The fair market value is taken to be the higher of utility value or the net sales value. If the fair market value is below the book value of the asset, impairment losses in the amount of the difference are recognised in income.

Deferred tax

The reporting and calculation of income taxes took place in accordance with IAS 12. The calculation for each taxable entity was carried out applying the tax rates that were expected to be applicable in respect of the tax period in which any temporary difference was going to reverse. Deferred tax assets were recognised with respect to tax loss carry-forwards insofar as taxable profits in the equivalent amount were to be expected within the same entity in the future. Income tax assets and income tax liabilities were reported in the line items Other assets or Tax liabilities

Trading liabilities

This line item consists mainly of negative fair values of derivative financial instruments of the trading book and open derivative financial instruments in the banking book. Trading liabilities were recognised on the balance sheet in the line item Other liabilities.

Amounts owed to credit institutions and customers

These were recognised at amortised cost with the exception of payables on the hedged items in respect of which use was made of the fair value option.

Securitised liabilities

Securitised liabilities were generally recognised at their amortised cost. Insofar as use was made of the fair value option, securitised liabilities were recognised at fair value. Long maturity bonds issued at a discount (zero coupon bonds) were recognised at their present values. The line item Securitised liabilities was reduced by the cost of securities held in the Bank’s own portfolio.

Provisions for liabilities and charges

a) Provisions for staff benefits

Provisions were created if there was a reliably determinable legal or actual obligation to third parties. All social capital provisions (for severance, pensions and anniversary bonuses) were calculated in accordance with IAS 19 on the basis of expert actuarial valuations. In addition to the post-employment benefits and acquired benefit rights known on the balance sheet date, expected future increases in salaries and pensions were also taken into account.

The actuarial calculation of all social capital provisions was based on the following parameters:

- An interest rate (long-term capital market interest rate) of 2.25% (previous year: 3.5%);
- Annual salary increases of 3.5% (previous year: 3.5%); increases in post-employment benefits of 2.75% (previous year: 3.0%);
- In accordance with the transitional provisions of the Austrian pension reform, the individually determined retirement age for men is between 59 and 63 years and for women between 50 and 63 years.

Actuarial gains or losses were recognised outside profit or loss in other comprehensive income.

b) Other provisions for liabilities and charges

Other provisions were created if there was a reliably determinable legal or actual obligation to a third party and if it appeared probable that this liability would give rise to an outflow of funds in the future. Provisions were set up in the amount of the best possible estimate of the expense required to settle the respective liability.

Other liabilities

Deferred income items, obligations whose amounts and due dates were much more certain than in the case of obligations for which provisions were created, negative fair values of closed derivatives in the banking book as well as other obligations that could not be allocated to other line items on the balance sheet, were recognised in the line item Other liabilities.

Equity

Pursuant to a resolution of the Annual General Meeting held on 28 April 1999, Oberbank's share capital was converted from Austrian schillings to euro and from par-value shares to no-par shares (Stückaktien). On the occasion of the capital increase in 2000, carried out pursuant to a resolution of the Annual General Meeting held on 27 April 2000, Oberbank's share capital was increased from EUR 58,160,000.00 to EUR 60,486,400.00 through the issuance of 320,000 ordinary shares. Pursuant to a resolution of the Annual General Meeting held on 22 April 2002, Oberbank's share capital was increased to EUR 70 million out of Company funds. During the 2006 financial year, Oberbank's share capital was increased to EUR 75,384,615.38 through the issuance of 640,000 ordinary shares pursuant to a resolution of the Annual General Meeting held on 9 May 2006. Pursuant to a resolution of the Annual General Meeting held on 14 May 2007, Oberbank's share capital was increased to EUR 75,721,153.84 through the issuance of 40,000 ordinary shares (conditional capital increase). A further conditional capital increase through the issuance of 30,000 ordinary shares was carried out in the 2008 financial year. The share capital of Oberbank thus increased to EUR 75,973,557.69. Pursuant to the resolution of 27 May 2008, the Company carried out a three-for-one stock split and a capital increase out of Company funds, raising the share capital to EUR 81,270,000.00. Upon resolution of the Management Board of 30 September 2009, a capital increase at the ratio of 1:16 was carried out in October 2009, raising the share capital to EUR 86,349,375.00.

The 132nd Annual General Meeting of Oberbank AG held on 8 May 2012 passed a resolution authorising the Management Board to increase the share capital by up to EUR 750,000.00 by issuing up to 250,000 new ordinary no-par bearer shares – if required in several tranches – within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. This capital increase through the issuance of shares excluding existing shareholders' subscription rights serves to issue shares to be offered to the staff, top executives, Belegschaftsbeteiligungsprivatstiftung der Oberbank AG (the private foundation managing the non-cash stock compensation programme of Oberbank AG) and members of the management boards of Oberbank or associated companies.
Furthermore, the said Annual General Meeting authorised the Management Board to increase the share capital of the Company through offerings of up to 3,125,000 ordinary no-par bearer shares against contributions in cash of up to EUR 9,375,000.00 – if required in several tranches – within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register.
To date, no use has been made of either of the two authorisations.

The share capital of Oberbank is divided into 25,783,125 ordinary no-par bearer shares and 3,000,000 non-voting no-par bearer preference shares carrying an entitlement to a minimum dividend of 6% of the pro-rata share capital, payable, if necessary, in a later period. The Management Board will be recommending to the Annual General Meeting that a dividend of EUR 0.55 per share be distributed out of the net profit of Oberbank AG for the financial year 2014 (corresponding to a pay out of EUR 15,830,718.75). EUR 78,500,000.00 will be allocated to reserves. The remainder in the amount of EUR 134,985.05 will be carried forward to new account.
On the reporting date, 10,447,678 Oberbank shares were held directly by the Company itself or by Group members. Additional proceeds (premiums) from the issuance of own shares were recognised in capital reserves. Retained earnings include the Group's ploughed-back profits as well as all consolidation entries recognised in the income statement. Unrealised gains and losses recognised in equity in accordance with IAS 39 comprise gains and losses on available-for-sale financial instruments. These are taken to the income statement upon realisation. The reserves attributable to associated companies are equivalent to the difference between historic acquisition costs and the carrying amount of associated companies accounted for using the equity method.

Net interest income

Interest income and interest expenses were accounted for on an accrual basis. Net interest income includes income and expenses paid for the furnishing of capital. In addition, this line item also includes income from equities, other rights and other variable-yield securities insofar as it did not constitute income from securities requiring designation as trading assets. Income from equity investments and investments in subsidiaries – i.e. those which were not consolidated because they were immaterial – was also reported in this line item. Income from entities accounted for using the equity method was reported in a separate line item.

Charges for losses on loans and advances

The line item Charges for losses on loans and advances includes transfers to impairment allowances and provisions and income from reversals of allowances and provisions as well as direct write-offs and subsequent write-backs of receivables already written off in connection with credit operations.

Net commission income

Net commission income comprises income from service business net of expenses arising in connection with the rendering of services.

Net trading income

This line item includes realised gains and losses on securities and other financial instruments held for trading, unrealised gains and losses arising from the measurement at fair value of securities and other financial instruments held for trading, accrued interest arising from fixed-interest securities held for trading and dividend income on equities held for trading as well as the funding costs associated with such securities.

Details of the income statement in €k

3) Net interest income	2014	2013
Interest income from		
Credit and money market business	374,410	382,340
Shares and other variable-yield securities	24,075	4,374
Other equity investments	1,465	1,862
Subsidiaries	4,682	2,995
Fixed-interest securities and bonds	78,453	89,758
Interest and similar income	483,085	481,329
Interest expenses on		
Deposits	(117,913)	(141,054)
Securitised liabilities	(31,556)	(35,271)
Subordinated liabilities	(19,693)	(18,160)
Interest and similar expenses	(169,162)	(194,485)
Income from entities accounted for using the equity method	58,994	48,758
Net interest income	372,917	335,602

Interest income on financial assets not designated at fair value through profit or loss came to €k 459,217 (previous year €k 475,405). The corresponding interest expenses on financial liabilities amounted to €k 123,447 (previous year €k 145,839).

4) Charges for losses on loans and advances	2014	2013
Allocated to loan loss provisions	(134,770)	(104,471)
Direct write-offs	(3,020)	(2,032)
Reversals of loan loss provisions	57,533	32,075
Recoveries of written-off receivables	2,230	3,794
Charges for losses on loans and advances	(78,027)	(70,634)

5) Net commission income	2014	2013
Payment services	42,605	41,420
Securities business	38,029	36,013
Foreign exchange, foreign bank note and precious metals business	10,383	10,553
Credit operations	24,125	22,853
Other service and advisory business	4,168	3,784
Net commission income	119,310	114,623

This item includes income in the amount of €k 1,773 from asset management for the account of third parties.

6) Net trading income	2014	2013
Gains (losses) on interest rate contracts	1,565	3,128
Gains (losses) on foreign exchange, foreign bank note and numismatic business	4,055	3,012
Gains (losses) on derivatives	(346)	(996)
Net trading income	5,274	5,144

7) Administrative expenses	2014	2013
Staff costs	145,043	140,304
Other administrative expenses	80,791	79,162
Write-offs and valuation allowances	11,097	11,529
Administrative expenses	236,931	230,995

Pension fund contributions were €k 2,940 (previous year: €k 2,829).

8) Other operating income	2014	2013
a) Net income from financial assets – FV/PL	(12,800)	11,913
b) Net income from financial assets – AfS	(3,893)	(17,351)
c) Net income from financial assets – HtM	(498)	0
d) Other operating income	(7,761)	(6,632)
thereof stability fee	(13,940)	(8,106)
thereof gains from the sale of land and buildings	5,994	559
thereof from operating leases	3,311	3,365
thereof Hungarian financial transactions tax	(1,684)	(1,924)
Other operating income net of other operating expenses	(24,952)	(12,070)

This item includes impairments in the amount of € 3.5 million pertaining to financial assets. The corresponding book values amount to € 15.5 million.

9) Income taxes

The income taxes include current income taxes of the individual consolidated companies, adjustments for current income taxes relating to other periods as well as the changes in deferred taxes.

	2014	2013
Current income tax expense	32,243	25,181
Deferred income tax expenses (income)	(11,123)	(5,926)
Income taxes	**21,120**	**19,255**

Reconciliation: Relation between computational and reported income taxes:

	2014	2013
Current income tax expense	32,243	25,181
Deferred income tax expenses (income)	(11,123)	(5,926)
Income taxes	21,120	19,255
Profit for the year before tax	157,591	141,670
Computed tax expense at a rate of 25%	39,398	35,417
Tax savings arising due to tax-exempt income from equity investments	(1,986)	(2,009)
Tax savings arising due to profits accounted for using the equity method	(14,748)	(12,190)
Tax expenses (income) relating to prior years	(93)	(3,347)
Tax savings arising from other tax-exempt income	13	380
Tax incurred as a result of non-allowable expenses	(794)	923
Tax savings arising due to used carry-forwards of losses	(17)	457
Tax effects of differing tax rates	(652)	(376)
Reported tax expenses (income)	21,120	19,255
Effective tax rate	13.40%	13.59%

Taxes on income relating to individual components of other comprehensive income and/or equity:

	2014			2013		
	Income before tax	Income taxes	Net income	Income before tax	Income taxes	Net income
Actuarial gains/ losses pursuant to IAS 19	(30,402)	7,601	(22,801)	453	(113)	340
Items reclassified to profit or loss of the year under IAS 39	12,950	(3,238)	9,712	(20,829)	5,207	(15,622)
Exchange differences	(2,036)	0	(2,036)	(764)	0	(764)
Share of income/loss from entities accounted for using the equity method	5,828	0	5,828	(15,546)	0	(15,546)
Total	**(13,660)**	**4,363**	**(9,297)**	**(36,686)**	**5,094**	**(31,592)**

10) Earnings per share in €	2014	2013
Number of shares as at 31/12	28,783,125	28,783,125
Average number of shares in issue	28,739,065	28,735,947
Profit of the year after tax	136,471	122,415
Earnings per share in €	4.75	4.26

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.

Details of the balance sheet in €k

11) Cash and balances at central banks	**2014**	**2013**
Cash in hand	76,198	77,430
Credit balances with central banks of issue	70,811	97,169
Cash and balances at central banks	147,009	174,599

12) Loans and advances to credit institutions	**2014**	**2013**
Loans and advances to Austrian credit institutions	713,069	851,249
Loans and advances to foreign credit institutions	747,919	841,538
Loans and advances to credit institutions	1,460,988	1,692,787
Loans and advances to credit institutions, by maturities		
On demand	269,591	215,324
To 3 months	805,410	977,969
3 months to 1 year	284,947	408,373
1 to 5 years	90,771	83,674
Over 5 years	10,269	7,447
Loans and advances to credit institutions	1,460,988	1,692,787

13) Loans and advances to customers	**2014**	**2013**
Loans and advances to Austrian customers	7,596,160	7,357,964
Loans and advances to foreign customers	4,680,078	4,355,298
Loans and advances to customers	12,276,238	11,713,262
Loans and advances to customers, by maturities		
On demand	1,926,932	2,112,347
To 3 months	1,321,818	989,841
3 months to 1 year	1,087,533	899,163
1 to 5 years	3,817,222	3,748,173
Over 5 years	4,122,733	3,963,738
Loans and advances to customers	12,276,238	11,713,262
Leasing business (finance leasing), gross investment value		
To 3 months	66,528	63,897
3 months to 1 year	149,139	146,570
1 to 5 years	573,565	499,081
Over 5 years	273,777	339,252
Total	1,063,009	1,048,800
Unrealised financial income		
To 3 months	5,612	6,266
3 months to 1 year	14,988	15,742
1 to 5 years	38,735	38,668
Over 5 years	21,326	25,950
Total	80,661	86,626
Net investment value		
To 3 months	60,916	57,631
3 months to 1 year	134,151	130,828
1 to 5 years	534,830	460,413
Over 5 years	252,451	313,302
Total	982,348	962,174
Accumulated impairment allowances	19,149	18,776

14) Impairment provisions	see pages 118 to 119

15)) Trading assets	2014	2013
Bonds and other fixed-interest securities		
Listed	628	661
Stocks and other variable-yield securities		
Listed	770	1,404
Positive fair values of derivative financial instruments		
Currency contracts	4,662	2,602
Interest rate contracts	50,582	34,280
Other contracts	7	17
Trading assets	56,649	38,964

16) Financial investments	2014	2013
Bonds and other fixed-interest securities		
Listed	2,449,589	2,668,021
Unlisted	36,125	19,362
Stocks and other variable-yield securities		
Listed	88,113	81,930
Unlisted	189,014	200,004
Equity investments/shares		
In subsidiaries	134,995	235,045
In entities accounted for using the equity method		
Banks	276,100	246,370
Non-banks	355,199	325,363
Other equity investments		
Banks	13,434	13,434
Non-banks	107,818	39,830
Financial investments	3,650,387	3,829,359
a) Financial assets – FV/PL	241,238	249,924
b) Financial assets – AfS	726,363	780,504
c) Financial assets – HtM	2,051,487	2,227,199
d) Interest in entities accounted for using the equity method	631,299	571,732
Financial investments	3,650,387	3,829,359

17)) Intangible assets	2014	2013
Customer base	608	662
Other intangible assets	950	1,332
Intangible assets	1,558	1,994

18) Property, plant and equipment	2014	2013
Investment property	101,568	92,750
Land and buildings	53,500	58,233
Business equipment and furnishings	74,852	68,198
Other property, plant and equipment	24,723	16,858
Property, plant and equipment	254,643	236,039

The Group owned land and buildings used by others with a book value of €k 101,568 (previous year €k 92,750); these properties had a fair value of €k 112,140 (previous year €k 102,805). The fair value is assignable to level 3 and is calculated using internal models. Rental income during the financial year came to €k 4,348, the associated expenses (including depreciation) amounted to €k 2,745. The disposability of these properties is restricted by purchase option rights contractually granted to the lessees. Furthermore, there are contractual commitments to construct further properties.
The non-guaranteed residual values attributable to the leasing business amount to €k 56,724.

Leasing (operating leases): Minimum lease instalments in the future		
To 3 months	4,844	4,300
3 months to 1 year	12,794	12,536
1 to 5 years	40,294	40,090
Over 5 years	41,883	35,568
Total	99,815	92,494

19) Other assets	2014	2013
Deferred tax assets	64,138	49,013
Positive fair values of closed out derivatives in the banking book	202,066	113,851
Other items	131,786	113,845
Other deferrals	3,834	3,414
Other assets	401,824	280,123
Deferred tax assets	64,138	49,013
Deferred tax assets	64,138	49,013

Deferred tax assets/liabilities in €k

	Deferred taxes 2014		Deferred taxes 2013	
	Assets	Liabilities	Assets	Liabilities
Loans and advances to customers	4	(10,080)	13	(9,388)
Provisioning charges	47,019	0	40,527	0
Trading assets	0	(13,259)	0	(8,516)
Financial investments	7	(15,015)	34	(13,751)
Financial assets – FV/PL	0	(8,583)	0	(9,584)
Financial assets – AfS	0	(6,402)	0	(4,157)
Financial assets – HtM	7	(30)	34	(10)
Intangible assets	0	(154)	0	(167)
Property, plant and equipment	9	(93)	527	(79)
Other assets	64	(32,404)	62	(15,810)
	47,103	(71,005)	41,163	(47,711)
Amounts owed to credit institutions	2,278	(51)	1,452	(467)
Amounts owed to customers	19,778	0	9,758	0
Securitised liabilities	5,139	0	1,630	0
Provisions for termination benefits and pensions	31,642	0	24,326	0
Other provisions for liabilities and charges	5,558	0	3,966	(60)
Other liabilities	8,190	(1,881)	3,605	(1,870)
Subordinated debt capital	12,205	0	7,913	0
Untaxed reserves/valuation reserves	0	(828)	0	(1,156)
	84,790	(2,760)	52,649	(3,553)
Capitalisable tax loss carry-forwards	2,176	0	2,128	0
Deferred tax assets/liabilities	134,069	(73,765)	95,940	(51,264)
Valuation allowance	0	0	0	0

Balance of deferred tax assets/liabilities attributable to the same fiscal authority	(69,931)	69,931)	(46,927)	46,927
Balance of deferred tax assets/liabilities	64,138	(3,834)	49,013	(4,337)

No deferred tax assets were recognised for loss carry-forwards from the Leasing subgroup in the amount of € 5,679 as at 31 Dec. 2014, because their consumption within the foreseeable future does not appear feasible from today's perspective.

20) Amounts owed to credit institutions	**2014**	**2013**
Amounts owed to Austrian banks	1,963,611	1,560,875
Amounts owed to foreign banks	1,288,779	1,678,082
Amounts owed to credit institutions	3,252,390	3,238,957
Amounts owed to credit institutions, by maturities		
On demand	732,665	494,131
To 3 months	1,038,057	1,772,610
3 months to 1 year	121,732	101,352
1 to 5 years	915,782	352,635
Over 5 years	444,154	518,229
Amounts owed to credit institutions	3,252,390	3,238,957

21) Amounts owed to customers	**2014**	**2013**
Savings deposits	3,098,547	3,352,082
Other	6,895,061	6,673,924
Amounts owed to customers	9,993,608	10,026,006
Amounts owed to customers, by maturities		
On demand	5,308,644	4,885,703
To 3 months	1,687,868	1,707,421
3 months to 1 year	1,776,798	2,320,123
1 to 5 years	785,339	738,324
Over 5 years	434,959	374,435
Amounts owed to customers	9,993,608	10,026,006

22) Securitised liabilities	**2014**	**2013**
Issued bonds	1,559,330	1,541,676
Other securitised liabilities	21,312	51,191
Securitised liabilities	1,580,642	1,592,867
Securitised liabilities, by maturities		
To 3 months	149,707	122,230
3 months to 1 year	115,691	190,471
1 to 5 years	978,329	946,668
Over 5 years	336,915	333,498
Securitised liabilities	1,580,642	1,592,867

23) Provisions for liabilities and charges	2014	2013
Provisions for termination benefits and pensions	235,942	208,892
Other provisions for liabilities and charges	147,070	143,383
Provisions for liabilities and charges	383,012	352,275
Provisions for anniversary bonuses	10,533	8,988
Loan loss provisions	81,264	89,371
Other items	55,273	45,024
Other provisions for liabilities and charges	147,070	143,383

The previous year's value shown in the item Loan loss provisions was adjusted by the amount of €k 39,126 as the provisions set up for ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. are shown in the asset item Impairment provisions as from the financial year 2014 (see also notes on impairment provisions).

Movement in provisions for termination benefits and pensions	2014	2013
Provisions balance as at 01/01	208,892	210,004
Allocated to/reversed from provisions for termination benefits	6,514	160
Allocated to/reversed from provisions for pensions	20,536	(1,272)
Provisions balance as at 31/12	235,942	208,892

Presentation of obligations under defined benefit plans pursuant to IAS 19	2014	2013
Plan assets	0	0
Provisions for termination benefits	42,754	36,241
Provisions for pensions	193,188	172,651
Provisions for anniversary bonuses	10,533	8,988
Total obligations under defined benefit plans	246,475	217,880

The defined benefit plans of the Oberbank Group comprise obligations in terms of termination benefits, pensions and anniversary bonuses.

The legal basis for the provisions for termination benefits is created by the Austrian Salaried Employees Act (AngG, Article 23) as well as the valid collective bargaining agreement for the banking sector (Article 32).

Pursuant to Article 32 of the collective bargaining agreement, employees with a minimum service period of five years are entitled to termination benefits in the amount of two monthly salaries in addition to their claims in accordance with the Salaried Employees Act (Severance Pay OLD) and BMSVG (Corporate Employee and Self-Employed Pension Act; Severance Pay NEW), respectively.

As at 31 December 2014, 961 employees were included in the "Severance Pay OLD" system (97% of the entire volume of provisions) and 875 employees were carried in the "Severance Pay NEW" system.

The legal basis for the provisions for pensions is created by the collective bargaining agreement on the reform of pension entitlements (pension reform of 1997) as well as pension commitments based on individual contracts.

As at 31 December 2014, provisions for pensions within Oberbank AG encompassed 645 pension beneficiaries (84% of the total volume of provisions) and 436 employees in active service (16% of total provisions).

The majority of active staff members (454 persons) are entitled to a pension based on acquired vested rights as calculated for the cut-off date of 1 January 1997 and value-adjusted for salary increases in accordance with the collective agreement on an annual basis. This group of employees accounts for almost 11% of total provisions.

Risks that need to be stated in connection with provisions for pensions:

Disability: If an employee is granted a disability pension, the Austrian pension law in force before 1 January 1997 becomes applicable, implying that the Bank's contribution is a transitional pension (total pension) calculated on the basis of the last salary and taking into account pension fund contributions financed by the Bank. A disability pension was granted in three cases in 2014. The resulting provisioning requirement amounts to approximately €k 750.

Administrative pension: Upon termination of an employment contract by the Bank, active employees entitled to a pension based on acquired vested rights are entitled to an administrative pension calculated on the basis of the last salary, which is paid until such person becomes entitled to a statutory pension pursuant to the provisions laid down in the Austrian General Social Insurance Act (ASVG), from which date a transitional pension is disbursed (calculated on the basis of a fictitious ASVG pension). There was one such case in 2014 (additional provisioning requirement: €k 80).

The legal basis for the provisions for anniversary bonuses is created by the company agreement.
Entitlements are staggered as follows: three monthly salaries after 25 years' service; four monthly salaries after 40 years' service.
As at 31 December 2014, provisions for anniversary bonuses encompassed the entitlements of 1,840 persons. No provisions have been set up for 274 persons (to 30 the anniversary bonus had already been disbursed; 124 persons will reach retirement age prior to the entitlement date).

Movements in provisions for termination benefits, pensions and similar obligations	**2014**	**2013**
Present value of defined benefit provisions as at 01/01	**217,880**	**218,727**
Recognised in the income statement		
+ Service cost	3,230	3,369
+ Interest cost	7,350	7,398
Subtotal	**228,460**	**229,494**
Revaluation effects		
Recognised directly in Other comprehensive income		
-/+ Actuarial gain/loss	30,402	(453)
- financial assumptions	31,777	0
- demographic assumptions	0	0
- experience based assumptions	(1,375)	(453)
-/+ Gains / losses on plan assets	0	0
-/+ Gains / losses from exchange rate movements	0	0
Recognised in the income statement	896	0
Subtotal	**31,298**	**(453)**
Other		
- Payments during the reporting year	(11,283)	(11,579)
- Other changes	(2,000)	418
Subtotal	**(13,283)**	**(11,161)**
Provisions balance as at 31/12	**246,475**	**217,880**

Actuarial gains / losses attributable to pension and severance obligations were recognised directly in Other comprehensive income (OCI). The amounts will not be reclassified subsequently; a transfer within equity, however, is permitted. Actuarial gains / losses attributable to provisions for anniversary bonuses are shown in the item Staff expenses in the income statement.

Important actuarial assumptions for calculating the present values of defined benefit obligations	**2014**	**2013**
Interest rate applied	2.25%	3.50%
Rate of increase under collective agreements	3.50%	3.50%
Pension increase	2.75%	3.00%
Fluctuation	none	none
Retirement age women	65 years	65 years
Retirement age men	65 years	65 years
Mortality tables	AVÖ 2008	AVÖ 2008

Assuming that the computational parameters remain unchanged, we anticipate a reversal of provisions for termination benefits, pensions and similar obligations of about € 1.8 million in the financial year 2015. The cash value of post-retirement benefit obligations was €k 222,057 for the financial year 2007 and €k 217,521 for the financial year 2008, €k 216,229 for the financial year 2009, €k 215,703 for the financial year 2010, €k 216,216 for the financial year 2011 and €k 218,727 for the financial year 2012.

Sensitivity analysis

The sensitivity analysis shows the effects that significant changes in actuarial assumptions might reasonably be expected to have had on defined benefit obligations by the end of the reporting period.

in €k	Termination benefits	Pensions	Anniversary bonuses
Interest rate applied + 1%	37,644	168,300	-
Interest rate applied - 1%	47,867	224,717	-
Collective agreement increase + 0.5%	44,906	195,083	-
Collective agreement increase – 0.5%	39,884	191,399	-
Pension increase + 0.5%	-	205,270	-
Pension increase – 0.5%	-	182,145	-

Although the sensitivity analysis does not purport to deliver a final presentation of expected future payment flows, the results allow an assessment of the possible effects of significant changes in actuarial assumptions.

Maturity profile

The following table shows anticipated payments of benefits in each of the upcoming periods:

in €k	Termination benefits	Pensions	Anniversary bonuses
2015	1,441	9,016	-
2016	1,424	8,870	-
2017	1,459	8,714	-
2018	1,939	8,588	-
2019	4,160	8,516	-
Total of anticipated disbursements of benefits in the next five years	10,423	43,705	-

Term to maturity

The following table shows the weighted average term to maturity of defined benefit obligations as at 31 Dec. 2014:

in €k	Termination benefits	Pensions	Anniversary bonuses
Term to maturity	11,30	15,12	-

Movements in other provisions for liabilities and charges	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
Balance as at 01/01	8,988	89,371	45,024
Allocated	1,547	14,885	21,259
Used/exchange differences	(2)	(86)	(6,157)
Reversed	0	22,906	4,853
Balance as at 31/12	10,533	81,264	55,273

24) Other liabilities	2014	2013
Trading liabilities	55,372	37,281
Tax liabilities	8,752	4,496
Current tax liabilities	4,918	159
Deferred tax liabilities *	3,834	4,337
Other obligations	162,684	139,698
Negative market values of closed out derivatives in the banking book	43,459	45,847
Deferred items	46,514	41,851
Other liabilities	316,781	269,173

*) For details regarding deferred tax liabilities see Note 19 on Other assets.

25) Other liabilities (trading liabilities)	2014	2013
Currency contracts	4,643	2,869
Interest rate contracts	50,725	34,119
Other contracts	4	293
Trading liabilities	55,372	37,281

26) Subordinated debt capital	2014	2013
Issued subordinated bonds incl. supplementary capital	614,662	552,232
Hybrid capital	79,303	79,319
Additional core capital	20,411	0
Subordinated debt capital	714,376	631,551
Subordinated debt capital, by maturities		
To 3 months	31,111	37,513
3 months to 1 year	19,032	7,707
1 to 5 years	411,354	285,998
Over 5 years	252,879	300,333
Subordinated debt capital	714,376	631,551

27) Equity	2014	2013
Subscribed capital	85,924	86,034
Capital reserves	193,592	194,038
Retained earnings (including net profit)	1,230,747	1,116,051
Untaxed reserves	18,704	20,016
Negative goodwill	1,872	1,872
Minorities	3,238	2,960
Equity	1,534,077	1,420,971
Shares in issue (numbers)		
Shares in issue as at 01/01	28,761,291	28,758,663
New shares issued	0	0
Treasury shares purchased	(167,262)	(281,287)
Treasury shares sold	149,015	283,915
Shares in issue as at 31/12	28,743,044	28,761,291
Treasury shares held in the Group’s portfolio	40,081	21,834
Shares in issue as at 31/12	28,783,125	28,783,125

The book value of Oberbank AG shares held on the balance sheet date was EUR 1.6 million (previous year: EUR 1.0 million).

28) Non-current assets statement

Movements in intangible assets and property, plant and equipment	Intangible assets	Property, plant and equipment	Of which investment property
Cost of purchase/conversion as at 01/01/2014	20,936	452,168	103,420
Exchange differences	(47)	(298)	0
Transfers	0	0	0
Additions	564	48,191	11,563
Disposals	1,844	25,129	0
Accumulated depreciation	18,051	220,289	13,415
Book value as at 31/12/2014	1,558	254,643	101,568
Book value as at 31/12/2013	1,994	236,039	92,750
Depreciation during the financial year	466	23,385	2,745

Of total depreciation of property, plant and equipment in the financial year 2014, €k 12,755 assignable to operating leases are shown in the item Other operating income.

Of the additions to real estate held as financial investment €k 0 are attributable to purchased property and € 11,563 to subsequent expenditures.

Change in investments in subsidiaries and equity investments	Investments in subsidiaries	Equity investment
Cost of purchase/conversion as at 01/01/2013	248,727	644,040
Additions	1,541	71,390
Change in investments in associates	0	59,566
Disposals	96,758	551
Accumulated depreciation	18,515	21,894
Book value as at 31/12/2014	134,995	752,551
Book value as at 31/12/2013	235,045	624,997
Depreciation during the financial year	4,832	2,852

In the 2014 financial year, the Company realised proceeds of €k 0 (previous year €k 1,617.0) through the disposal of unlisted equity investments/shares in subsidiaries, the fair value of which could not be reliably measured. This resulted in a book value reduction amounting to €k 0 (previous year €k 224) and €k 0 in net income (previous year €k 1,393).

29) Fair value of financial instruments as at 31/12/2014

	HtM	FV/PL	HFT	AfS	L&R/ liabilities	Others	Total
Cash and balances at central banks						147,009	147,009
						147,009	147,009
Loans and advances to credit institutions					1,460,988		1,460,988
					1,461,191		1,461,191
Loans and advances to customers	40,368	84,297		110,074	12,041,499		12,276,238
	40,419	84,297		110,074	12,148,486		12,383,276
Impairment provisions					(474,410)		(474,410)
					(474,410)		(474,410)
Trading assets			56,649				56,649
			56,649				56,649
Financial investments	2,051,487	241,238		590,382		767,280[1)]	3,650,387
	2,268,246	241,238		590,382			
Intangible assets						1,558	1,558
Property, plant and equipment						254,643	254,643
Other assets			202,066			199,758	401,824
			202,066				
of which closed out derivatives in the banking book			202,066				202,066
			202,066				202,066
Total assets	**2,091,855**	**325,535**	**258,715**	**700,456**	**13,028,077**	**1,370,248**	**17,774,886**
	2,308,665	**325,535**	**258,715**	**700,456**	**13,135,267**		
Amounts owed to credit institutions		89,575			3,162,815		3,252,390
		89,575			3,211,465		3,301,040
Amounts owed to customers		412,563			9,581,045		9,993,608
		412,563			9,595,580		10,008,143
Securitised liabilities		496,792			1,083,850		1,580,642
		496,792			1,098,439		1,595,231
Provisions for liabilities and charges						383,012	383,012
Other liabilities			98,831			217,950	316,781
			98,831				
of which closed out derivatives in the banking book			43,459				43,459
			43,459				43,459
Subordinated debt capital		496,842			217,534		714,376
		496,842			223,154		719,996
Capital						1,534,077	1,534,077
Total equity and liabilities	**0**	**1,495,772**	**98,831**	**0**	**14,045,244**	**2,135,039**	**17,774,886**
	0	**1,495,772**	**98,831**	**0**	**14,128,638**		

The first item line shows the book value; the line below shows the fair value of the same item.
1) € 136 million in this item relate to equity interests and non-consolidated interests in associated companies shown at cost in the balance sheet.

29) Fair value of financial instruments as at 31/12/2013	HtM	FV/PL	HFT	AfS	L&R/ liabilities	Others	Total
Cash and balances at central banks						174,599	174,599
						174,599	174,599
Loans and advances to credit institutions					1,692,787		1,692,787
					1,693,037		1,693,037
Loans and advances to customers	40,033	83,127		99,621	11,490,481		11,713,262
	40,033	83,127		99,621	11,521,709		11,744,490
Impairment provisions					(396,201)		(396,201)
					(396,201)		(396,201)
Trading assets			38,964				38,964
			38,964				38,964
Financial investments	2,227,199	249,924		780,504		571,732	3,829,359
	2,355,422	249,924		780,504			
Intangible assets						1,994	1,994
Property, plant and equipment						236,039	236,039
Other assets		113,851				166,272	280,123
		113,851					
Total assets	**2,267,232**	**446,902**	**38,964**	**880,125**	**12,787,067**	**1,150,636**	**17,570,926**
	2,395,455	**446,902**	**38,964**	**880,125**	**12,818,545**		
Amounts owed to credit institutions		86,308			3,152,649		3,238,957
		86,308			3,161,242		3,247,550
Amounts owed to customers		380,484			9,645,522		10,026,006
		380,484			9,649,106		10,029,590
Securitised liabilities		582,931			1,009,936		1,592,867
		582,931			1,014,912		1,597,843
Provisions for liabilities and charges						391,401	391,401
Other liabilities		45,847	37,281			186,045	269,173
		45,847	37,281				
Subordinated debt capital		416,942			214,609		631,551
		416,942			215,337		632,279
Capital						1,420,971	1,420,971
Total equity and liabilities	**0**	**1,512,512**	**37,281**	**0**	**14,022,716**	**1,998,417**	**17,570,926**
	0	**1,512,512**	**37,281**	**0**	**14,040,597**		

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

Presentation of the fair value hierarchy for financial instruments carried at fair value				**Book value**					**Fair Value**	
as at 31/12/2014 in €k	HtM	FV/PL	HFT	AfS	L&R / liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial assets carried at fair value										
Loans and advances to customers	0	84,297	0	110,074	0	0	**194,371**	0	110,074	84,297
Trading assets	0	0	56,649	0	0	0	**56,649**	1,290	55,359	0
Financial assets – FV/PL	0	241,238	0	0	0	0	**241,238**	53,141	188,097	0
Financial assets – AfS	0	0	0	590,382	0	0	**590,382**	449,598	56,881	83,903[1)]
Other assets	0	0	202,066	0	0	0	**202,066**	0	202,066	0
of which closed out derivatives in the banking book	0	0	202,066	0	0	0	**202,066**	0	202,066	0
Financial assets not carried at fair value										
Loans and advances to credit	0	0	0	0	1,460,988	0	**1,460,988**	0	0	1,461,191
Loans and advances to customers	40,368	0	0	0	12,041,499	0	**12,081,867**	0	40,419	12,148,486
Financial assets – HtM	2,051,487	0	0	0	0	0	**2,051,487**	2,251,701	16,545	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	89,575	0	0	0	0	**89,575**	0	0	89,575
Amounts owed to customers	0	412,563	0	0	0	0	**412,563**	0	0	412,563
Securitised liabilities	0	496,792	0	0	0	0	**496,792**	0	496,792	0
Other liabilities	0	0	98,831	0	0	0	**98,831**	4	98,827	0
of which closed out derivatives in the banking book	0	0	43,459	0	0	0	**43,459**	0	43,459	0
Subordinated debt capital	0	496,842	0	0	0	0	**496,842**	0	496,842	0
Financial liabilities not carried at fair value										
Liabilities to credit institutions	0	0	0	0	3,162,815	0	**3,162,815**	0	0	3,211,465
Liabilities to customers	0	0	0	0	9,581,045	0	**9,581,045**	0	0	9,595,580
Securitised liabilities	0	0	0	0	1,083,850	0	**1,083,850**	0	1,098,439	0
Other liabilities	0	0	0	0	0	0	**0**	0	0	0
Subordinated debt capital	0	0	0	0	217,534	0	**217,534**	0	223,154	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 for financial instruments carried at fair value				**Book value**					**Fair value**	
as at 31/12/2013 in €k	HtM	FV/PL	HFT	AfS	L&R / liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial assets carried at fair value										
Loans and advances to customers	0	83,127	0	99,621	0	0	**182,748**	0	99,621	83,127
Trading assets	0	0	38,964	0	0	0	**38,964**	1,801	37,163	0
Financial assets – FV/PL	0	249,924	0	0	0	0	**249,924**	50,367	199,557	0
Financial assets – AfS	0	0	0	550,041	0	0	**550,041**	472,385	57,619	20,037[1)]
Other assets	0	0	0	0	0	113,851	**113,851**	0	113,851	0
Financial assets not carried at fair value										
Loans and advances to credit institutions	0	0	0	0	1,692,787	0	**1,692,787**	0	0	1,693,037
Loans and advances to customers	40,033	0	0	0	11,490,481	0	**11,530,514**	0	40,033	11,521,709
Financial assets HtM	2,227,199	0	0	0	0	0	**2,227,199**	2,355,422	0	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	86,308	0	0	0	0	**86,308**	0	0	86,308
Amounts owed to customers	0	380,484	0	0	0	0	**380,484**	0	0	380,484
Securitised liabilities	0	582,931	0	0	0	0	**582,931**	0	582,931	0
Other liabilities	0	0	37,281	0	0	45,847	**83,128**	10	83,118	0
Subordinated debt capital	0	416,942	0	0	0	0	**416,942**	0	416,942	0
Financial liabilities not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	3,152,649	0	**3,152,649**	0	0	3,161,242
Amounts owed to customers	0	0	0	0	9,645,522	0	**9,645,522**	0	0	9,649,106
Securitised liabilities	0	0	0	0	1,009,936	0	**1,009,936**	0	1,014,912	0
Subordinated debt capital	0	0	0	0	214,609	0	**214,609**	0	215,337	0

1) For reasons of transparency Oberbank decided to discontinue showing Available-for-Sale instruments carried at amortised cost in this table. The previous year's values was adjusted accordingly.

The fair value corresponds to the amount at which an asset can be sold or a liability settled by market participants in a 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 are regularly performed measurements. There was no one-off fair value measurement in the financial year 2014.

Valuation method

Responsibility for independent monitoring and communication of risks as well as the valuation of financial instruments lies with the risk controlling unit in the Accounts and Controlling department of Oberbank. This unit is functionally and organisationally separate from trading, which is responsible for the initiation and settlement of transactions.
Trading book positions are marked to market daily at the close of business.
Valuation is based on current quoted prices as represented by prices quoted on securities exchanges where such officially quoted prices are available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived on the basis of current market data (yield curves, volatilities, etc.) are used.
These market data are validated daily; at regular intervals, the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with model values of the partner banks.
The management is forwarded a daily update on risk positions and the valuation results established with respect to total 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 in 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 the fair value measurement

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

Measurements are made using 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 option price 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-adjusted risk-free rate is determined for discounting purposes (CVA). The CVA is determined using expected-loss-based internal probabilities of default.

The fair values of non-listed securities are also taken over from the GEOS system. The fair value of investment fund units is taken over from the fund management companies. The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilitie
s and subordinated capital; the cash flow of Oberbank issues is 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 for the respective currency. The foreign exchange rates used are the reference rates published by the ECB.
For these financial instruments, no risk premiums in line with credit ratings are observable on the market. If measurements based on risk premiums increased by 50 bp, loans and advances to customers valued at fair value would decline by € 2.04 million, while amounts owed to credit institutions valued at fair value would increase by € 2.15 million and the amounts owed to customers valued at fair value would increase by € 18.4 million.

Changes in the fair value hierarchy or classification take place whenever there is any change in the quality of the 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 135,981 are recognised at cost. There is no active market for these instruments, which are not intended to be sold by Oberbank.
The following table shows the movements 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 2014 in €k:

Carrying value as at 01/01/2014	20,037	
Additions (purchases)	67,381	
Disposals (sales)	0	
Impairment (recognised in income)	(3,515)	contained in income from financial assets – AfS
Carrying value as at 31/12/2014	**83,903**	

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

Realised gains	0
Impairment in 2014	(3,515)
	(3.515)

The item Other comprehensive income showed no effects from this type of instruments in 2014.

The determination of the fair values of participating interests AfS in level 3 is based on the following significant, non-observable input factors:

	Significant, non-observable input factors	Relationship between significant, non-observable input factors and measurement at fair value
Participating interests Available for Sale	• Discounting rate (5.75% - 8.47%, weighted average: 6.08%)	The estimated fair value would increase (drop) if: • the discounting rate were lower (higher)

As regards the fair values of participating interests in the AfS portfolio, a reasonably possible change in one of the key non-observable input factors, while leaving the other input factors remain unchanged, would have the following effects on other comprehensive income after taxes:

	31/12/2014	
in €k	**Increase**	**Reduction**
Discounting rate (0.25% change)	(2,404)	2,417

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

Movements in 2014 in €k:	Loans and advances to customers	Amounts owed to credit institutions	Amounts owed to customers
Carrying value as at 01/01/2014	83,127	86,308	380,484
Additions	10,000	0	26,000
Disposals (repayments)	(12,939)	0	(34,000)
Change in market value	4,109	3,267	40,079
of which disposals	370	0	1,555
of which of portfolio instruments	3,739	3,267	38,524
Carrying value as at 31/12/2014	**84,297**	**89,575**	**412,563**

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 showed no effects from this type of instruments in 2014.

The result includes impairments of €k 80,055 (previous year: €k 72,673) on loans and advances to customers, €k 77,035 (previous year: €k 70,641) thereof was added to specific valuation allowances, and direct write-offs amounted to €k 3,020 (previous year: €k 2,032). The difference between the book values and the lower repayment values of financial liabilities designated at fair value through profit or loss came to €k 157,584 (previous year: €k 83,012). During the financial year, the Company acquired no pledged properties intended for immediate resale. The non-interest-related change in the fair value of financial liabilities amounted to €k 3,933 (previous year: €k 6,257), that of financial assets to €k 926 (previous year €k 853). The periodic change of non-interest-related of financial liabilities amounts to €k 2,324, that of financial assets to €k 73. In this context the change in fair value resulting from creditworthiness is determined as the movement in fair value not accounted for by changes in market risks (interest rates, currencies, etc.).

Offsetting of financial assets and financial liabilities (in €k) as required by IAS 32 and IFRS 7

	Financial liabilities gross	Gross amounts offset	Net amounts presented	Amounts not recognised Effects of netting arrangements	Financial instruments pledged	Net
Assets as at 31/12/2014						
Loans and advances to customers	12,832,577	(556,339)	12,276,238			12,276,238
Derivative assets	255,100	-	255,100	(76,566)	(92,379)	86,155
Total	**13,087,677**	**(556,339)**	**12,531,338**	**(76,566)**	**(92,379)**	**12,362,393**
Liabilities as at 31/12/2014						
Amounts owed to customers	10,549,947	(556,339)	9,993,608			9,993,608
Central bank funds purchased and securities sold under repurchase agreements	700,054	-	700,054		(700,054)	0
Derivative liabilities	96,730	-	96,730	(76,566)	(3,840)	16,324
Total	**11,346,731**	**(556,339)**	**10,790,392**	**(76,566)**	**(703,894)**	**10,009,932**
Assets as at 31/12/2013						
Loans and advances to customers	12,239,689	(526,427)	11,713,262			11,713,262
Derivative assets	147,915	-	147,915	(44,570)	(46,495)	56,850
Total	**12,387,604**	**(526,427)**	**11,861,177**	**(44,570)**	**(46,495)**	**11,770,112**
Liabilities as at 31/12/2013						
Amounts owed to customers	10,552,433	(526,427)	10,026,006			10,026,006
Central bank funds purchased and securities sold under repurchase agreements	690,507	-	690,507		(690,507)	0
Derivative liabilities	80,159	-	80,159	(44,570)	(14,628)	20,961
Total	**11,323,099**	**(526,427)**	**10,796,672**	**(44,570)**	**(705,135)**	**10,046,967**

The column “Gross amounts offset“ shows amounts for which offsetting is permitted pursuant to the provisions of IAS 32. The column “Effects of netting arrangement” presents amounts subject to a master netting arrangement. These master netting arrangements with customers are standardised derivatives framework agreements. Further, standardised agreements such as ISDA contracts are concluded with banks. ISDA contracts are master netting arrangements (framework contracts) with the International Swaps and Derivatives Association (ISDA). Oberbank AG employs these netting arrangements to reduce risks from derivatives in the event of a counterparty default. On the basis of these agreements all transactions involving derivatives are then settled net, offsetting assets against liabilities. If the net position is additionally hedged by means of cash collateral given or received (e.g. margin accounts), the hedges are reported in the column "Financial instruments pledged”. These hedges are based on CSA (Credit Support Annex) agreements with banks, which define the basic provisions governing the acceptance of collateral. The column “Financial instruments pledged” comprises the total amounts of collateral received or furnished in the form of financial instruments in relation to the total amount of assets and liabilities.

30) Information regarding persons and entities considered to be related parties

Remunerations paid to the Management Board as recognised in the consolidated financial statements amounted to €k 1,451 (previous year: €k 1,379). The variable component thereof was €k 313 (previous year €k 322, of which €k 22 for the reimbursement of administrative penalties).

Payments to former members of the Management Board and their surviving dependents amounted to €k 1,394.4 (previous year: €k 1,394.3). Payments for termination benefits and pensions for members of the Management Board (including former members of the Management Board and their surviving dependents) came to €k 5,042.2 (previous year: €k 1,094.8). This amount includes expenses caused by changes in the parameters used for actuarial calculation of provisions for termination benefits and pensions.

The guidelines on remuneration policies and practices of Oberbank provide for a well-balanced relationship between fixed and variable components; the reference value for the variable component is 20% of the respective total remunerations and limited to a maximum of 40% of the latter or a maximum of € 150,000. The fixed basic salaries depend on the particular remits of the Management Board members. Joint and personal performance elements as well as the overall performance of Oberbank are taken into account in the variable component.

Corporate performance is measured by specific key ratios and the degree to which medium and long-term strategic goals have been met:

- Sustained compliance with strategic risk allocation in accordance with the overall bank management strategy (ICAAP Internal Capital Adequacy Assessment Process);
- Sustained attainment of the strategic financial objectives in line with the defined strategy and the objectives of the Bank's multi-year plan;
- Sustained attainment of the Bank's strategic goals in general.

The assessment of Oberbank as a highly complex institutions within the meaning of the circular letter issued by the Austrian Financial Market Authority (FMA) in December 2012 implies that the variable remuneration component of Management Board members, the size of which is determined by the Remuneration Committee on the basis of the "Parameters for the assessment of variable remuneration components for Management Board members" in its annual meeting in March, is to be paid to 50% in equity instruments and 50% in cash; the respective equity instruments are subject to a holding period of three years and the portion of 40% of variable remuneration that in accordance with paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors has to be deferred for a period of five years has to consist to equal parts of equity instruments and cash.

Since variable remuneration components are always retrospectively determined and awarded, provisions must be set up in the balance sheet. However, given the very moderate policy course pursued by the Remuneration Committee, these can easily be planned.
Net of reimbursements for financial penalties, such provisions for the remunerations set up for disbursement in 2013 and 2014 amounted to €k 300 and €k 312 in 2012 and 2013 respectively.
Remunerations for 2014 recognised in the balance sheet as of 31 Dec. 2014 as earmarked for disbursement in 2015 amount to €k 330.

Variable components, like payments made to staff members, are paid out in May together with the monthly salaries; the amount assignable to the portion to be paid in equity instruments is booked to a blocked securities account in the name of the respective Management Board member and used for paying for the shares to be acquired, which are then subject to a holding period of three years.

The provisions created for the portions which are not disbursed in accordance with legal requirements (20% in cash and 20% in equity instruments) remain untouched. These provisions amounted to €k 96 in 2013 and €k 125 in 2014. These amounts are distributed across the subsequent five years to be paid out following approval by the Remuneration Committee.
In terms of accounting treatment, the provisions to be created for the variable components of Management Board remunerations are considered additional staff costs.

Remuneration of the Supervisory Board for the financial year 2014 as recognised in the consolidated financial statements came to €k 245 (previous year: €k 204).

The members of the Supervisory Board, besides the compensation of cash expenses incurred in connection with their function, are entitled to a fee of EUR 120 per meeting and annual emoluments.
The amount of these emoluments was approved by the Annual General Meeting 2014 for the financial year 2014 and subsequent years until further notice as follows: EUR 21,000 for the Chairman, EUR 17,000 for each of his deputies and EUR 15,000 for the other board members.
The Annual General Meeting of 2012 set the annual emoluments for the members of the committees in remuneration of the work rendered by each committee member at EUR 4,000 for the members of the Audit Committee and the Risk and Credit Committee, EUR 2,000 for the members of the Working Committee and EUR 1,000 for the members of the Nomination Committee and the Remuneration Committee.

Loans had been granted and guarantees were in place on behalf of the Supervisory Board of Oberbank AG in the amount of €k 714.3 (previous year: €k 514.2). Loans in the amount of €k 104.9 (previous year: €k 103.9) had been granted to the Management Board of Oberbank AG. They were subject to the customary terms and conditions.

Framework conditions of the 2014 employee stock option plan
Offering period: 26 May-16 June 2014
Placing of orders until 16 June 2014
Number of shares limited to up to 70,000 ordinary no-par shares available for purchase and up to 14,000 ordinary no-par shares allocated free of charge (“bonus shares”).
Subscription price: quoted price as at 17 June 2014
Maximum number of shares available for purchase: 145 shares
Bonus shares: one bonus share is allocated free of charge per five purchased shares.

Within the predefined timeframe, the employees of Oberbank AG were offered shares in the Company at preferential conditions (bonus shares). The purchase of shares is subject to restrictions on the amount employees are permitted to invest in purchasing shares.
The number of shares issued to employees within the framework of this offering amounted to 76,320 in the reporting year.
The 12,720 shares acquired via the 2014 buyback programme for the purpose of free-of-charge assignment to the eligible group of people entailed expenses in the amount of €k 636.

2014 buyback programme
The share buyback programme was concluded on 18 June 2014. Within the context of the buyback programme, Oberbank, through the stock exchange and over the counter, repurchased a total of 77,884 ordinary no-par shares equivalent to 0.2706% of the share capital. The weighted average price per ordinary no-par share amounted to € 50; the lowest price paid per ordinary no-par share was € 49.90. The value of repurchased shares amounted to € 3,893,544.50.
On 20 June 2014 the Management Board of the Company decided to sell or assign 77,884 of the 77,884 shares, i.e. 76,320 shares to employees within the context of the employee stock option plan of 2014 and 1,564 shares to the Management Board by way of share-based remuneration of the Management Board pursuant to Article 39b Austrian Banking Act in compliance with the proposal submitted by the meeting of the Remuneration Committee of the Supervisory Board of Oberbank AG on 25 March 2014; this decision as well as the sale of own shares are herewith published pursuant to Article

65 (1a) Joint Stock Companies Act (AktG) in conjunction with Article 82 (8 and 9) Stock Exchange Act (BörseG) and pursuant to Articles 4 and 5 Austrian Disclosure Regulation of 2002 and can also be viewed on the homepage of Oberbank: http://www.oberbank.at/OBK_webp/OBK/oberbank_at/Investor_Relations/Oberbank_Aktien/Aktienrueckkaufprogramm/index.jsp

In the course of ordinary business activities, business with companies and individuals considered to be related parties was transacted on arm's length terms. Business transactions between related companies included in the scope of consolidation were eliminated in the context of consolidation and are not explained in these notes.

As at 31 December 2014, business transactions with related companies and persons were as follows:

in €k	Associates	Subsidiaries	Other related companies and persons[1)]
Business transactions			
Finance	13,560	7,100	5,245
Guarantees/collateral	5,063	5,670	11
Balances outstanding			
Receivables	236,759	50,744	1,471
Receivables in previous year	278,593	82,847	25,999
Payables	111,545	54,150	10,759
Payables in previous year	58,497	65,313	38,915
Guarantees	33,714	6,254	44
Guarantees in previous year	30,564	584	3,041
Provisions for doubtful receivables	0	0	0
Provisions for doubtful receivables in previous year	0	0	0
Income items			
Interest	1,688	401	53
Commission	200	44	267
Expenses			
Interest	200	249	31
Commission	3	0	0
Allowances for doubtful receivables	2,450	4.454	0
Administrative expenses	0	0	18

1) The members of the Management Board and the Supervisory Board of Oberbank AG including their immediate families as well as companies that are controlled, jointly controlled or significantly influenced by these parties.

31) Segment reporting

The basis for segment reporting is the Bank's internal segmental accounting system, which is reflected in the separation between Personal Banking and Corporate and Business Banking operations established in 2003 and the resultant management remits within the Oberbank Group. The segments were presented in the segment reports as if they were autonomous enterprises with their own equity and with responsibility for their results. Customer servicing competences were the primary criterion for segment delimitation.

The segment information is based on the so-called "management approach", which requires that the segment information be presented on the basis of the internal reporting approach as regularly applied with respect to decisions relating to the allocation of resources to the individual segments and the assessment of their performance.

Segments within the Oberbank Group are: Personal Banking; Corporate and Business Banking (incl. the results of 43 leasing companies); Financial Markets (trading activities; the Bank's proprietary positions; positions entered into by the Bank as market maker; the structural income; income from associates; results of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.); Other (items not directly related to business segments; balance sheet items that cannot be allocated to the above-mentioned segments; units that contribute to profit but cannot be allocated to any business division).

In 2014, equity allocated was measured throughout the Group applying interest at a rate of 6%. This figure was chosen on the basis of empirical evidence as representing the long-term average return on a risk-free investment in the capital markets. It was recognised in the line item Net interest income as income from the investment of equity capital. This is regulatory capital.

Core business segments in €k	Personal	Corporate	Financial Markets	Other	Total
operative interest income	55,362	238,134	20,428		313,923
at equity			58,994		58,994
Net interest income	55,362	238,134	79,422		372,917
Charges for losses on loans and advances	720	(72,757)	(5,990)		(78,027)
Net commission income	56,053	63,274	(17)		119,310
Net trading income		(60)	5,334		5,274
Administrative expenses	(84,160)	(120,576)	(5,920)	(26,276)	(236,931)
Other operating income	(872)	1,768	(28,259)	2,411	(24,952)
Extraordinary result					
Profit for the year before tax	27,103	109,782	44,571	(23,865)	157,591
Average risk-weighted assets	1,261,728	8,299,509	3,888,020		13,449,257
Average allocated equity	138,462	910,789	426,672		1,475,923
Return on equity before tax	19.6%	12.1%	10.4%		10.7%
Cost/income ratio	76.1%	39.8%	10.5%		50.1%
Cash and balances at central banks			147,009		147,009
Loans and advances to credit institutions			1,460,988		1,460,988
Loans and advances to customers	2,441,683	9,834,555			12,276,238
Impairment provisions	(54,118)	(365,637)	(54,655)		(474,410)
Trading assets			56,649		56,649
Financial investments			3,650,387		3,650,387
of which interests in at equity companies			631,299		631,299
Other assets				658,025	658,025
Segment assets	2,387,565	9,468,918	5,260,378	658,025	17,774,886
Amounts owed to credit institutions			3,252,390		3,252,390
Amounts owed to customers	4,738,178	5,255,430			9,993,608
Securitised liabilities			1,580,642		1,580,642
Trading liabilities			55,372		55,372
Equity and subordinated debt capital	213,550	1,317,171	717,732		2,248,453
Other liabilities				644,421	644,421
Segment liabilities	4,951,728	6,572,601	5,606,136	644,421	17,774,886
Depreciation and amortisation	3,965	5,220	117	1,796	11,097

As a regional bank, Oberbank has a geographically limited catchment area. Consequently, because it would have been immaterial, segmentation by region has not been made.

32) Non performing loans (see also on pages 120 ff)	2014	2013
Loans and advances to credit institutions	0	0
Loans and advances to customers	299,969	301,117
Fixed-interest securities	0	2,947

The figures as of 31/12/2013 were retrospectively adjusted as certain provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. had to be adapted in the context of the first application of IFRS 11.

33) Assets pledged as collateral	2014	2013
Cover pool for trust money in savings deposits	24,086	24,038
Cover pool for covered bank bonds	148,877	174,226
Cover pool for mortgage-backed covered bank bonds	417,798	261,568
Margin cover and arrangement deposits to back securities transactions	23,380	28,459
Security for Euroclear credit line	65,691	74,355
Security for EIB refinancing loan	46,557	46,531
Security for EIB global loan facility	75,000	150,000
Securities and receivables for refinancing operations with OeNB	600,054	360,507
Securities held as collateral for the refinancing programme with the Hungarian National Bank	26,322	26,426
Securities held as collateral for payment transactions abroad	39,966	49,938
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	259,045	304,082
Accounts receivable assigned to LfA Förderbank Bayern and KfW (Kreditanstalt für Wiederaufbau	552,762	523,882
Other assets furnished as collateral for CCP Austria GmbH as clearing house for stock market transactions	232	
Assets pledged as collateral	2,279,769	2,024,011

Collateral was furnished in accordance with standard commercial practice or legal provisions. The previous year's figures of accounts receivable assigned to OeKB and LfA Förderbank Bayern and KfW (Kreditanstalt für Wiederaufbau) were restated.

34) Subordinated assets	2014	2013
Loans and advances to credit institutions	12,000	22,000
Loans and advances to customers	63,400	61,328
Bonds and other fixed-interest securities	56,265	82,678
Other variable yield securities	17,783	56,951
Subordinated assets	149,448	222,958

35) Foreign currency balances	2014	2013
Assets	2,156,956	1,721,413
Liabilities	1,591,001	1,597,064

36) Fiduciary assets	2014	2013
Fiduciary loans	327,080	331,013
Fiduciary investments	96	96
Fiduciary assets	327,176	331,109

37) Genuine repurchase agreements	2014	2013
Securities underlying genuine repo agreements had a book value of	131,174	315,083

38) Contingent liabilities and commitments	2014	2013
Other contingent liabilities (guarantees and letters of credit)	1,302,042	1,285,148
Contingent liabilities	1,302,042	1,285,148
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	2,727,707	2,351,793
Commitments	2,727,707	2,351,793

39) Scope of consolidation

The following list presents the group of consolidated companies within the Oberbank Group as at 31 Dec. 2014.

Group parent
OBERBANK AG, Linz

Consolidated entities	Percentage held
3-Banken Wohnbaubank AG, Linz	80.00
3-Banken Kfz-Leasing GmbH, Linz	80.00
Ober Finanz Leasing gAG, Budapest	100.00
Ober Immo Truck gAG, Budapest	100.00
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	100.00
Oberbank airplane Leasing GmbH, Linz	100.00
Oberbank airplane 2 Leasing GmbH, Linz	100.00
Oberbank Eugendorf Immobilienleasing GmbH, Linz	100.00
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	100.00
Oberbank Leobendorf Immobilienleasing GmbH, Linz	100.00
Oberbank Hybrid 1 GmbH, Linz	100.00
Oberbank Hybrid 2 GmbH, Linz	100.00
Oberbank Hybrid 3 GmbH, Linz	100.00
Oberbank Hybrid 4 GmbH, Linz	100.00
Oberbank Hybrid 5 GmbH, Linz	100.00
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	100.00
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	95.00
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	100.00
Oberbank Inzersdorf Immobilienleasing GmbH, Linz	100.00
Oberbank KB Leasing Gesellschaft m.b.H., Linz	100.00
OBERBANK LEASING GESELLSCHAFT MBH., Linz	100.00
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	general partner
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	general partner
Oberbank Leasing Bauhaus Pilsen, s.r.o., Prague	100.00
Oberbank Leasing GmbH Bayern, Neuötting	100.00
Oberbank Leasing Inprox Misk GmbH, Budapest	100.00
Oberbank Leasing Inprox Znojmo s.r.o., Prague	100.00
Oberbank Leasing JAF Holz, s.r.o., Prague	95.00
Oberbank Leasing KIKA, s.r.o., Bratislava	100.00
Oberbank Leasing KIKA, s.r.o., Prague	100.00
Oberbank Leasing Prievidza s.r.o., Bratislava	100.00
Oberbank Leasing s.r.o., Bratislava	100.00
Oberbank Leasing spol. s r.o., Prague	100.00
Oberbank LIV Immobilienleasing GmbH, Linz	100.00
Oberbank Mattigtal Immobilienleasing GmbH, Linz	90.00
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	99.80
Oberbank Operating Mobilienleasing GmbH, Linz	100.00
Oberbank Operating OPR Immobilienleasing GmbH, Linz	100.00
Oberbank Pernau Immobilienleasing GmbH, Linz	100.00
Oberbank Riesenhof Immobilienleasing GmbH, Linz	100.00
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	100.00

Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	100.00
OBK Ahlten Immobilien Leasing GmbH, Neuötting	94.00
OBK München 1 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 2 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 3 Immobilien Leasing GmbH, Neuötting	100.00
POWER TOWER GmbH, Linz	99.00
Tuella Finanzierung GmbH, Vienna	100.00

Entities accounted for by proportionate consolidation	Percentage held
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	50.00

Associated companies accounted for using the equity method	Percentage held
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	13.22
BKS Bank AG, Klagenfurt	18.52
Drei-Banken Versicherungs-Aktiengesellschaft, Linz	40.00
voestalpine AG, Linz	7.75

Non-consolidated entities	Percentage held
A. SUBSIDIARIES	
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
DPI S.A., Luxemburg (früher: Duktus S.A., Luxembourg)	57.55
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	58.69
„LA“ Gebäudevermietung und Bau - Gesellschaft m.b.H., Linz	100.00
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Holding GmbH, Linz	100.00
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	100.00
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	100.00
Oberbank Kfz-Leasing GmbH, Linz	100.00
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz	100.00
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	100.00
Oberbank PE Beteiligungen GmbH, Linz	100.00
Oberbank PE Holding GmbH, Linz	100.00
Oberbank Unternehmensbeteiligung GmbH, Linz	100.00
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100.00
Oberbank Vertriebsservice GmbH, Linz	100.00
Oberbank V-Investholding GmbH, Linz	100.00
Samson České Budějovice spol. s r.o., České Budějovice	100.00
„SG“ Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
„SP“ Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
„ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	100.00
TZ-Vermögensverwaltungs GmbH, Linz	100.00
„VB“ Gebäudeerrichtungs- und -vermietungsgesellschaft m.b.H., Linz	100.00
Wohnwert GmbH, Salzburg	100.00
B. ASSOCIATES	
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	20.57
3-Banken Beteiligung Gesellschaft m.b.H., Linz	40.00

3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	40.00
AMV Networks GmbH, Braunau	20.00
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	40.00
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	49.00
Buy-Out Central Europe II Beteiligungs-Invest AG, Vienna	24.85
COBB Beteiligungen und Leasing GmbH, Vienna	20.25
Cycleenergy Beteiligungs GmbH, Vienna	26.28
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz	40.00
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	33.11
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	33.85
Kontext Druckerei GmbH, Linz	25.20
LHL Immobilien Beteiligungs-GmbH, Linz	50.00
MY Fünf Handels GmbH, Vienna	50.00
OÖ HightechFonds GmbH, Linz	24.08
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50
Nutzfahrzeuge Beteiligung GmbH, Vienna	38.53

Information regarding subsidiaries

As regards accounting methods see item 2) in the Notes to the consolidated financial statements, item Summary accounting policies.

The table below presents a list of the key subsidiaries of the Oberbank Group in 2014 and 2013.

Name	**Country of main activity**	**Equity interest in %**	
		2014	**2013**
Oberbank Leasing GmbH	Austria	100.00	100.00
Oberbank Immobilien-Leasing GmbH	Austria	100.00	100.00
Oberbank Operating Mobilienleasing GmbH	Austria	100.00	100.00
Oberbank Operating OPR Immobilienleasing GmbH	Austria	100.00	100.00
Power Tower GmbH	Austria	99.00	99.00
Oberbank KB Leasing GmbH	Austria	100.00	75.00
TUELLA Finanzierung GmbH	Switzerland	100.00	100.00
Oberbank Leasing GmbH Bayern	Germany	100.00	100.00
Oberbank Leasing spol.s.r.o.	Czech Republic	100.00	100.00
Ober Finanz Leasing gAG	Hungary	100.00	100.00
Oberbank Leasing s.r.o.	Slovakia	100.00	100.00
Oberbank Hybrid 1 GmbH	Austria	100.00	100.00

As at 31 Dec. 2014 there were no substantial non-controlling interests in any of the subsidiary companies.

Information regarding associates

As regards accounting methods see item 2) in the Notes to the consolidated financial statement, item Summary accounting policies.

The Oberbank Group has four associated companies accounted for under the equity method; three of these are of material importance for the following disclosures.

	BKS Bank AG	Bank für Tirol und Vorarlberg Aktiengesellschaft	Voestalpine Group
Nature of relationship	Strategic banking partner	Strategic banking partner	Strategic partner
Type of activity	Credit institution	Credit institution	Steel-based technology and capital goods company
Headquarters of business activity	Austria	Austria	Austria
Interest held	18.52% (2013: 18.52%)	13.22% (2013: 13.22%)	7.75% (2013: 7.75%)
Fair value of ownership share (if listed)	€k 115,418 (2013: €k 106,130)	€k 68,443 (2013: €k 64,444)	€k 438,114 (2013: €k 466,636)

The following table presents summarised financial information on the associated companies BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft (credit institutions) and the voestalpine Group (Others). The data are based on the respective group financial statements compiled in accordance with IFRS.

	Credit institutions		Others	
in €k	**2014**	**2013**	**2014**	**2013**
Revenues	458,348	411,217	11,145,655	11,315,201
Profit/loss from continuing operations	114,863	105,752	608,492	492,428
Profit/loss after taxes from discontinued operations	0	0	0	0
Other profit/loss	42,109	(14,855)	(310)	(181,625)
Total result	156,972	90,897	608,182	310,803
short-term assets	757,596	668,759	5,782,600	5,564,000
long-term assets	15,490,342	15,448,350	7,242,800	6,983,600
short-term debts	2,470,891	3,033,026	3,934,700	3,486,300
long-term debts	12,058,923	11,503,423	4,159,200	3,999,000
Group’s share in the net assets of associated companies at the beginning of the year	246,371	233,754	316,792	308,973
Profit/loss attributable to the parent company	22,459	15,125	42,345	19,842
Dividend received in the financial year	2,509	2,508	12,691	12,023
Additions in the financial year	9,779	0	0	0
Group’s share in the net assets of associated companies at the end of the year	276,100	246,371	346,446	316,792

There is a syndicate agreement in place between Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft and Generali 3 Banken Holding AG regarding the investment held in BKS Bank AG and there is a syndicate agreement in place between Oberbank AG, BKS Bank AG, Generali 3 Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. regarding the investment held in Bank für Tirol und Vorarlberg Aktiengesellschaft. The purpose of these syndicates is to preserve the independence of BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, respectively. BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft were accounted for in the consolidated financial statements by reason of the aforesaid syndicate agreements.

The voestalpine Group was mainly included because of the sustained strategic substance of its shareholder structure and the associated possibility of exerting a significant influence on it. Moreover, as a strategic investor, Oberbank AG also has a representative on the Supervisory Board of voestalpine AG. To permit the timely preparation of annual financial statements, a cut-off date of 30 September was applied when recognising associates.

BKS Bank AG carried out a capital increase in the fourth quarter of 2014, which, however, had no impact on the percentage of the holding in the company. The impact on the book value was taken into account in the present consolidated financial statements.

Furthermore, one associated company which is not of material importance in terms of the above disclosures was valued at equity. The profit/loss from continuing operations attributable to this company amounted to €k 339 (previous year: €k 522).

The associates not included in the consolidated financial statements showed the following figures as at the balance sheet date (applying the Austrian Enterprise Code, UGB):

in €k	2014	2013
Assets	264,889	357,209
Liabilities	128,703	218,575
Revenues	93,137	239,680
Profit (loss) for the period	3,322	(25,841)

Since these figures were compiled in accordance with UGB, it was impossible to provide a breakdown by result from continuing and discontinued operations resp. other comprehensive income / total income as required pursuant to IFRS 12.

Disclosures regarding jointly controlled operations

As regards accounting methods see item 2) of the Notes to the consolidated financial statement, item Summary accounting policies.

The Oberbank Group holds a 50 per cent interest in ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H, a joint arrangement entered into together with its sister banks BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft. The purpose of this company lies in securing large loan exposures of the partner banks. The company has its headquarters in Austria.

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H is classified as a joint arrangement by the Oberbank Group and its sister bank, although it is legally independent of these parties. The reason for this lies in the fact that the guarantee fund created for covering large loan exposures is exclusively available to the partner banks and was endowed from payments made by the latter.

Disclosures regarding unconsolidated structured entities

Nature, purpose and extent of the Group's interest in unconsolidated structured entities

The Oberbank Group engages in various business activities with so-called structured entities which are designed to achieve a defined business purpose. A structured entity is one that has been set up in such a way that any voting rights or similar rights are not the dominant factor in deciding who controls the entity.

A structured company has some or all of the following features or attributes:

- restricted activities
- a narrow and well-defined objective
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support

Structured entities generally finance the purchase of assets by issuing debt or equity securities that are collateralised by and/or indexed to the assets held by the structured entity.

The Oberbank Group's interest in unconsolidated structured entities consist of contractual relationships with attached entitlement to variable proceeds from the performance of the unconsolidated structured entities, which, specifically, relate to business activities with investment fund units in which the Oberbank Group has invested with the purpose of earning investment income.

The entities covered by this disclosure note are not consolidated because the Oberbank Group does not control them through voting rights, contract, funding agreements or other means. Material consolidated structured entities identified within the Oberbank Group are generally carried at fair value in the IFRS financial statements as their performance is assessed and monitored in terms of their fair value development on the basis of a documented investment strategy.

Income

The Oberbank Group earns income from such transactions, firstly in the form of dividends and secondly in the form of value changes of securities held. Dividends are shown in the item Other operating income.
Changes in value are shown under Net income from financial assets – FV/PL in the item Other operating income.

Maximum exposure to loss

The maximum exposure to loss resulting from these interests corresponds to the book value at which the assets are carried in the balance sheet. The effects of collateral are not taken into account.

Size

The Oberbank Group has defined the fair value of managed assets as the appropriate indicator for evaluating the size of unconsolidated structured entities. The decision to use the fair value was taken because the performance of these investments is assessed and monitored by their fair value development on the basis of a documented investment strategy.

Financial support

During the financial year the Oberbank Group provided no support to unconsolidated structured entities other than that given under contractual obligation. No such support is planned for the future either.

The following table shows the carrying value of the interests held by the Group and the respective maximum exposure to loss resulting from these interests. It also provides an indication of the size of structured entities.

in €k	**2014**
Assets	
Financial assets FV/PL	36,363
Statement of comprehensive income	
Other operating income	1,634
Net income from financial assets – FV/PL	(4,169)
Other operating profit	5,803
Maximum exposure to loss	36,363

Risk report

40) Risk management

Risk strategy

The targeted assumption of risks is a basic feature of banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term.

The responsibility for defining the Group's central risk management strategy and implementing the pertinent risk policy standards as well as for risk management and risk controlling across the Oberbank Group lies with Oberbank AG.

The point of departure and basic principle of Oberbank's risk strategy is the Bank's strategic orientation as a regional bank.

The Management Board and all of the Bank's employees consistently act in accordance with the principles laid down in the Bank's risk policy, and decisions are invariably made on the basis of these guidelines. Before new business lines are taken up or new products introduced, business-specific risks are always adequately analysed.

Organisation of risk management

Risk management encompasses all activities involved in systematically addressing potential risks within the Group.

At Oberbank, risk management is an integral element of the Bank's business policy, strategic planning, and operational management and controlling.

Central responsibility for risk management lies with the Management Board of Oberbank AG as a whole.

The risk targets for the respective financial year are derived from the Bank's risk strategy, and the available risk coverage capital is distributed across the individual risks by assigning commensurate limits within the framework of the annual planning and budget cycle. These limits create the basis for ongoing strict compliance control throughout the respective year. The responsibility for managing the planning cycle lies with the Controlling department in cooperation with the full Management Board.

Efficient risk management within Oberbank is based on a differentiated management system that actively addresses the individual risk components. The Bank's Asset/Liability Management (ALM) Committee is responsible for coordinating the risk management process and integrating the individual risk types into the overall bank risk. The ALM Committee is headed by the Management Board member in charge of the Risk Management department. The ALM Committee is responsible for allocating the available capital, taking into account the individual opportunity/risk profiles of the Bank's lines of business.

The central and independent risk controlling function required by the Austrian Banking Act (Section 39 (2) BWG) is assumed by the Accounts and Controlling department. This is the unit responsible for measuring, analysing and monitoring all material risks within Oberbank and reporting any such nascent risks to the Management Board and the ALM Committee as well as to the respective department heads and employees.

The responsibility for the risk management of all subsidiaries as well as the Bank's operating units in Austria and abroad rests centrally with Oberbank AG in the departments in charge of the individual risk components.

Risk report to the Supervisory Board

A report describing the Bank's risk strategy and its current risk situation, existing control and surveillance systems and the risk measurement methods used is presented to the Supervisory Board once annually.

Internal Control System

Oberbank's Internal Control System (ICS) is in compliance with the internationally recognised COSO Framework. Provisions for a detailed description of all ICS procedures, a uniform documentation of all risk-relevant processes within the Bank and the pertinent control measures have been made. Responsibilities and functions within the context of the ICS are clearly specified. A regular, multi-level reporting process with regard to the efficiency and maturity of the ICS is in place. Control activities are properly documented, tested and assessed. ICS-relevant risks are regularly evaluated and adjusted. A continuous optimisation process is thus guaranteed. The Internal Audit department of Oberbank AG serves as an independent monitoring body and in this capacity performs audits of the ICS. It examines the effectiveness and adequacy of all ICS procedures and monitors compliance with the relevant work instructions.

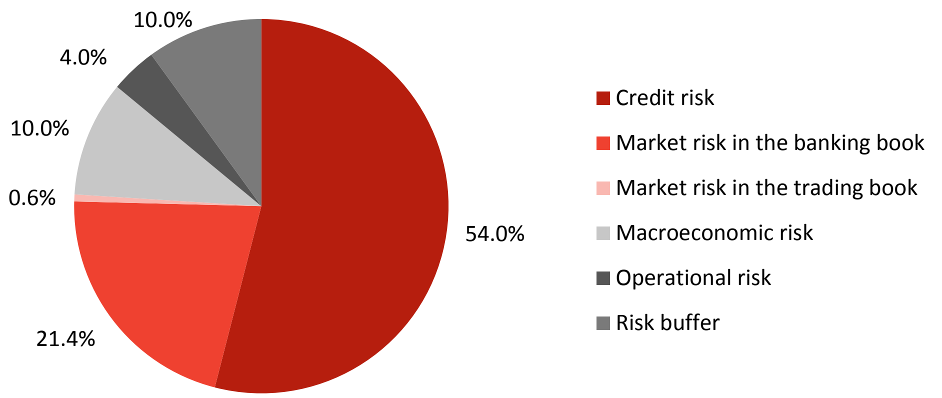
Disclosure pursuant to Part 8 of Reg. (EU) No 575/2013 (CRR)

Oberbank has chosen the Internet as the publicly accessible medium for disclosures required pursuant to Part 8 CRR. Disclosures are available for download on the Oberbank website at www.oberbank.at (section: Investor Relations).

Overall risk management process

At Oberbank AG, compliance with the regulatory requirements for qualitative risk management arising from the Internal Capital Adequacy Assessment Process (ICAAP) is ensured by means of the risk-taking capability calculation. The basis for assessing the Bank's risk-taking capability is the quantification of material risks and the corresponding economic capital. The calculation of Oberbank's risk-taking capability is based on the Bank's model capital requirement, which results from the specific business model of Oberbank. Within the framework of this process, ICAAP risk limits are derived for all material banking risks, specifically the credit risk (within which loss exposure, the counterparty default risk, the foreign currency loan risk, the risk of credit valuation adjustments (CVA risk) and credit risk concentrations are quantified), the market risk in the trading book, the market risk in the banking book, the liquidity risk, the operational risks as well as risks arising from the macroeconomic environment. In the risk-taking capability calculation, the risk appetite of Oberbank is limited to 90% of economic capital. The remainder of 10% is not allocated. Apart from using economic capital management as a tool for limiting risk, Oberbank controls material risks by means of processes and individual limits applied within the context of operational risk management.

Share of assigned risk limits in total available capital



In the 2014 financial year, Oberbank revised its ICAAP concept. Economic capital is no longer allocated to the risk from equity holdings under the new concept. Instead, the exposure to loss from equity investments is quantified within the context of the credit risk. The market risk from participation interest in listed companies is additionally quantified within the framework of the market risk.

On 31 Dec. 2014, limit utilisation stood at 58.9% (31/12/2013: 54.5%). The credit risk limit was utilised to 63.9% (31/12/2013: 67.9%), the limit for market risk in the banking book to 54.0% (31/12/2013: 66.9%), the market risk limit in the trading book to 32.0% (31/12/2013: 13.4%) and the limit for the macroeconomic risk to 40.1% (31/12/2013: 0% - stress scenario tests were used for quantification) and the operational risk limit to 68.3% (31/12/2013: 72.9%).

Effects of stress scenarios

Oberbank complements the risk-taking capability calculation by performing crisis stress tests on a quarterly basis. In these tests, Oberbank takes into account the effects of a deterioration of the macroeconomic environment (decline in GDP growth, increase in unemployment and business failures, price decline on stock markets and real estate markets, etc.) by means of underlying scenarios assuming increased loss exposure, lower stock market prices and a decline in property values. The overall bank limit was not exceeded in any of the scenarios as at 31 December 2014. The overall limit utilisation in the worst case scenario was 68.9% (31/12/2013: 71.3%).

Responsibility for the Group's risk management by risk categories

Credit risk: Credit risk management is the responsibility of the Credit Management department, which is separate from sales operations. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process, up to the Management Board level.

Equity risk: The Management Board of Oberbank AG is, as a whole, accountable for investment decisions as well for as the proper organisation and monitoring of the Bank's equity investment management. Operational equity investment management is the responsibility of the Corporate Secretary and Communications department. Equity investments representing direct credit substitutes are subject to the rules and regulations of the credit process.

Market risk: Responsibility for managing market risks at Oberbank is split between two competence centres, which manage these risks independently within the framework of the risk limits allocated to them. The Global Financial Markets department is responsible for the foreign currency risk of the entire Oberbank Group, the market risk in the trading book and the interest rate risk arising within the scope of money market trading. The market risk in the banking book is the responsibility of the ALM Committee.

Operational risk: At Oberbank AG, a separate operational risk management body oversees and controls the process for managing operational risks and is responsible for the ongoing revision and improvement of the processes and methods applied. The operative risk management of operational risks is carried out by the respective operating departments and regional sales units (risk-taking units) responsible for the operational risk of products and processes within their area of responsibility.

Liquidity risk: The Bank's long-term, strategic liquidity is managed by the Management Board and the ALM Committee. Short-term liquidity control is the responsibility of the Global Financial Markets department.

Risk concentrations

Risk concentrations constitute a concentration risk with a potential to cause losses large enough to threaten the stability of a financial institution's health or to produce a material change in its risk profile. A differentiation is made between two types of risk concentration:

- Inter-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories.
  The sensitivity of Oberbank to inter-risk concentrations is tested on a quarterly basis within the framework of the risk-taking capability calculation.
- Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category. Concentrations may occur in all types of risks. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories.
  Owing to the specific business model of Oberbank, the intra-risk concentration risk is primarily a crucial factor within the credit risk. It arises due to the fact that individual exposures may account for a high percentage of total exposure, or exposures exhibit an above-average degree of correlation (concentrations within exposure groups, business segments, sectors, countries, customer groups, etc.). The intra-concentration risk is taken into account within the credit risk within the framework of the risk-taking capability calculation. Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

The individual country limits are determined on the basis of the country rating and the economic strength of the respective country as well as Oberbank's expert opinion based on information accumulated in the context of customer transactions with the respective country. Operative business limits are broken down into individual product categories. Compliance with the individual limits is automatically monitored by means of a limit system.

Portfolio limits are also in place in the area of foreign currency financing.

The share of the Bank's ten largest borrowers (groups of related customers) in terms of loans and receivables and fixed-rate securities amounted to 14.81% (prev. year: 16.66%). This share, in particular, includes receivables from the federal government (8.95%; prev. year: 9.79%) and European banks and insurance companies (5.86%; prev. year: 6.88%).

Risk maturities were not matched. Total large-loan exposures were far below the regulatory cap.

Large loan exposures are secured by ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. by way of a cover pool, which on 31 December 2014 comprised funds in the amount of EUR 222.8 million available to the institutions of the 3 Banken Group (as compared to EUR 224.1 million in the previous year).

For additional quantitative information on the concentration risk, please refer to the tables in chapter 41) Credit risk.

41) Credit risk

The credit risk is understood to be the risk of a borrower's partly or fully failing to meet the contractually agreed payment obligations. The credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group. Risk management in the credit management field encompasses credit risks, country risks and counterparty risks, foreign currency risk as well as concentration risk. Oberbank has no business in the field of securitisation in its portfolio.

Credit risk strategy

The Bank's credit risk strategy is founded on the application of the regionality principle, i.e. the locations of headquarters of lending customers are in the regions covered by the Bank's network of branches.

In Austria and Bavaria, the principal focus is on lending to industry and medium-sized enterprises. In the Czech Republic, Slovakia and Hungary, Oberbank lends mainly to small and medium-sized businesses. At least once a year, management, in cooperation with the head of the Credit Management department, defines the operational risk targets within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments. The volume of foreign currency loans is limited with 10% of the total volume of loans to customers or 15% of the volume of personal loans. Effective January 2013, the extension of new foreign currency loans to consumers has become subject to compliance with the strict FMA minimum standards. The organisational structure is in conformity with the minimum standards for credit operations.

Lending decision process

Duties and responsibilities in the lending decision process are clearly delineated, and competences are unambiguously and transparently defined. This provides the basis for establishing standardised work processes, avoids needless parallel procedures and thus offers a sound foundation for loan applications to be processed swiftly and smoothly. The lending decision process encompasses all workflows up to the granting of a loan or the establishment of a credit line. These processes are based on standardised procedures in compliance with the Bank's risk strategy.

Internal rating and assessment of creditworthiness

An efficient system for the assessment of a customer's creditworthiness (customer rating system) is a central prerequisite for effective credit risk management in the sense of fair and risk-adequate pricing in the lending business of a bank. In both personal and business banking operations, Oberbank performs these assessments using advanced credit rating processes further refined through statistical methods. This system complies with the requirements defined for the IRB approach. Starting 7 January 2015, the expert systems in use in corporate and business banking in the CEE markets will be replaced by

newly developed statistical methods. For personal customers, a system based on statistical methods will be introduced in the course of 2015. In fact, Oberbank considers its credit rating process as one of the Bank's core competences.
The credit assessment procedures applied in corporate and business banking (rating procedures) and in personal banking (scoring process) differ in terms of their approach. The rating-based approach determines a hard-facts rating (based on balance sheet data) and a soft-facts rating (qualitative information such as on products, markets, etc.), which, additionally taking into account warning signals and account data, are compounded to the final rating. The scoring procedures include the credit scoring (negative information and structural data) and behaviour scoring (account behaviour and structural data). All rating and scoring procedures serve to establish the estimated probability of default per customer. The estimated probability of default is mapped into a default risk grid, which ensures that a rating grade established by means of different rating procedures reflects a uniform probability of default.

The rating processes are subject to annual validation and the resultant findings are used as a basis for the ongoing further development and optimisation of the rating procedures.

Credit ratings on credit institutions and central governments and other sovereign counterparties, as well as the respective limits, are assigned on the basis of external ratings and/or balance sheet analyses combined with qualitative criteria.

The rating process is carried out in the run up to the granting of a loan and at least once annually thereafter. The competence for approving the ratings lies with the Credit Management department.

There are logical correlations between the rating assigned to a customer in an IT-supported process and the terms and conditions granted to the respective customer (risk-based pricing).

Risk management and controlling
The operational management of the credit portfolio is primarily based on the calculation of capital deficiencies per rating grade. For rating grades of 4a and lower, capital deficiencies are planned at the level of the individual customers within the framework of the annual budget cycle and the deviation from target values is calculated monthly for each branch. Risk provisioning needs are calculated on a monthly basis and the earnings preview is updated accordingly.

Maintaining close relations with customers is a key priority at Oberbank. The results of regular personal talks with customers are reflected in soft facts taken into account in the rating process. The frequency of these talks is increased in years of crisis, enabling the Bank to adjust customers' credit ratings to their actual business situations very quickly in critical years.

Presentation of the portfolio
The credit risk exposure is made up of the balance sheet items Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities of financial investments as well as credit risk exposure from derivatives and contingent liabilities, including non-utilised credit lines of the entire Oberbank Group, and is shown in gross terms, i.e. before charges for losses on loans and advances.

Exposure in €k	**as at 31/12/2014**	**as at 31/12/2013**
Loans and receivables 1)	13,558,572	13,228,486
Fixed-interest securities	2,596,871	2,776,621
Credit risk from derivatives and contingent liabilities	4,335,613	3,790,859
Total exposure	**20,491,056**	**19,795,966**

1) Deviations from the presentation in the consolidated financial statements result from factors such as the inclusion of the Leasing sub-group, which deviates in terms of the balance sheet cut-off date (as of 31 Dec. 2014 here and as of 30 Sept. 2014 in the consolidated financial statements).

Presentation of the portfolio by rating grade

The rating category “very strong” embraces the rating grades AA, A1. A2, 1a and 1b, the rating category “strong” the rating grades 2a, 2b, 3a and 3b and the category “weak” the rating grades 4a and 4b. The category “non-performing” comprises exposures to which a default definition within the meaning of Basel III applies: Rating grade 5a refers to exposures not yet transferred to the workout process. Exposures in the rating grades 5b and 5c are already in the process of liquidation. Owing to excess cover by valuable collateral, non-performing loan exposures included EUR 53.2 million (previous year: EUR 149.8 million) in non-impaired receivables in the reporting year.

Rating category in €k as at 31/12/2014	Loans and receivables	Fixed-interest securities	Credit risk from derivatives and contingent liabilities	Total exposure
Very strong	5,818,724	2,321,020	2,115,649	10,255,393
Strong	6,690,484	275,799	2,094,353	9,060,637
Weak	469,221	1	87,931	557,153
Non-performing	580,142	50	37,680	617,873
Total exposure	**13,558,572**	**2,596,871**	**4,335,613**	**20,491,056**

Rating category in €k as at 31/12/2013	Loans and receivables	Fixed-interest securities	Credit risk from derivatives and contingent liabilities	Total exposure
Very strong	5,823,422	2,543,557	1,931,094	10,298,073
Strong	6,279,662	206,878	1,735,564	8,222,105
Weak	563,705	23,380	102,790	689,875
Non-performing	561,697	2,806	21,411	585,913
Total exposure	**13,228,486**	**2,776,621**	**3,790,859**	**19,795,966**

Presentation of the portfolio by region

The credit risk volume in geographical terms is presented on a country-of-debtor basis. The following table shows the overall credit risk volume of the Oberbank Group as at 31 Dec. 2014 and as at 31 Dec. 2013, broken down by Oberbank markets and other regions.

Geographic distribution in €k as at 31/12/2014	Loans and receivables	Fixed-interest securities	Credit risk from derivatives and contingent liabilities	Total exposure
Austria	8,434,730	1,127,534	3,236,593	12,798,857
Germany	2,490,805	411,120	751,955	3,653,881
Eastern Europe (CZ, SK, HU)	1,897,595	131,254	199,392	2,228,241
Western Europe (except DE)	432,771	254,596	90,147	777,514
PIGS countries	18,734	196,699	37,511	252,944
Other countries	283,937	475,667	20,015	779,619
Total	**13,558,572**	**2,596,871**	**4,335,613**	**20,491,056**

Geographic distribution in €k as at 31/12/2013	Loans and receivables	Fixed-interest securities	Credit risk from derivatives and contingent liabilities	Total exposure
Austria	8,307,377	1,232,094	2,785,081	12,324,551
Germany	2,558,164	399,554	565,759	3,523,477
Eastern Europe (CZ, SK, HU)	1,623,948	131,227	269,738	2,024,913
Western Europe (except DE)	472,413	562,539	107,697	1,142,648
PIGS countries	18,401	223,642	41,422	283,465
Other countries	248,184	227,565	21,163	496,912
Total	**13,228,486**	**2,776,621**	**3,790,859**	**19,795,966**

The table below shows the PIGS countries in detail:

in €k as at 31/12/2014	Loans and receivables to credit institutions and customers	Loans and receivables to sovereigns	Fixed-rate securities (credit institutions and customers)	Credit risk from derivatives and contingent liabilities	Total
Portugal	62	-	0	33,322	33,385
Italy	14,523	-	87,232	827	102,582
Greece	70	-	0	13	83
Spain	4,078	-	109,468	3,349	116,895
Total	**18,734**	**-**	**196,699**	**37,511**	**252,944**

in €k as at 31/12/2013	Loans and receivables to credit institutions and customers	Loans and receivables to sovereigns	Fixed-rate securities (credit institutions and customers)	Credit risk from derivatives and contingent liabilities	Total
Portugal	71	-	0	40,008	40,079
Italy	17,573	-	109,307	1,310	128,190
Greece	235	-	0	17	251
Spain	522	-	114,335	88	114,945
Total	**18,401**	**-**	**223,642**	**41,422**	**283,465**

Presentation of the portfolio by sectors

The following tables show the overall credit risk volume as at 31 Dec. 2014 and as at 31 Dec. 2013 broken down by sectors.

Sector as at 31/12/2014 in €k	Loans and receivables	Fixed-rate securities	Credit risk from derivatives and contingent liabilities	Total
Credit and insurance industry	1,810,682	917,910	278,187	3,006,779
Public sector	615,833	1,461,981	56,630	2,134,444
Raw materials processing	606,506	28,737	254,186	889,429
Metals processing	799,092	40,086	544,588	1,383,766
Manufacturing of goods	932,416	11,517	494,929	1,438,863
Trade	1,453,902	14,542	694,494	2,162,938
Services	1,302,029	24,301	357,966	1,684,296
Construction	373,258	8,496	439,567	821,321
Real estate	731,889		131,435	863,324
Transportation	457,374		75,747	533,121
Utilities	234,349		82,973	317,322
Agriculture and forestry incl. mining	103,054		17,584	120,638
Holding and investment companies	700,026	89,250	252,101	1,041,377
Private and self-employed persons	2,706,221		486,442	3,192,663
Other	731,941	50	168,785	900,776
Total	**13,558,572**	**2,596,871**	**4,335,613**	**20,491,056**

Sectors as at 31/12/2013 in €k	Loans and receivables	Fixed-rate securities	Credit risk from derivatives and contingent liabilities	Total
Credit and insurance industry	1,978,053	1,273,564	140,092	3,391,710
Public sector	782,735	1,295,605	69,238	2,147,578
Raw materials processing	649,629	23,815	220,615	894,059
Metals processing	804,203	45,077	573,683	1,422,964
Manufacturing of goods	966,843	2,250	442,841	1,411,934
Trade	1,377,343	11,750	609,095	1,998,188
Services	1,096,340	20,789	271,157	1,388,286
Construction	433,522	6,388	416,513	856,423
Real estate	716,223		64,424	780,647
Transportation	396,316		65,187	461,503
Utilities	241,184	3,246	100,811	345,241
Agriculture and forestry incl. mining	115,185		11,714	126,899
Holding and investment companies	624,480	90,592	194,615	909,687
Private and self-employed persons	2,459,181		428,266	2,887,447
Other	587,248	3,545	182,608	773,401
Total	**13,228,486**	**2,776,621**	**3,790,859**	**19,795,966**

Credit collateral

Strategies and processes applied in valuating and managing collateral securities

Accepting credit collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the danger of a shortage of cover poses high demands in terms of correct and up-to-date valuation of collateral. For this reason, the management and administration of credit collateral is, as a matter of principle, separated from sales throughout the Oberbank Group and is performed by the respective back-office credit management groups of the Payment Systems and Central Production department.

Responsibility for drawing up standardised collateral agreements and documentation generally used throughout the Group lies with the central specialist department for legal matters (Credit Management/Financing Law). The management and administration of credit collateral encompasses a material and a formal aspect. All related activities are precisely defined, taking into account the specific requirements of the individual collateral categories. The applicable rules and regulations have been defined in such a way as to guarantee legally sound assignment of credit collateral and to ensure that, in case the need arises, all requirements for the rapid enforcement of claims are met.

As regards the acceptance of mortgage collateral for mortgage-backed loans, Oberbank, in accordance with the regionality principle, also primarily accepts collateral located in the Bank's catchment area. Physical collateral is accepted subject to the rule that the financing term must correspond to the useful life of the collateral. Important valuation criteria are the intrinsic value of collateral assets and their rapid enforceability. Concerning personal securities, there must be no material correlations between the guarantor and the lender. Lease finance arrangements are subject to the rule that any agreed residual value must be lower than or at most equal to the market value expected upon expiry of the lease agreement.

The method of assessing the objective current nominal value of collateral is bindingly prescribed for each type of collateral. The resulting value is recognised as a basis for calculating the coverage value of the collateral for internal risk management purposes and for credit risk mitigation within the framework of Basel III. The internal coverage values are maximum values used for determining the shortfall of cover. In duly substantiated cases, the valuation of a collateral asset may be adjusted downward by the respectively competent bank official. An upward adjustment of a valuation is only possible in well-founded exceptional cases and is effected by the back office.

The currently applicable valuation principles are derived from estimates based on debt collection and enforcement data collected in the context of the Bank's experience in the realisation of collateral. The valuation discount applied in the valuation process accounts for the valuation risk and the liquidation risk involved in the respective collateral asset as well as the interest effect resulting from the realisation period required for the respective collateral security.

The market value of financial assets is constantly monitored to ensure up-to-datedness; collateral in the form of mortgage securities is valued and assessed by experts in compliance with the minimum standards defined by the comprehensive collateral valuation principles laid down in the CRR.

As a rule, internally used collateral assets are subject to the same strict quality requirements in terms of up-to-datedness and legal enforceability as collateral accepted and credited under Basel III.

Property pledged as collateral plays a subordinated role. Reported financial assets include the amount of €k 835 (previous year: €k 835) arising from the acquisition of real property pledged as collateral. Oberbank only acquires property pledged as collateral in the event that the immediate realisation of such assets at a reasonable price (e.g. in an auction or on the open market) is prevented by certain sales obstacles. In such a case, the declared goal is to remove any such sales obstacle and then duly sell the respective property as quickly as possible. Property pledged as collateral is not used in the context of ongoing business operations. No collateral assets in compliance with the IFRS recognition criteria were liquidated in the reporting period.

Types of collateral securities

The most important types of collateral securities are mortgages on residential real estate and commercial property, financial collateral (cash deposits, bonds and shares) as well as personal securities (sureties, guarantees). The exposure type "Loans and receivables" accounts for the major part (85.32%; previous year: 85.31%) of collateral assets; the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" (10.48%; previous year: 8.45%) and "Fixed-rate securities" (4.20%; previous year: 6.24%).

The table below shows the reported value of eligible IRB collateral to secure corporate exposures established within the framework of ICAAP quantification of credit risks. Additional collateral from the recognition of lien under the General Terms and Conditions was included in 2014.

Collateralised exposure value in €k	31/12/2014	31/12/2013
Financial collateral	**1,144,324**	**414,572**
Cash deposits	941,583	257,468
Bonds	122,114	73,682
Stocks and other variable interest securities	80,628	83,422
Real estate collateral	**3,711,543**	**2,993,920**
Residential real estate	1,716,432	1,452,545
Commercial property	1,995,111	1,541,375
Physical collateral	**667,696**	**606,685**

Personal securities accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 83.4% (previous year: 82.7%) of the entire volume of personal securities, are listed below.

as at 31/12/2014 in €k	Rating acc. to Standard & Poor´s	Amount	in %
Total amount of recognised guarantees		**741,531**	**100%**
of which Austria	AA+	415,843	56.1%
of which Slovakia	A	64,186	8.7%
of which municipality of Graz		50,000	6.7%
of which Province of Upper Austria	AA+	48,403	6.5%
of which LfA Förderbank Bayern	Aaa (Moody's)	26,731	3.6%
of which KfW Kreditanstalt für Wiederaufbau	AAA	13,607	1.8%

per 31/12/2013 in €k	Rating acc. to Standard & Poor´s	Amount	in %
Total amount of recognised guarantees		**925,792**	**100%**
of which Austria	AA+	492,488	53.2%
of which Province of Lower Austria	AA+	66,666	7.2%
of which Slovakia	A	64,116	6.9%
of which municipality of Graz		50,000	5.4%
of which Province of Upper Austria	AA+	48,785	5.3%
of which Netherlands	AA+	43,992	4.8%

Impairment provisions and non-performing loans

Development of impairment provisions

Risks discernible at the balance sheet date are accounted for by creating specific impairment allowances or impairment provisions. Specific impairment allowances are created throughout the Group whenever there are grounds for believing that customers are unlikely to repay their credit obligations in full.

The Credit Management department determines the specific impairment allowance in line with the internal competence rules and subject to approval by the Board.

Losses incurred but not reported are accounted for by setting up portfolio impairment provisions according to IAS 39. The latter are calculated by multiplying the non-collateralised customer exposures by the probabilities of default per rating class.

The total balance of impairment provisions is disclosed as a deduction on the assets side of the balance sheet. The impairment provisions associated with off-balance-sheet transactions (including, in particular, guarantees and other loan commitments) are reported in the line item Provisions for liabilities and charges.

In cases in which an event occurs that prevents recovery of an exposure in full or in part from the respective customer and a specific impairment provision does not exist or is not available in a sufficient amount, the non-recoverable balance is booked directly through profit or loss (direct write-off). Such events, among others, may include:

- Derecognition of the remaining balance following the dismissal or conclusion of insolvency proceedings and/or realisation of all available collateral;
- Closing of a decedent's estate with a lack of assets and collateral;
- Debt rescheduling including discount granted (composition agreement).

Development of impairment provisions

The balance of impairment provisions for loans and advances increased slightly by EUR 7.4 million to EUR 78.0 million year on year.

Movements in impairment provisions (income statement view)

in €k	31/12/2014	31/12/2013
Allocated to loan loss provisions	128,955	102,893
Reversals of loan loss provisions	(57,533)	(32,075)
Direct write-offs of receivables	3,020	2,032
Recoveries of written-off receivables	(2,230)	(3,794)
Attributable to entities accounted for by proportionate consolidation	5,815	1,578
Total	**78,027**	**70,634**

Movements in impairment provisions (balance sheet view)

in €k	As at 1/1/2014 [1)]	Added	Reversed	Used	Exchange rate changes	As at 31/12/2014
Specific impairment allowances receivables from credit institutions	0	0	0	0	0	0
Specific impairment allowances receivables from customers	278,895	89,095	(34,627)	(39,539)	(821)	293,003
Portfolio impairment provisions under IAS 39	156,432	24,975	0	0	0	181,407
Loan loss provisions [2)]	**435,327**	**114,070**	**(34,627)**	**(39,539)**	**(821)**	**474,410**
Provisions for credit risks	89,371	14,885	(22,906)	(86)	0	81,264
Total impairment provisions	**524,698**	**128,955**	**(57,533)**	**(39,625)**	**(821)**	**555,674**

1) The figures as of 31 Dec. 2013 were retrospectively adjusted as certain provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. had to be adapted in the context of the first application of IFRS 11.
2) Loan loss provisions are recognised in line item 4 on the asset side of the balance sheet.

The Oberbank Group's maximum default risk arises from the sum of financial assets recognised on the balance sheet in the items Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities held as financial investments as well as credit risks from derivatives and contingent liabilities including non-utilised credit lines and amounted to EUR 20,491 million (previous year: EUR 19,796 million). Loan collateral, in comparison, totalled EUR 6,543.8 million (previous year: EUR 6,051.9 million) including EUR 311.3 million (previous year: EUR 302.6 million) for impaired and non-performing receivables. The line item Interest and similar income includes €k 14.7 million (previous year: €k 13.9 million) in impaired receivables from loans and advances to customers.
The maximum default risk from receivables measured at fair value corresponds to their fair value.

The impairment criteria for debt securities carried under financial investments are disclosed on page 74.

Non-performing loans

Assets are classified as non-performing if a default definition within the meaning of Basel II applies, namely if a material financial obligation is more than 90 days overdue and full repayment is improbable. At Oberbank this is determined on the basis of the following criteria:

- A specific impairment provision has to be set up due to a marked deterioration of the debtor's credit quality;
- The loan commitment requires restructuring;
- Loan collection measures were initiated due to inability/unwillingness to pay, fraud or other reasons;
- Loan recovery procedures result in a loss for Oberbank;
- Factoring results in a material loss due to deteriorated credit rating;
- Insolvency.

Assets answering to these criteria are recognised and shown as non-performing and form part of the balance sheet items shown below. The development of the key indicators "non-performing loans ratio" and "coverage ratio" is shown in the table below. Non-performing loans were covered fully by impairment provisions and collateral assets both in 2013 and 2014.

in €k 1)	31/12/2014	31/12/2013 3)
Loans and advances to credit institutions	0	0
Loans and advances to customers	299,969	301,117
Fixed-interest securities	0	2,947
Total	**299,969**	**304,064**
Non-performing loans ratio 2)	1.90%	1.94%

1) Loan loss provisions set up for these items are already taken into account in these values (non-performing loans net).
2) Non-performing loans net in relation to loans and accounts receivable and fixed-interest securities net.
3) The figures as of 31 Dec. 2013 were retrospectively adjusted as certain provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. had to be adapted in the context of the first application of IFRS 11.

The table below shows non-performing receivables and impairment provisions as well as collateral assets by sector.

Sectors in €k as at 31/12/2014	**Non-performing**	**Specific impairment provisions**	**Loan loss provisions**	**Collateral assets**
Credit and insurance industry	42	38		
Public sector	132	91		55
Raw materials processing	16,688	11,902		4,455
Metals processing	48,277	26,165		32,592
Manufacturing of goods	119,940	53,105		65,200
Trade	124,083	43,368		72,107
Services	84,305	38,164		56,273
Construction	27,989	16,969		10,801
Real estate	18,865	10,024		6,782
Transportation	9,266	4,806		3,897
Utilities	7,437	6,950		302
Agriculture and forestry incl. mining	2,694	1,960		1,598
Holding and investment companies	42,026	16,862		8,530
Private and self-employed persons	91,305	45,586		38,583
Other	24,823	17,012		8,108
Impairment provisions not assignable to a specific sector			81,264	
Total	**617,873**	**293,003**	**81,264**	**309,282**

Sectors in €k as at 31/12/2013[1)]	**Non performing**	**Specific impairment provisions**	**Loan loss provisions**	**Collateral assets**
Credit and insurance industry	2.385	28		
Public sector	141	1		57
Raw materials processing	17,833	9,412		5,084
Metals processing	44,716	21,639		19,489
Manufacturing of goods	118,222	49,522		64,661
Trade	109,409	37,660		43,260
Services	57,546	41,254		38,291
Construction	32,062	19,669		11,730
Real estate	9,658	637		5,636
Transportation	11,453	4,967		4,726
Utilities	4,299	2,770		37
Agriculture and forestry incl. mining	2,766	232		1,859
Holding and investment companies	51,817	27,215		4,778
Private and self-employed persons	95,244	53,631		35,385
Other	28,420	10,259		18,463
Impairment provisions not assignable to a specific sector			89,371	
Total	**585,972**	**278,895**	**89,371**	**253,454**

1) The figures as of 31 Dec. were retrospectively adjusted as certain provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. had to be adapted in the context of the first application of IFRS 11.

The table below shows non-performing receivables and impairment provisions as well as collateral assets by regions.

Geographic distribution in €k as at 31/12/2014	**Non-performing**	**Specific impairment provisions**	**Loan loss provisions**	**Collateral assets**
Austria	338,204	146,273		170,427
Germany	129,128	65,594		68,997
Eastern Europe (CZ, SK, HU)	106,861	49,418		54,611
Western Europe (except DE)	22,618	19,965		9,556
PIGS countries	8	6		
Other countries	21,055	11,747		5,691
Impairment provisions that cannot be allocated to a specific region			81,264	
Total	**617,873**	**293,003**	**81,264**	**309,282**

Geographic distribution in €k as at 31/12/2013[1)]	**Non-performing**	**Specific impairment provisions**	**Loan loss provisions**	**Collateral assets**
Austria	294,524	140,084		107,103
Germany	135,456	90,294		66,958
Eastern Europe (CZ, SK, HU)	115,406	25,695		63,683
Western Europe (except DE)	29,204	19,402		11,954
PIGS countries	16	7		
Other countries	11,365	3,412		3,756
Impairment provisions that cannot be allocated to a specific region			89,371	
Total	**585,972**	**278,895**	**89,371**	**253,454**

1) The figures as of 31 Dec. 2013 were retrospectively adjusted as certain provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. had to be adapted in the context of the first application of IFRS 11.

In addition, in accordance with IAS 39 there is a general impairment allowance for performing categories in a volume of €k 181,407 (previous year: €k 156,432).
All financial assets not shown in the non-performing category are no more than 90 days overdue.

If other financial assets become overdue, the respective customer is deemed to be in default with his/her entire financial assets as shown in the table below.

as at 31/12/2014 in €k 1)			
Overdue for	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	167,967	42,556	210,523
Between 30 and 60 days	36,601	16,035	52,636
Between 60 and 90 days	5,529	589	6,118
Total	**210,098**	**59,179**	**269,277**

as at 31/12/2013 in €k 1)			
Overdue for	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	213,394	49,797	263,191
Between 30 and 60 days	42,885	8,101	50,986
Between 60 and 90 days	8,838	234	9,072
Total	**265,117**	**58,132**	**323,249**

1) All financial assets that are overdue by more than 90 days and non-impaired due to excess cover are shown in the non-performing segment in the above tables.

Deferment of payment/ respite

Oberbank grants deferment of payment or makes other concessions to borrowers in situations in which such borrowers are deemed to be unable to meet the credit terms and conditions owing to their current economic situation. Taking into account the causes of the difficulties, Oberbank may decide to either change the terms and conditions of a specific loan so as to create sufficient scope for the respective borrower to repay the debt, or opt to restructure the loan (wholly or partially).
The economic situation of the respective customer is thoroughly analysed before granting a deferment; a positive decision is conditional upon a positive result of such analysis that proves with sufficient certainty that the chosen solution ensures that the customer will be able to meet his/her financial obligations in the future.

In the event that agreements on terms usually not granted for new loans are made with customers in payment difficulties, the respective exposure is marked as a deferment.
Additionally, the exposure is examined as to whether it is to be considered a default case. In this event, the customer is downgraded to non-performing status and a specific impairment provision is set up for the unsecured part of the exposure.

Deferments are monitored within the framework of the 90-day escalation process. If the deferment fails to produce the required result (resumption of the contractually agreed debt service following deferment), the 90-day escalation process automatically results in a downgrade of such debt to non-performing status and the creation of a specific impairment allowance for the unsecured part of the exposure. This procedure eliminates the risk of non-performing loans being concealed by means of a deferment of payment.

The measures taken in this respect in the reporting year are shown in the table below.

Deferment/respite measures in €k	As at 31/12/2013[1)]	No longer categorised as deferment/ respite	Newly categorised as deferment/ respite	As at 31/12/2014	Interest received in the reporting period
Term extension	119,498	93,618	67,700	91,507	3,174
Deferment	14,124		21,131	34,905	1,127
Waiver of other contractual rights	38,226	6,662	2,364	34,084	1,160
Restructuring	19,905	1,002	7,833	28,980	918
Other	26,967	25,215	2,100	3,209	141
Total	**218,720**	**126,497**	**101,129**	**192,684**	**6,519**

1) The values shown as at 31 Dec. 2013 were adjusted in the context of a more detailed presentation of deferment/respite measures in 2014.

The table below shows the volume of exposures affected by deferment/ respite measures by rating categories as compared to allocated impairment provisions as well as collateral provided.

as at 31/12/2014 in €k			
Rating category	**Exposure**	**Impairment provisions[1)]**	**Collateralised exposure**
Very strong	1,359	36	1,203
Strong	26,027	106	15,857
Weak	8,228	282	6,957
Non-performing	157,070	60,747	46,544
Total	**192,684**	**61,171**	**70,561**

1) The impairment provisions shown within the performing categories are attributable to portfolio impairment provisions set up pursuant to IAS 39.

42) Equity risk

Equity risk is defined as the risk of value impairments caused by lost dividends, partial write-offs and realised losses as well as a reduction of undisclosed reserves caused by the risk of negative business developments.

The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV, with which Oberbank forms the 3 Banken Group. Oberbank's equity investment policy is aimed at acquiring stakes in other companies only for reasons related to banking business, i.e. if their activities are a direct extension of banking or constitute services ancillary to banking. This segment, among others, includes the following equity investments of the 3 Banken Group:

- ALPENLÄNDISCHE GARANTIEGESELLSCHAFT m.b.H.
- 3 Banken-Generali Investment-Gesellschaft m.b.H.
- Drei-Banken Versicherungs-Aktiengesellschaft
- DREI-BANKEN-EDV Gesellschaft m.b.H.

The equity investment portfolio of Oberbank AG further comprises strategic investments in voestalpine AG and Energie AG Oberösterreich. An active industry investment policy above and beyond these equity investments is not consistent with the corporate philosophy of Oberbank.

Furthermore, Oberbank holds equity investments of a purely economic nature made on grounds of either concrete yield expectations or indirect profitability expectations.

The Oberbank Opportunity Fonds set up in 2006 forms the basis for Oberbank to act as a provider of private equity finance, primarily with the goal of supporting customers in need of a financing solution that goes beyond the scope of traditional finance arrangements. Investments in other mezzanine and equity capital providers are made with the objective of gaining access to their expertise and to new markets.

Specifically in the real estate business, Oberbank holds equity interests in companies set up for the construction and management of Oberbank-owned real estate as well as in selected residential developers that feature as potentially important partners in residential construction finance issues.

Where new equity investments are made, the Company performs analyses as soon as the acquisition process is started, in order to gain as complete a picture as possible of the particular entity's earning power, strategic fit and legal position.

The book values and fair values of equity investments are shown below:

as at 31/12/2014 in €k	**Carrying amounts**	
Groups of equity instruments by valuation type	Book value	Fair value
Available for sale		
Non-exchange-traded items	219,884	219,884
Fair value through profit and loss		
Non-exchange-traded items	36,363	36,363
Interests in entities accounted for using the equity method		
Exchange-traded items	622,547	621,975
Non-exchange-traded items	8,752	8,752
Total	**887,546**	**886,974**

as at 31/12/2013 in €k	**Carrying amounts**	
Groups of equity instruments by valuation type	Book value	Fair value
Available for sale		
Non-exchange-traded items	250,499	250,499
Fair value through profit and loss		
Non-exchange-traded items	37,810	37,810
Interests in entities accounted for using the equity method		
Exchange-traded items	563,162	637,210
Non-exchange-traded items	8,571	8,571
Total	**860,042**	**934,090**

43) Market risk

Market risk is defined as the risk of possible losses arising due to fluctuations in value as a result of price and rate changes on financial markets. This risk category encompasses both trading book and banking book positions. The market risk is made up of the following risk types: interest rate risk, foreign currency risk, equity-price risk and credit-spread risk.

Risk management

At Oberbank AG, market risks are centrally managed also for the Bank's foreign business units and fully consolidated group companies.

The management of market risks is split between two competence centres, which manage these risks within the framework of the limits assigned to them.

Responsibilities of the Global Financial Markets department with regard to managing market risks

The Global Financial Markets department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book and the foreign currency risk of the entire Oberbank Group. The money market trading book comprises the short-term banking book positions.

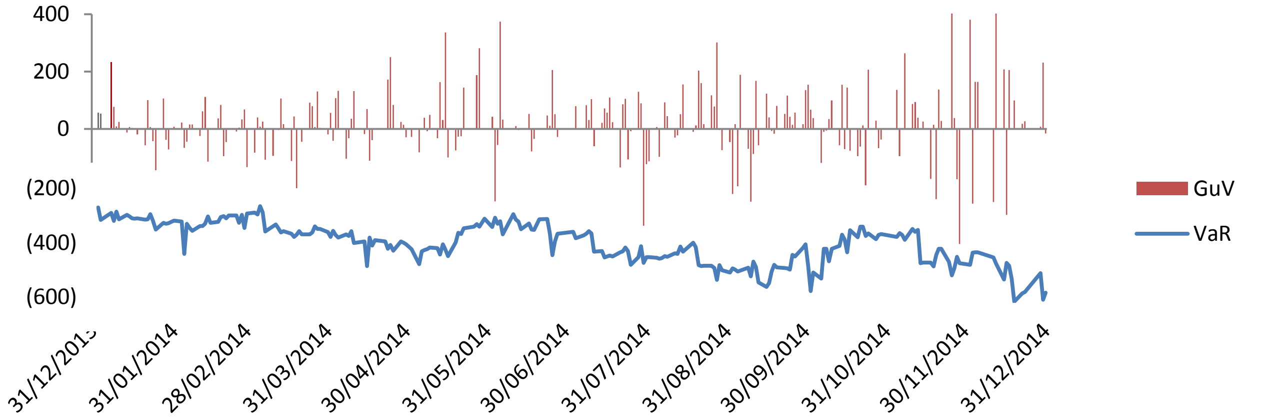
Risk is calculated using a value-at-risk model. The value at risk is an estimate of the largest loss likely to be suffered on a portfolio position over a holding period within a given probability (confidence level) in normal market conditions. Value at risk is calculated using the method of historic simulation with a confidence level of 99%, a holding period of ten days and a simulation period of two years. The Accounts and Controlling department is in charge of daily value-at-risk calculation, limit control, and reporting on the Bank's risk and earnings position to the Management Board and the Global Financial Markets department.

The table below shows the development of value at risk in the reporting period:

Value at risk 2014 in €k				
31/12/2013	**MAX**	**MIN**	**Average**	**31/12/2014**
869	1,906	854	1,270	1,557
Value at risk 2012 in €k				
31/12/2013	**MAX**	**MIN**	**Average**	**31/12/2013**
1,043	1,864	688	1,074	869

The quality of the statistical model is tested by means of back-testing, i.e. comparing the estimated 1-day values at risk with the actual results. As can be seen from the chart below showing the back-testing time series for 2014, no outlier occurred the reporting year.

Backtesting by VaR model 2014 in €k



Besides value-at-risk limits, measures to limit exposure also include risk reduction limits such as stop-loss limits and volume limits.

The Global Financial Markets department is also responsible for managing the foreign currency risk, which forms part of the market risk. The table below shows open currency positions of Oberbank.

in €k	Volume as at 31/12/2014	Volume as at 31/12/2013
CHF	(4,829)	419
USD	(396)	306
NOK	(9)	113
GBP	98	2
HUF	(3,641)	(1,645)
SAR	80	74
SEK	76	(10)
CAD	86	14
RON	53	10
HRK	27	104
HKD	(62)	30
ILS	108	5
SGD	67	41
NZD	6	67
JPY	(828)	42
TRY	(51)	58
CZK	(7,750)	(5,529)
Other currencies long	209	80
Other currencies short	(77)	(109)
Gold	1,211	1,892

Responsibilities of the Asset/Liability Management (ALM) Committee with regard to market risk management
The ALM Committee is responsible for managing the interest rate risk of long-term EUR positions (rate commitments >12 months) as well as for strategic equity and investment fund positions in the banking book as well as the credit spread risk.

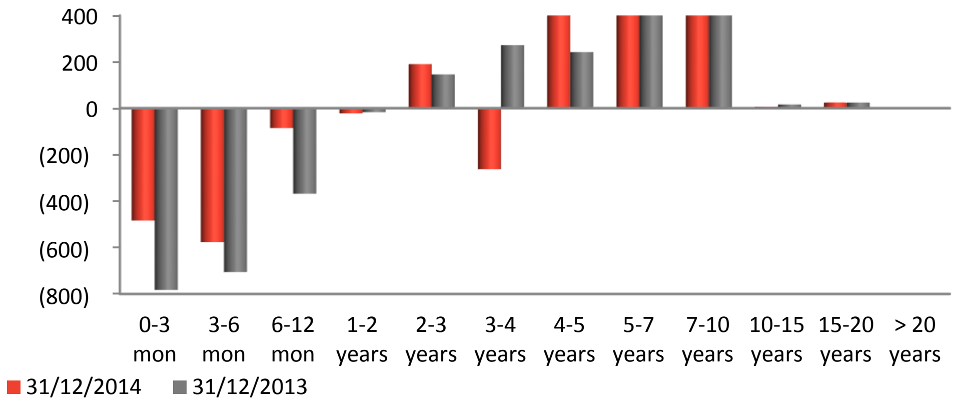
The ALM Committee convenes monthly; its members are the members of the Management Board responsible for risk management as well as representatives of various departments, namely Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Corporate Secretary & Communication, Internal Audit and Organisation Development, Strategy and Process Management.

Interest rate risk in the banking book
The acceptance of the interest rate risk, which accounts for the main share of the market risk in the banking book, is an integral part of banking business that constitutes an important source of earnings and requires adequate hedging measures within the scope of risk management. The Bank's strategy aims above all at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. This purpose is achieved by quarterly investments in top-quality fixed-interest securities with long maturities.

The interest rate risk in the banking book is measured using classical methods of interest rate fixation analysis, namely the interest-rate gap analysis and interest-rate sensitivity analysis. In 2014, the method used to measure the risk of interest rate changes on the basis of the ICAAP gone concern approach was changed. Quantification is now based on the regulatory 200 bp interest rate shift (confidence level of 99% and holding period of one year). Non-interest-bearing positions are no longer taken into account. As at 31 December 2014, the interest rate risk in the banking book came to EUR 184.73 million (comparable previous year value: EUR 179.0 million). The capital at risk shown in the previous year was € 91.0 million.

The chart below shows the interest rate sensitivity gap analysis as compared with the end-of-year values of the previous year:

Interest rate gap – banking book positions (comparison 31/12/2014 with 31/12/2013) in €m



Equity price risk in the banking book

The equity price risk in the banking book (equity and investment fund positions), i.e. other market risks in the banking book, is measured using a value-at-risk approach with a confidence level of 99% and a holding period of 90 days. Starting from 2014, the equity price risk also includes the market risk of non-exchange-listed equity interests. As at 31 December 2014, the risk involved in these banking book positions amounted to EUR 76.0 million (previous year: EUR 30.7 million).

Credit-spread risk

The credit spread represents a credit risk premium for the credit risk incurred with a specific investment. The credit spread is the yield differential between a bond and a risk-free reference bond. The risk is measured on the basis of present value fluctuations of the bond portfolio attributable to market changes in credit spreads given an unchanged credit rating of the debtor. As from 2014, the credit spread risk is measured with a confidence level of 99% and a holding period of one year. As at 31 December 2014, the risk thus established amounted to EUR 41.0 million (previous year: EUR 20.7 million).

44) Macroeconomic risk

Macroeconomic risks are defined as potential losses resulting from changes in the macroeconomic environment (deterioration of real GDP growth rates, substantial rise in unemployment and the number of insolvencies, decline in equity prices and the real estate market, etc.).

The effects of a macroeconomic crisis are taken into account by mapping scenarios with increased probability of default, a decline in the market value of real estate and a downturn on financial markets. Such an unfavourable scenario involves negative impacts on both the assets of Oberbank and the assets accepted as collateral by the Bank.

As at 31 December 2014, the macroeconomic risk thus estimated amounted to EUR 104.6 million. In 2013, this risk was measured on the basis of stress test scenarios.

45) Operational risk

Operational risks are an inseparable part of banking operations. Oberbank defines operational risks as risk of losses occurring due to the inadequacy or failure of internal processes, human error, technical failure or the consequences of external events. This definition includes legal risks (including the risk of money laundering and terrorist financing), but does not comprise strategic risks and reputational risks. The individual risks are grouped in the following categories: internal fraud, external fraud, employment practice and job safety, customers, products and customary business practices, business interruptions and system failure, execution, delivery and process management, and damage to property.

The management of operational risks is the responsibility of the respective operating department within the Bank and the regional sales units (risk-taking units), which are responsible for the operational risks of products and processes within their spheres of competence. An electronic reporting process is in place to support the monitoring and registration of nascent operational risks.

A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision of the applied methodology.

Risk analyses are performed with the objective of systematically identifying potential problems in processes and systems. They are based on quantitative and qualitative criteria and carried out at regular intervals. Quantitative analyses primarily consist in the interpretation of the operational risk reports. Whenever a significant increase of damages is observed in individual risk-taking units, the Risk Controlling department requests a qualitative risk analysis in the form of a self-assessment. Countermeasures are initiated wherever specific weaknesses are identified (high probability and high impact).
In the context of changes of processes, the introduction of new systems or the launch of internal IT projects, the central risk taking units additionally conduct risk analyses resulting, if required, in corresponding countermeasures aimed at mitigating possible operational risks.

Concrete measures have been taken to hedge against any major risks identified within the framework of risk analyses (e.g. insurance contracts, IT emergency concepts, backup computer centre).

The economic capital for the operational risk is calculated within the framework of the risk-taking capability calculation in accordance with the standardised approach pursuant to Part 3, Title III, Chapter 3 CRR and amounted to € 71.2 million (previous year: € 67.7 million) as at 31 December 2014. The ratio of actual expenses due to operational risk incidents compared with total ICAAP risk capital was 9.91% in 2014 (previous year: 0.90%). In the past five years, on average, this ratio was 5.07%.

In a total of 326 loss incidents incurred in 2014 (previous year: 286), the average amount of loss per incident recorded in the central loss database amounted to approximately €k 21.6 (previous year: €k 2.1). Not included in the central loss database are provisions set up for losses for which the concrete amount has not yet been determined.

46) Liquidity risk

The liquidity risk (or refinancing risk) is the risk that the Bank will not be able to meet its payment obligations at all times or will have to raise additional funding at increased cost.

The liquidity risk comprises the insolvency risk and the liquidity spread risk. The insolvency risk or liquidity risk in the narrower sense is defined as the risk that the Bank will be unable to satisfy its current and future payment obligations in full and in a timely manner. The insolvency risk includes the maturity risk (that the receipt of agreed payments, e.g. loan repayments, will be delayed, leading to a liquidity shortage), the call risk (the risk of customers prematurely or unexpectedly making calls on deposits or credit commitments) and the rollover risk (the risk of an inability to fund follow-up financing arrangements for long-term asset-side positions). In addition to risks potentially liable to trigger insolvency, there is the risk that the funding required for follow-up refinancing arrangements will have to be raised at elevated market rates (spreads) and thus cause a reduction of profits (liquidity spread risk).

Primary objectives of liquidity risk management

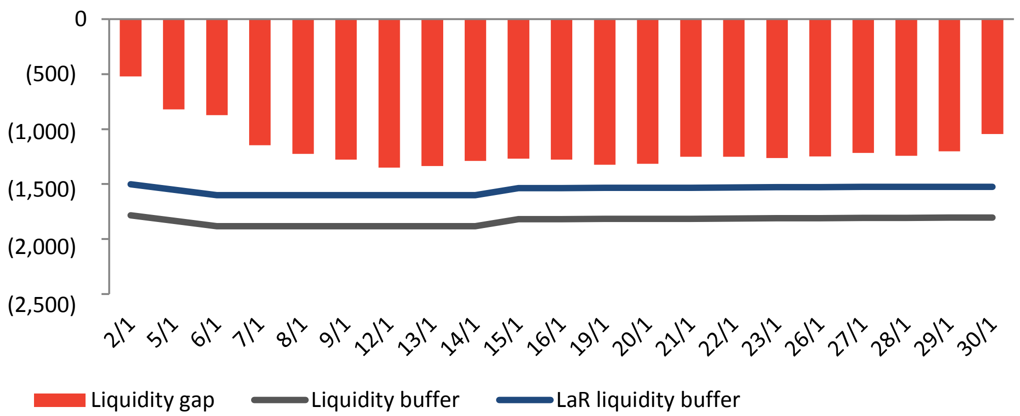
- Ensuring that the Bank is solvent at all times
- And optimising the Bank’s refinancing structure in terms of risk and results

Oberbank has traditionally and steadfastly adhered to the principle of ensuring that the Bank’s entire lending volume can be refinanced from primary deposits by customers and assistance funds made available by Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle is invariably valid. On 31 December 2014 the loan/deposit ratio stood at 91.7% (previous year: 87.6%).

Furthermore, Oberbank holds extensive liquidity reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks.

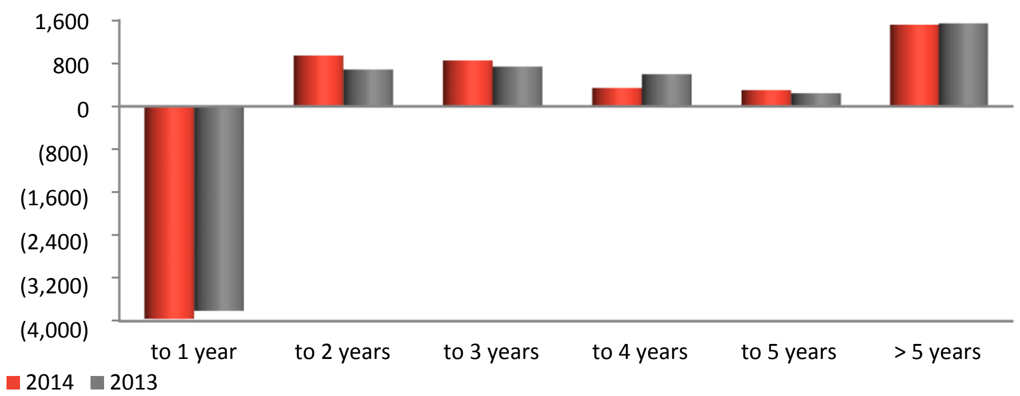
The responsibility for managing short-term liquidity lies with the Global Financial Markets department, which is also responsible for the Bank's compliance with regulatory provisions. The Accounts and Controlling department calculates a 30-days-forward liquidity gap analysis including the available risk buffer minus liquidity at risk, thus determining the limit for the purpose of day-to-day liquidity management. The liquidity gap analysis shows Oberbank's net cash outflows on a daily basis. The liquidity buffer includes all available and non-utilised bonds and securities eligible for repo transactions at the respective point in time. The accumulated net outflows must not exceed the limit in this 30-day period.

Accumulated 30-days forward liquidity gap analysis as at 31/12/2014 in €m



The Bank's long-term, strategic liquidity is managed by the Management Board and the Asset/Liability Management Committee. The Accounts and Controlling department is responsible for reporting. A liquidity gap analysis that presents payment flows resulting from banking products per maturity band is drawn up for the purpose of medium-term and long-term liquidity risk management.

Medium-term to long-term liquidity gap analysis as at 31/12/2014 and 31/12/2013 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 4.0 billion (2013: EUR 3.8 billion) as at the end of the first year. Highly liquid assets, in comparison, amounted to EUR 1.7 billion (2013: EUR 2.1 billion). These can be deposited with the ECB and the OeNB at any time for repo transactions serving the procurement of liquidity. Hence, taking into account available refinancing options, the refinancing requirement at the end of a period of one year stood at EUR 2.3 billion as at 31 December 2014 (previous year: EUR 1.7 billion). This corresponds to a funding ratio of 75.1% (previous year: 77.5%) and is hence clearly better than the internally fixed limit of 70%.

The following table shows the maturity structure of securities and loans eligible for repo transactions:

in €k as at 31/12/2014	up to 1 month	1-12 months	1-5 years	> 5 years
Securities and loans eligible for repo transactions	83,743	131,441	805,436	1,413,045

in €k as at 31/12/2013	up to 1 month	1-12 months	1-5 years	> 5 years
Securities and loans eligible for repo transactions	135,018	499,247	656,069	1,450,324

The calculation of liquidity gaps is based on contractual cash flows excluding interest. Assumptions are made for positions without a defined maturity for the repayment of the principal (e.g. sight deposits are shown as rolling twelve-month positions, other assets/liabilities as rolling long-term positions and equity as long-term positions).

Furthermore, stress scenarios are calculated to illustrate the effects of liquidity crises. Specifically, the scenarios “deterioration in reputation”, “market crisis” and a worst case combining both these factors are simulated. An emergency plan is in place for extreme market conditions.

The following table presents contractual cash flows of financial liabilities in accordance with IFRS 7/39 a and b:

as at 31/12/2014 in €k	**Book values**	**Contractual cash flows**	**Due daily**	**Up to 1 month**	**1-12 months**	**1-5 years**	**> 5 years**
Amounts owed to credit institutions	3,252,390	3,343,269	696,894	993,937	137,663	1,015,804	498,971
Amounts owed to customers	9,993,607	10,127,880	6,166,613	1,089,758	1,545,944	864,659	460,906
Securitised liabilities	1,580,642	1,744,424	0	88,814	209,766	1,099,957	345,888
Subordinated liabilities	714,376	785,210	0	11,038	52,006	360,400	361,765
Derivative liabilities IRS	59,989	68,849	0	6,974	11,982	34,912	14,980

as at 31/12/2013 in €k	**Book values**	**Contractual cash flows**	**Due daily**	**Up to 1 month**	**1-12 months**	**1-5 years**	**> 5 years**
Amounts owed to credit institutions	3,238,957	3,345,977	939,721	1,520,463	129,969	280,140	475,684
Amounts owed to customers	10,026,006	10,260,677	5,813,518	803,649	2,381,667	804,222	457,622
Securitised liabilities	1,592,867	1,741,678	0	60,763	286,875	1,048,922	345,118
Subordinated liabilities	631,551	786,091	0	8,982	49,119	283,685	444,304
Derivative liabilities IRS	44,236	50,307	0	4,559	9,996	24,449	11,303

47) Other risks

The category Other risks covers risks which are classified as non-material within the framework of the business model of Oberbank and which are not separately provided for by allocating a share in total available capital.

The category Other risks specifically includes the following banking risks:

- *Reputational risks* result from negative publicity impairing the reputation of a bank in the eyes of the general public. A loss of reputation (e.g. with customers, business partners, shareholders, public authorities, etc.) and the associated loss of confidence may entail a decline of earnings or losses.
- *Business risks* are risks that result from unexpected changes in earnings due to a change in the general business environment (e.g. lower earnings that cannot be offset by a proportionate reduction of expenses, a change in the competitive environment, a change in customer behaviour, the impact of technological progress, etc.).
- *Strategic risks* result from failure to meet long-term corporate goals based on underlying business assumptions or due to a change in the general business environment. Such risks may be avoided or reduced by continuous observation of the market and competitive conditions as well as by rolling strategic planning with continual adjustments to the market environment.
- Oberbank measures the *risk of incurring excessive debts* by calculating the debt ratio pursuant to Article 429 CRR. An internal limit of 4% was defined for the debt ratio for the purpose of effectively controlling this risk.

48) Risk report – summary

At Oberbank, risk management is an integral part of the Bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for the Bank's risk management lies with the Management Board of Oberbank AG as a whole.
Management competences as well as the share of available economic capital allocated to a specific risk (limits) or predefined management and control processes are specified for every material risk within the Oberbank Group.

49) Total outstanding derivative financial instruments

Derivative financial transactions not yet settled at the balance sheet date are shown in the following table. A presentation of derivatives in accordance with the Guidelines on Financial Reporting published by the European Banking Authority (EBA) is included in the disclosures pursuant to Part 8 CRR available for download on the website of Oberbank (www.oberbank.at).
At Oberbank, financial derivatives are mainly used for hedging market risk in business with customers and for banking book management purposes.
Oberbank's hedging strategy is based on the following principles:

- Positions in derivative products sold to business customers are closed out as a matter of principle.
- Derivative products are also used for hedging interest rate risk and foreign exchange risk resulting from cash transactions.
- Long-term own debt securities issued to secure liquidity are hedged using interest rate swaps.
- Therefore, open positions in derivative products exist on a small scale only in the trading book.
- Oberbank has no credit derivatives in its portfolio.

in €k	Nominal amounts Residual maturity To 1 yr	1 - 5 yrs	> 5 yrs	2014 Nominal Total	Market value Positive	Negative	2013 Nominal Total	Market value Positive	Negative
Interest rate contracts									
Interest rate options									
Call	30,950	105,891	30,287	167,128	911		189,046	1,647	
Put	31,100	104,400	22,694	158,194		(910)	179,497		(1,587)
Swaptions									
Call									
Put									
Interest rate swaps									
Call[1)]	92,085	245,502	259,429	597,016	2	(57,364)	592,237	197	(36,898)
Put[1)]	165,244	719,335	934,157	1,818,736	210,849	(239)	1,878,761	126,200	(4,369)
Bond options									
Call									
Put				0		0	40,000		(283)
Currency contracts									
Currency options									
Call	123,821	14,048	0	137,869	5,654		179,220	4,211	
Put	120,395	14,048	0	134,443		(5,636)	179,218		(4,213)
Currency forwards									
Call	2,112,256	56,330	0	2,168,586	37,676		1,533,448	15,643	
Put	2,106,545	55,903	0	2,162,448		(32,577)	1,549,922		(32,535)
Securities contracts									
Equity options									
Call	653			653	7		1,593	17	
Put	615			615		(4)	2,150		(10)

1) The interpretations of call and put in connection with the payer and receiver swap were adjusted to the international trade conventions.

Fair values were calculated using generally accepted price models, with measurements being made under market conditions. The fair values of symmetrical products (interest rate swaps, forward exchange deals) were measured applying present values on a clean price basis. Calculations were based on Reuters yield curves. The rates of exchange employed were the reference rates published by the ECB. The fair values of asymmetrical products were calculated using the Black-Scholes option price model. Options were valued using implicit volatilities.

50) Letters of comfort on behalf of subsidiaries

Oberbank AG will strive that the following companies are able to fulfil their contractual obligations:

Other finance companies: Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz

Property companies:
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz
„SG“ Gebäudevermietungsgesellschaft m.b.H., Linz
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz

Disclosures required by Austrian law

51) Consolidated equity

Consolidated equity was made up of the paid-in capital of Group parent Oberbank AG (share capital plus capital reserves) and earned capital (the Group's retained earnings plus consolidated net profit for the year). The parent's equity came EUR 1,207.5 million (previous year: EUR 1,127.6 million), EUR 86.3 million (previous year: EUR 86.3 million) of which were share capital. As Oberbank AG distributes dividends on the basis of Austrian law, only part of the equity measured in accordance with the Austrian Enterprise Code (UGB)/Banking Act (BWG) was distributable, namely net profit, non-appropriated retained earnings and the non-appropriated capital reserve. For 2014, a maximum of EUR 700.3 million would be distributable. Net distributable profit amounts to EUR 16.0 million.

52) Human resources

Averaged over the year, the Oberbank Group had the following human resources in 2014:

Full-time equivalents, without Management Board members / managing directors	**2014**	**2013**
Salaried	2,004	2,001
Blue-collar	17	19
Total resources	2,021	2,020

53) Breakdown of securities holdings pursuant to the Austrian Banking Act (BWG) in €k

	Unlisted	Listed	Measured like non-current	Other valuation method	Total
Bonds and other fixed-interest securities	185,284	2,536,947	2,091,883	630,348	2,722,231
Stocks and other variable-yield securities	154,178	71,477	59,848	165,807	225,655
Equity investments	126,408	212,594	339,002	0	339,002
Interest in subsidiaries	393,295	0	393,295	0	393,295
	859,165	2,821,018	2,884,028	796,155	3,680,183

54) Consolidated own funds and regulatory own funds requirement

As from 1 January 2014, Oberbank AG became subject to the provisions of Regulation (EU) No. 575/2013 (CRR) as well as CRD IV. The defined minimum capital requirements were met at all times. The presented own fund components are also used for purposes of internal capital management.

Regulatory capital pursuant to Part 2 of Reg. (EU) No. 575/2013[1)]	31/12/2014[2)]	31/12/2013[3)]	Change[4)]
Subscribed capital	84,549	86,349	(1,800)
Capital reserves	194,746	194,746	0
Retained earnings	1,248,435	959,846	288,589
Minority interests	0	3,015	(3,015)
Accumulated other comprehensive income	(13,078)		(13,078)
Regulatory adjustment items	(40,778)	0	(40,778)
Deductions from hard core capital items	(166,989)	(2,360)	(164,629)
COMMON EQUITY TIER 1 CAPITAL	**1,306,885**		
AT1 capital instruments	20,000	0	20,000
AT1 capital instruments pursuant to national implementation rules	63,200	79,000	(15,800)
Deductions form AT1 capital items	(4,892)	0	(4,892)
Additional Tier 1 capital	**78,308**		
CORE TIER 1 CAPITAL	**1,385,193**	**1,320,596**	**64,597**
Qualifying supplementary capital instruments	409,195	454,034	(44,839)
Nominal capital preference shares purs. to transition rules	1,800	0	1,800
AT1 capital instruments purs. to transition rules	15,800	0	15,800
Supplementary capital items purs. to national impl. measures	76,306	161,009	(84,70)
General credit risk adjustments	0	8,000	(8,000)
Deductions from supplementary capital items	(13,893)	(39,500)	25,607
Supplementary capital	**489,208**	**583,543**	**(94,335)**
Qualifying Tier 3 capital		778	(778)
Deductions of interests in banks/other FI		(80,146)	80,146
TOTAL CAPITAL	**1,874,401**	**1,824,771**	**49,630**
Total risk exposure amounts pursuant to Art. 92 CRR			
Credit risk	10,982,467	10,726,897	255,570
Market risk, settlement risk and CVA risk	62,476	7,063	55,413
Operational risk	890,231	0	890,231
Total exposure	**11,935,174**	**10,733,960**	**1,201,214**
Capital ratios pursuant to 92 CRR			
Common equity Tier 1 capital ratio	10.95%	n.a.	
Core Tier 1 capital ratio	11.61%	12.30%	(0.70 ppt)
Total capital ratio	15.70%	17.00%	(1.30 ppt)
Regulatory capital ratio requirement purs. to transition rules			
Common equity Tier 1 capital ratio	4.00%		
Core Tier 1 capital ratio	5.50%	4.00%	
Total capital ratio	8.00%	8.00%	
Regulatory capital requirements purs. to transitionrules in €k			
Common equity Tier 1 capital	477,407		
Core Tier 1 capital	656,435		
Total capital	954,814	926,643	28,171
Free capital components			
Common equity Tier 1 capital	829,478		
Core Tier 1 capital	728,758		
Total capital	919,587	898,128	21,459

1) Subject to approval by the Supervisory Board on 23 March 2015
2) From 1 Jan. 2014 application of Regulation (EU) No. 575/2013 (Basel III)
3) Until 31 Dec. 2013 in accordance with Basel II
4) The figures are not fully comparable with prev. periods

55) Other disclosures required pursuant to BWG and UGB

A nominal total of EUR 266.0 million of bonds issued by Oberbank will mature during the financial year 2015. As at 31 December 2014, no subordinated borrowings individually exceeded 10% of aggregate subordinated liabilities. Other subordinated borrowings individually coming to 10% or less of aggregate subordinated liabilities totalled €k 641,379.0 (nominal). They included supplementary capital subject to interest rates of 0.35% to 7.4% and maturities in the years 2015 to 2022 as well as four issues with indefinite maturity. The Company incurred €k 19,770.0 in expenses on subordinated liabilities in the year under review. Applying market prices, the trading book was valued at a total of EUR 117.3 million as at 31 December 2014. That total comprised securities totalling EUR 12.0 million (market values) and other financial instruments totalling EUR 105.3 million (market values). The lease portfolio was worth EUR 1,019.4 million on 31 December 2014.

Expenses for the auditor amounted to €k 738.3 (incl. VAT and incl. leasing companies and subsidiaries). Of this total, the audit of the annual financial statements accounted for the sum of €k 611.2 and €k 127.1 were expended for other audit services.

Disclosure regarding branch establishments pursuant to Section 64 (1) no. 18 Austrian Banking Act (BWG)

Name of establishment	Regional Division Germany	Regional Division Czech Republic	Regional Division Hungary	Regional Division Slovakia
Branch establishments	Southern Bavaria Northern Bavaria			
State of location	Federal Republic of Germany	Czech Republic	Hungary	Slovakia
Net interest income	€k 19,413	€k 16,784	€k 6,752	€k 3,412
Operating profit	€k 27,521	€k 21,110	€k 10,595	€k 3,584
Number of employees (full-time basis)	176.7	166.9	64.5	41.7
Profit for the year before tax	€k (971)	€k 9,344	€k 5,467	€k (129)
Income taxes	0	€k (1,735)	€k (891)	0
Government subsidies received	0	0	0	0

The return on investment pursuant to Section 64 (1) no. 19 Austrian Banking Act (BWG) is 0.77%.

56) List of equity investments required by the Austrian Enterprise Code (UGB)

As at 31 December 2014 the Company held stakes of 20% or more in:

		Share in capital[5)		in €k		
	Method of inclusion *	Direct in %	Total in %	Equity[3)	Profit (loss) in most recent financial year[4)	Financial statements
a) Direct investments						
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz [1) 6)	N	100.00	100.00			
„LA“ Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz [1) 6)	N	100.00	100.00			
„SG“ Gebäudevermietungsgesellschaft m.b.H., Linz [1) 6)	N	100.00	100.00			
„SP“ Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz [1) 6)	N	100.00	100.00			
„VB“ Gebäudeerrichtungs- und –vermietungs-gesellschaft m.b.H., Linz [1) 6))	N	100.00	100.00			
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz [6)	N	20.57	20.57			
3-Banken Wohnbaubank AG, Linz [1)	V	80.00	80.00	7,741	104	2014
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	A	50.00	50.00	3,894	0	2014
Beteiligungsverwaltung Gesellschaft m.b.H., Linz [6)	N	40.00	40.00			
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz [1) 2) 6)	N	100.00	100.00			
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim [6)	N	49.00	49.00			
Buy-Out Central Europe II Beteiligungs-Invest AG, Vienna [6)	N	24.85	24.85			
COBB Beteiligungen und Leasing GmbH, Vienna [6)	N	20.25	20.25			
Drei-Banken Versicherungs-Aktiengesellschaft, Linz	E	40.00	40.00	21,880	1,101	2014
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz [6)	N	40.00	40.00			
DPI S.A., Luxemburg [6)	N	25.10	57.55			
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxemburg [6)	N	33.11	33.11			
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxemburg [1) 6)	N	58.69	58.69			
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein [6)	N	32.62	32.62			
Ober Finanz Leasing gAG, Budapest [1)	V	1.00	100.00	3,037	1,802	9/2014
Ober Immo Truck gAG, Budapest [1)	V	1.00	100.00	707	101	9/2014
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest [1)	V	1.00	100.00	734	174	9/2014
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz [1) 6)	N	100.00	100.00			
Oberbank Hybrid 1 GmbH, Linz [1)	V	100.00	100.00	259	37	2014
Oberbank Hybrid 2 GmbH, Linz [1)	V	100.00	100.00	246	30	2014

Oberbank Hybrid 3 GmbH, Linz [1)]	V	100.00	100.00	82	8	2014
Oberbank Hybrid 4 GmbH, Linz [1)]	V	100.00	100.00	80	8	2014
Oberbank Hybrid 5 GmbH, Linz [1)]	V	100.00	100.00	25	(2)	2014
Oberbank Immobilien Leasing GmbH Bayern, Neuötting [1)]	V	6.00	100.00	2,081	13	9/2014
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
Oberbank Leasing Bauhaus Pilsen, s.r.o., Prague [1) 6)]	V	10.00	100.00			
OBERBANK LEASING GESELLSCHAFT MBH., Linz [1) 2)]	V	100.00	100.00	253,744	12,164	9/2014
Oberbank Leasing Inprox Znojmo s.r.o., Prague [1)]	V	10.00	100.00	1,827	66	9/2014
Oberbank Leasing KIKA, s.r.o., Prague [1)]	V	10.00	100.00	(1,350)	11	9/2014
Oberbank Leasing KIKA, s.r.o., Bratislava [1)]	V	5.00	100.00	323	137	9/2014
Oberbank Leasing s.r.o., Bratislava [1)]	V	0.10	100.00	2,639	535	9/2014
Oberbank Leasing spol. s.r.o., Prague [1)]	V	1.00	100.00	20,983	1,407	9/2014
OBERBANK NUTZOBJEKTE VERMIETUNGSGESELLSCHAFT,m.b.H., Linz [1) 2) 6)]	N	100.00	100.00			
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz [1) 2)]	N		100.00	130	95	2014
Oberbank PE Holding GmbH, Linz [1) 6)]	N	100.00	100.00			
Oberbank Unternehmensbeteiligung GmbH, Linz [1) 6)]	N	100.00	100.00			
Oberbank V-Investholding GmbH, Linz [1) 6)]	N	100.00	100.00			
Oberbank Leasing Prievidza s.r.o., Bratislava [1)]	V	15.00	100.00	5	0	9/2014
OÖ HightechFonds GmbH, Linz [6)]	N	24.08	24.08			
Samson České Budějovice spol. s.r.o., České Budějovice [1) 6)]	N	100.00	100.00			
TZ-Vermögensverwaltungs GmbH, Linz [1) 6)]	N	100.00	100.00			
b) Indirect investments						
AMV Networks GmbH, Braunau [6)]	N		20.00			
„ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz [1) 6)]	N		100.00			
3-Banken Beteiligung Gesellschaft m.b.H., Linz [6)]	N		40.00			
3-Banken Kfz-Leasing GmbH, Linz [1) 6)]	V		80.00			
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck [6)]	N		40.00			
Cycleenergy Beteiligungs GmbH, Vienna [6)]	N		26.28			
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz [6)]	N		33.85			
Kontext Druckerei GmbH, Linz [6)]	N		25.20			

LHL Immobilien Beteiligungs-GmbH, Linz [6)]	N	50.00			
MY Fünf Handels GmbH, Vienna [6)]	N	50.00			
Nutzfahrzeuge Beteiligung GmbH, Vienna [6)]	N	38.54			
Oberbank airplane Leasing GmbH, Linz [1)]	V	100.00	35	151	9/2014
Oberbank airplane 2 Leasing GmbH, Linz [1)]	V	100.00	35	129	9/2014
Oberbank Eugendorf Immobilienleasing GmbH, Linz [1)]	V	100.00	35	158	9/2014
Oberbank Goldkronach Beteiligungs GmbH, Neuötting [1)]	V	100.00	20	(1)	9/2014
Oberbank Leobendorf Immobilienleasing GmbH, Linz [1)]	V	100.00	35	32	9/2014
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting [1)]	V	100.00	25	149	9/2014
Oberbank Immobilie-Bergheim Leasing GmbH, Linz [1)]	V	95.00	1,275	50	9/2014
Oberbank Immobilien Holding GmbH, Linz [1) 6)]	N	100.00			
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz [1)]	V	100.00	741	2,304	9/2014
Oberbank Immobilien-Leasing GmbH Bayern &Co. KG Goldkronach, Neuötting [1)]	V	6.00	0	(149)	9/2014
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz [1) 6)]	N	100.00			
Oberbank Inzersdorf Immobilienleasing GmbH, Linz [1)]	V	100.00	35	280	9/2014
Oberbank KB Leasing Gesellschaft m.b.H., Linz [1)]	V	100.00	429	360	9/2014
Oberbank Kfz-Leasing GmbH, Linz [1) 6)]	N	100.00			
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting [1)]	V	6.00	597	(4)	9/2014
Oberbank Leasing GmbH Bayern, Neuötting [1)]	V	100.00	6,636	3,538	9/2014
Oberbank Leasing Inprox Misk GmbH, Budapest [1)]	V	100.00	1	1	9/2014
Oberbank Leasing JAF HOLZ, s.r.o., Prague [1)]	V	95.00	3,608	180	9/2014
Oberbank LIV Immobilienleasing GmbH, Linz [1)]	V	100.00	5,181	55	9/2014
Oberbank Mattigtal Immobilienleasing GmbH, Linz [1)]	V	90.00	4,742	22	9/2014
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz [1)]	V	99.80	35	97	9/2014
Oberbank Operating Mobilienleasing GmbH, Linz [1)]	V	100.00	35	704	9/2014
Oberbank Operating OPR Immobilienleasing GmbH, Linz [1)]	V	100.00	35	482	9/2014
Oberbank PE Beteiligungen GmbH, Linz [1) 6)]	N	100.00			
Oberbank Pernau Immobilienleasing GmbH, Linz [1)]	V	100.00	35	187	9/2014
Oberbank Riesenhof Immobilienleasing GmbH, Linz [1)]	V	100.00	35	208	9/2014
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz [1)]	V	100.00	35	120	9/2014
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz [1) 6)]	N	100.00			
Oberbank Vertriebsservice GmbH, Linz [1) 6)]	N	100.00			

Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz [1]	V	100.00	168	276	9/2014
OBK Ahlten Immobilien Leasing GmbH, Neuötting [1]	V	94.00	1,000	102	9/2014
OBK München 1 Immobilien Leasing GmbH, Neuötting [1]	V	100.00	27	(2)	9/2014
OBK München 2 Immobilien Leasing GmbH, Neuötting [1]	V	100.00	30	19	9/2014
OBK München 3 Immobilien Leasing GmbH, Neuötting [1]	V	100.00	30	137	9/2014
POWER TOWER GmbH, Linz [1]	V	99.00	70	138	9/2014
Techno-Z Braunau Technologiezentrum GmbH, Braunau [6]	N	21.50			
Tuella Finanzierung GmbH, Vienna [1]	V	100.00	222,463	(1,674)	9/2014
Wohnwert GmbH, Salzburg [1] [6]	N	100.00			

*) Method of inclusion in the consolidated financial statements:
V = consolidated, E = accounted for using the equity method, Q = accounted for by proportionate consolidation, N = Not included in the consolidated financial statements purs. to IAS 27 in conjunction with Framework 29

1) Subsidiary

2) Profit transfer agreement in place

3) Includes untaxed reserves

4) Profit (loss) for the year within the meaning of Section 231 (2) no. 22 of the Austrian Enterprise Code (UGB)

5) Indirect investments in banks and other financial institutions were measured in accordance with Section 30 of the Austrian Banking Act (BWG), indirect investments in other companies in accordance with the provisions of the Austrian Enterprise Code (UGB)

6) Use was made of Section 241 (2) of the Austrian Enterprise Code (UGB)

Closing remarks by the Management Board of Oberbank AG

The Management Board of Oberbank AG has prepared the consolidated financial statements as at and for the period ended 31 December 2014 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union. These consolidated financial statements comply with the legislative requirements for exemption from the preparation of consolidated financial statements in accordance with Austrian law and are in conformity with the applicable EU regulations.
The consolidated financial statements and the Group management report contain all the required disclosures.
No events of material importance occurred after the end of the financial year.

Declaration in accordance with Section 82(4) of the Austrian Stock Exchange Act (BörseG)

Statement by all the Company's legal representatives:
We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group presents the business trends, including business results and the position of the Group, in such a way as to provide a true and fair view of the financial position and performance of the Group and that it describes the material risks and uncertainties to which the Group is exposed.

Linz, 4 March 2015
The Management Board

CEO
Franz Gasselsberger
Remit
Corporate and Business Customers

Director
Josef Weissl
Remit
Personal Banking

Director
Florian Hagenauer
Remit
Overall Banking Risk Management

Report on the consolidated financial statements

We audited the attached consolidated financial statements of Oberbank AG, Linz, for the financial year from 1 January to 31 December 2014 together with the accounting records. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ended 31 December 2014 as well as the notes to the consolidated financial statements.

The legal representatives’ responsibility in respect of the consolidated financial statements and the accounting records

The responsibility for the Group’s accounting records as well as for the preparation of consolidated financial statements that present fairly in all material respects the assets and financial position of the Group and the results of its operations in accordance with the International Financial Reporting Standards (IFRSs) applicable in Austria, as adopted by the European Union, and the additional requirements of Section 245a of the Austrian Commercial Code (UGB) as well as Section 59a of the Austrian Banking Act (BWG) lies with the Company’s legal representatives. This responsibility encompasses: designing, implementing and maintaining an internal control system insofar as this is material to the preparation of consolidated financial statements and to presenting fairly in all material respects the assets and financial position of the Group and the results of its operations so that such consolidated financial statements are free from material misstatement, whether because of intended or unintended errors; the selection and application of suitable recognition and measurement policies; and the making of estimates that, given the prevailing circumstances, seem appropriate.

The auditors’ responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legislative provisions in force in Austria and the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we adhere to the rules of our profession and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves audit procedures undertaken in order to obtain evidence of the amounts and other statements in the consolidated financial statements. The choice of audit actions is made at the Group auditor’s due discretion taking account of such auditor’s assessment of the risk of occurrence of material misstatement, whether because of intended or unintended errors. When carrying out this risk assessment, the auditor considers the internal control system to the extent that it is material to the preparation of consolidated financial statements and to presenting fairly in all material respects the assets and financial position of the Group and the results of its operations so as to choose suitable audit actions given the prevailing circumstances, but not in order to express an audit opinion on the effectiveness of the Group’s internal control system. The audit also included assessing the suitability of the recognition and measurement policies employed and material estimates made by the legal representatives as well as evaluating the overall presentation of the consolidated financial statements.
We believe that we have obtained sufficient and suitable audit evidence so that our audit provides an adequately reliable basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of the audit, the consolidated financial statements comply with the legislative provisions and present fairly in all material respects the assets and financial position of the Group as at 31 December 2014 and the results of its operations and cash flows during the financial year from 1 January to 31 December 2014 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Statements on the Group management report

According to the legislative provisions in force in Austria, the Group management report must be audited to ascertain whether it is consistent with the consolidated financial statements and to ensure that the other statements in the Group management report do not give a false view of the Group's position. The auditor's opinion must also contain a statement as to whether the Group management report is in agreement with the consolidated financial statements and whether or not the provisions pursuant to Section 243a of the Austrian Commercial Code (UGB) are applicable.

In our opinion, the Group management report is consistent with the consolidated financial statements. The provisions of Section 243a of the Austrian Commercial Code (UGB) are applicable.

Linz, 4 March 2015

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Ulrich Pawlowski
Certified Public Accountant

Peter Humer
Certified Public Accountant

Proposed Appropriation of Profit

The amount of the profit available for distribution is determined on the basis of the separate annual financial statements of Oberbank AG, the parent company.

Profit for the 2014 financial year at the level of Oberbank AG came to a total of EUR 94.2 million. After the allocation of EUR 78.5 million to reserves and including the profit brought forward of EUR 0.3 million, the profit available for distribution amounted to EUR 16.0 million.

Subject to approval by the Annual General Meeting, the Management Board proposes that a dividend of EUR 0.55 per entitled share be paid on the share capital of EUR 86.3 million.

As the number of shares is 28,783,125, the total amount of the proposed dividend is EUR 15,830,718.75. Moreover, the Management Board proposes that the balance of EUR 134,985.05 be carried forward to new account.

Linz, 4 March 2015
The Management Board

CEO	Director	Director
Franz Gasselsberger	Josef Weissl	Florian Hagenauer
Remit	Remit	Remit
Corporate and Business Customers	Personal Banking	Overall Banking Risk Management

Ludwig Andorfer
Chairman of the Supervisory Board of Oberbank AG

Burdening taxpayers?
No.

Strengthening businesses?
Yes.

During the 2014 financial year, the Supervisory Board performed, in four meetings (once each quarter), the scrutiny required of it by the provisions of the Austrian Joint Stock Companies Act (AktG), and it called upon the Management Board to report regularly on the business situation and on important business transactions both in writing and verbally.
In addition, the Supervisory Board's Working Committee and Risk and Credit Committee continually scrutinised and ruled upon transactions for which their approval was required.
The Chairman of the Supervisory Board was in regular contact with the Chairman of the Management Board to discuss the Company's strategy, business development and risk management activities.
The development of the economic and risk situation of Oberbank as well as the general economic environment were issues taken up and discussed as central topics by the Supervisory Board.
The Management Board informed the Supervisory Board both orally and in writing about material events and effects on Oberbank.

In all its meetings, the Supervisory Board performed the tasks that are incumbent upon it by virtue of the law and the Articles of Association in compliance with the Austrian Code of Corporate Governance.

In compliance with the new "fit & proper" criteria of Oberbank, trainings on specific supervisory and banking issues were organised for the members of the Supervisory Board within the framework of the Supervisory Board meetings. Of a budget of EUR 12,000 earmarked for this purpose in 2014, a total of EUR 8,500 was spent.

In its meeting in September 2014, the full Supervisory Board after thorough consultation prolonged the Supervisory Board mandates of Management Board Director Florian Hagenauer (new tenure until 30 Nov. 2019) and Management Board Director Josef Weissl (new tenure until 30 April 2020) by a further five years each.

Supervisory Board Committees

The **Working Committee** approved five time-critical resolutions by way of written circular in 2014. Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

The **Risk and Credit Committee** approved a total of 93 time-critical loan applications by way of written circular in 2014. It also dealt with direct applications subsequently approved by the plenary meeting of the Supervisory Board.
Business matters decided by the Credit Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.
In its risk committee function, the Risk and Credit Committee, in compliance with the Austrian Banking Act, convened in a meeting in the presence of the employee responsible for the independent risk management function within Oberbank and the State Commissioner; in this meeting, the Committee dealt in comprehensive detail with the risk strategy of Oberbank and other issues required by law.
The next meeting of the full Supervisory Board was informed in detail of the results.

The **Nomination Committee** also held one meeting in 2014. This meeting approved a target ratio of 25% for the underrepresented sex. Following the election of three additional female Supervisory Board members at

the 2014 Annual General Meeting and the reduction of the number of capital representatives from 13 to 12, this ratio subsequently increased to 33% and therefore clearly exceeds the target ratio.
This meeting also adopted the candidate profiles for three Management and Supervisory Board positions due to become vacant and evaluated as positive the Management Board strategy focused on qualifying people from within the Company's own ranks for senior management positions.

In its meeting on 25 March 2014, the **Remuneration Committee** in the presence of the State Commissioner dealt in detail with issues relating to the implementation of the remuneration policy approved by the Committee. The Remuneration Committee fixed the variable remuneration components of the Management Board members for the financial year 2013 on the basis of documented long-term goals and, in compliance with paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors, decided to pay this component to 50% in equity instruments and 50% in cash, the respective equity instruments being subject to a holding period of three years and the portion of 40% of variable remuneration that has to be deferred for a period of five years having to consist to equal parts of equity instruments and cash.
The same meeting adopted a new policy governing the internal process for the identification of so-called risk buyers formulated on the basis of the EBA FINAL draft regulatory technical standards on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94(2) Directive 2013/36/EU, which is used to evaluate the applicability of the aforesaid remuneration principles and practices to employees below Management Board level and the variable remunerations to be granted to these employees for the financial year 2014.
In December 2014 the Remuneration Committee by way of written circular adjusted the proportionality assessment process in compliance with these new qualification criteria.

The **Audit Committee** convened twice during the financial year 2014. The results of the work performed by the Audit Committee were presented to the plenary meeting of the Supervisory Board on the occasion of its next meetings.
At its meeting on 23 March 2015, the Audit Committee examined the annual financial statements, the Group management report and the corporate governance report of Oberbank AG and reported thereon to the Supervisory Board. The Supervisory Board has endorsed the findings of the audit, expresses its approval of the annual financial statements together with the Group management report as submitted by the Management Board, inclusive of the proposed appropriation of profit and the corporate governance report and approves the annual financial statements for 2014, which are thus final for the purposes of Section 96(4) of the Joint Stock Companies Act (AktG).
During its meeting on 23 March 2015, the Audit Committee examined the consolidated financial statements and reported thereon to the Supervisory Board. The Supervisory Board concurs with the findings of the audit.
At this meeting, the Audit Committee also examined and approved the Management Board's proposal that a dividend of EUR 0.55 per share be distributed out of the net profit for 2014 of EUR 16.0 million and that the balance be carried forward to new account, and reported thereon to the Supervisory Board.

Bank auditor

In the year under report, the consolidated financial statements for 2013 and the semi-annual financial statements for 2014 were also subject to a review by the new Financial Reporting Enforcement Panel (OePR). With the exception of a number of recommendations, which will of course be implemented, the review did

not bring to light any materially adverse findings, meaning that no retrospective adjustment of the audited financial statements was required.
KPMG Austria AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the annual financial statements of Oberbank AG for 2014 and the Group management report. The audit did not give rise to any objections and the legal requirements were fully complied with; therefore the auditors expressed their unqualified opinion.
KPMG Austria AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2014, prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the Group management report, prepared in accordance with the provisions of the Austrian Enterprise Code (UGB).
The audit did not give rise to any objections and the legislative requirements were satisfied. It is the opinion of the Bank's auditors that the consolidated financial statements present fairly the assets and financial position of the Group as at 31 December 2014 and the results of its operations and cash flows during the financial year from 1 January to 31 December 2014 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

The auditors confirm that the Group management report is consistent with the consolidated financial statements and that the legislative prerequisites for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been satisfied.

Annual General Meeting

At the Annual General Meeting on 13 May 2014, the Supervisory Board members Norbert Zimmermann (expiry of term of office), Hermann Bell, Heimo Penker and Christoph Leitl (retirement from their function) resigned from the Supervisory Board.
By resolution of the Annual General Meeting the number of elected capital representatives was reduced by one member to twelve members; with the election of Herta Stockbauer, Barbara Steger and Barbara Leitl-Staudinger three new members were elected for the period up to the Annual General Meeting of 2019, i.e. the maximum period of five years permitted under the Articles of Association.

The Supervisory Board thanks the Management Board, the management and the entire staff for their excellent performance in the reporting year. The Supervisory Board recognises as outstanding achievement Oberbank's very good results, which are clearly above the Austrian banking industry average even in a multi-year comparison.

Linz, 23 March 2015
The Supervisory Board

Ludwig Andorfer

Ludwig Andorfer
Chairman of the Supervisory Board

Supervisory Board

Honorary President	Hermann Bell (since 13 May 2014)
Chairman	Hermann Bell (until 13 May 2014) Ludwig Andorfer (since 13 May 2014)
Vice Chairman	Peter Gaugg Heimo Penker (until 13 May 2014) Herta Stockbauer (since 13 May 2014)
Members	Wolfgang Eder Waldemar Jud Christoph Leitl (until 13 May 2014) Peter Mitterbauer Helga Rabl-Stadler Karl Samstag Peter Thirring Herbert Walterskirchen Norbert Zimmermann (until 13 May 2014) Barbara Leitl-Staudinger (since 13 May 2014) Barbara Steger (since 13 May 2014)
Staff representatives	Wolfgang Pischinger, Chairman of the Central Staff Council of Oberbank AG Armin Burger (until 26 March 2014) Alexandra Grabner (since 26 March 2014) Elfriede Höchtel Josef Pesendorfer Stefan Prohaska Markus Rohrbacher (until 26 March 2014) Barbara Schneebauer (from 26 March 2014 until 13 May 2014) Herbert Skoff

State Commissioners	Marian Wakounig, State Commissioner, appointed as of 1 August 2007 Edith Wanger, Deputy State Commissioner, appointed as of 1 July 2002
Management Board	Franz Gasselsberger, CEO and Chairman of the Management Board Josef Weissl, Director Florian Hagenauer, Director

Service Information

Organisational Structure of Oberbank AG

Management Board

CEO and Chairman
Franz Gasselsberger
Phone +43-732/7802 ext. 37204
franz.gasselsberger@oberbank.at

Director
Josef Weissl
Phone +43-732/7802 ext. 37220
josef.weissl@oberbank.at

Director
Florian Hagenauer
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Austria

Hauptplatz principal branch, Linz

A-4010 Linz, Hauptplatz 10 – 11

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Affiliated branches: A-4020 Linz – Donaulände, Untere Donaulände 28
A-4040 Linz – Dornach, Altenberger Strasse 9
A-4040 Linz – Harbach, Leonfeldner Strasse 75 a
A-4020 Linz – Stadthafen, Industriezeile 56
A-4040 Linz – Urfahr, Hinsenkampplatz 1
A-4070 Eferding, Stadtplatz 32
A-4240 Freistadt, Linzer Strasse 4
A-4210 Gallneukirchen, Hauptstrasse 12
A-4060 Leonding, Mayrhansenstrasse 13
A-4100 Ottensheim, Hostauerstrasse 87
A-4320 Perg, Herrenstrasse 14
A-4150 Rohrbach, Stadtplatz 16

Landstrasse principal branch, Linz

A-4020 Linz, Landstrasse 37

Johann Fuchs, Phone +43-732-774211 ext. 31300, johann.fuchs@oberbank.at

Affiliated branches: A-4020 Linz – Spallerhof-Bindermichl, Einsteinstrasse 5
A-4020 Linz – Franckstrasse, Franckstrasse 42
A-4030 Linz – Kleinmünchen, Wiener Strasse 382
A-4020 Linz – Neue Heimat, Wegscheider Strasse 1 – 3
A-4020 Linz – Weissenwolffstrasse, Weissenwolffstrasse 1
A-4020 Linz – Wiener Strasse, Wiener Strasse 32
A-4470 Enns, Hauptplatz 9
A-4053 Haid, Hauptplatz 27
A-4400 Steyr – Münichholz, Punzerstrasse 14
A-4400 Steyr – Stadtplatz, Stadtplatz 25
A-4400 Steyr – Tabor, Ennser Strasse 2
A-4050 Traun, Linzerstrasse 12
A-4050 Traun – St. Martin, Leondinger Strasse 2

Banking Departments and Branch Offices

Salzburg principal branch

A-5020 Salzburg, Alpenstrasse 98

Manfred Seidl, Phone +43-662-6384 ext. 140, manfred.seidl@oberbank.at

Affiliated branches:
A-5020 Salzburg – Alter Markt, Alter Markt 4
A-5020 Salzburg – Lehen, Ignaz-Harrer-Strasse 40 a
A-5020 Salzburg – Liefering, Münchner Bundesstrasse 106
A-5020 Salzburg – Maxglan, Neutorstrasse 52
A-5020 Salzburg – Schallmoos, Sterneckstrasse 55
A-5020 Salzburg – Südtirolerplatz, Südtirolerplatz 6
A-5020 Salzburg – Taxham, Etrichstrasse 3
A-5640 Bad Gastein, Böcksteiner Bundesstrasse 1
A-5630 Bad Hofgastein, Kurgartenstrasse 27
A-5500 Bischofshofen, Bodenlehenstrasse 2 – 4
A-4890 Frankenmarkt, Hauptstrasse 102
A-5400 Hallein, Robertplatz 4
A-5310 Mondsee, Rainerstrasse 14
A-5760 Saalfelden, Leoganger Strasse 16
A-5201 Seekirchen, Bahnhofstrasse 1

Innviertel principal branch

A-4910 Ried im Innkreis, Friedrich-Thurner-Strasse 9

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Affiliated branches:
A-5280 Braunau, Stadtplatz 40
A-4950 Altheim, Stadtplatz 14
A-5230 Mattighofen, Stadtplatz 16
A-4780 Schärding, Silberzeile 12

Wels principal branch

A-4600 Wels, Ringstrasse 37

Wolfgang Pillichshammer, Phone +43-7242-481 ext. 200, wolfgang.pillichshammer@oberbank.at

Affiliated branches:
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A-4600 Wels – Pernau, Linzer Strasse 157 a
A-4600 Wels – West, Bauernstrasse 1, WDZ 9
A-4710 Grieskirchen, Pühringerplatz 3
A-4560 Kirchdorf, Bahnhofstrasse 9
A-4550 Kremsmünster, Marktplatz 26
A-4614 Marchtrenk, Linzer Strasse 30
A-4600 Thalheim, Traunufer-Arkade 1

Banking Departments and Branch Offices

Salzkammergut principal branch, Gmunden

A-4810 Gmunden, Esplanade 24

Thomas Harrer, Phone +43-7612-62871 ext. 12, thomas.harrer@oberbank.at

Affiliated branches: A-4810 Gmunden – Rathausplatz, Rathausplatz 7
A-4800 Attnang – Puchheim, Dr. Karl-Renner-Platz 2
A-8990 Bad Aussee, Parkgasse 155
A-4820 Bad Ischl, Kaiser-Fr.-Josef-Strasse 4
A-4802 Ebensee, Hauptstrasse 9
A-4663 Laakirchen, Gmundner Strasse 10
A-4860 Lenzing, Atterseestrasse 20
A-4690 Schwanenstadt, Stadtplatz 40
A-4840 Vöcklabruck, Stadtplatz 31 – 33

Lower Austria principal branch, St. Pölten

A-3100 St. Pölten, Domplatz 2

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Affiliated branches: A-3100 St. Pölten – Europaplatz, Europaplatz 6
A-3300 Amstetten, Hauptplatz 1
A-7000 Eisenstadt, Esterhazyplatz 6 a
A-3500 Krems, Sparkassengasse 6
A-2000 Stockerau, Schiessstattgasse 3 a
A-3430 Tulln, Hauptplatz 9
A-3340 Waidhofen a. d. Ybbs, Unterer Stadtplatz 17
A-2700 Wiener Neustadt, Wiener Strasse 25
A-3910 Zwettl, Kuenringer Strasse 3

Vienna principal branch

A-1030 Vienna, Schwarzenbergplatz 5

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Affiliated branches: A-1090 Vienna – Alsergrund, Porzellangasse 25
A-1190 Vienna – Döbling, Gatterburggasse 23
A-1220 Vienna – Donaustadt, Wagramer Strasse 124
A-1100 Vienna – Favoriten, Sonnwendgasse 13
A-1210 Vienna – Floridsdorf, Brünner Strasse 42
A-1170 Vienna – Hernals, Hernalser Hauptstrasse 114
A-1130 Vienna – Hietzing, Lainzer Strasse 151
A-1080 Vienna – Josefstadt, Josefstädterstrasse 28
A-1030 Vienna – Landstrasse, Landstrasser Hauptstrasse 114
A-1020 Vienna – Leopoldstadt, Taborstrasse 11 a
A-1230 Vienna – Liesing, Lehmanngasse 9
A-1050 Vienna – Margareten, Reinprechtsdorfer Strasse 30
A-1070 Vienna – Neubau, Neubaugasse 28 – 30
A-1230 Vienna – Süd, Laxenburger Strasse 244
A-1040 Vienna – Wieden, Rilkeplatz 8
A-1100 Vienna – Wienerberg, Wienerbergstrasse 9

A-2500 Baden bei Wien, Beethovengasse 4 – 6
A-3400 Klosterneuburg, Kierlinger Strasse 1
A-2340 Mödling, Hauptstrasse 33
A-2320 Schwechat, Wiener Strasse 3

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D-84307 Eggenfelden, Fischbrunnenplatz 11
D-85354 Freising, Johannisstrasse 2
D-82110 Germering, Therese-Giehse-Platz 2
D-85049 Ingolstadt, Donaustrasse 3
D-84028 Landshut, Altstadt 391
D-84453 Mühldorf am Inn, Brückenstrasse 2
D-85521 Ottobrunn, Rosenheimer Landstrasse 39
D-94032 Passau, Brunngasse 10
D-93047 Regensburg, Zur Schönen Gelegenheit 7
D-83022 Rosenheim, Heilig-Geist-Strasse 5
D-94315 Straubing, Stadtgraben 93
D-85716 Unterschleissheim, Alleestrasse 13
D-82515 Wolfratshausen, Bahnhofstrasse 28

North Bavaria-Hesse-Thuringia
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D-96047 Bamberg, Franz-Ludwig-Strasse 7 a
D-95444 Bayreuth, Wölfelstrasse 3 – 5
D-64283 Darmstadt, Neckarstrasse 12 – 16
D-91054 Erlangen, Hauptstrasse 83
D-92318 Neumarkt i.d. Oberpfalz, Ringstrasse 5
D-97421 Schweinfurt, Schultesstrasse 5 – 7
D-92637 Weiden, Sedanstrasse 6
D-97070 Würzburg, Paradeplatz 4

Banking Departments and Branch Offices

Czech Republic principal branch

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CZ-17000 Praha 7 – Holešovice, Dukelských hrdinů c. 407/26
CZ-27201 Kladno, Osvobozených politických vězňů 339
CZ-60200 Brno, Lidická 20
CZ-60200 Brno, Trnitá 491/3
CZ-37001 České Budějovice, nám. Přemysla Otakara II. 6/3
CZ-50002 Hradec Králové, Gočárova tř. 1096
CZ-38101 Český Krumlov, Panská 22
CZ-58601 Jihlava, Masarykovo nám. 10
CZ-46001 Liberec, Sourkenné nám. 156
CZ-29301 Mladá Boleslav, Jaselská 1391
CZ-39701 Písek, Budovcova 2530
CZ-30100 Plzeň, Prešovská 20
CZ-77100 Olomouc, Dolni nám. 1
CZ-70200 Ostrava, Stodolní 1
CZ-74601 Opava, Masarykova třída 274/27
CZ-39001 Tábor, Pražská 211
CZ-40001 Ústí nad Labem, Hrnčířská 4
CZ-76001 Zlín, Osvoboditelů 91

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H-9024 Gyõr, Hunyadi u. 16
H-6000 Kecskemét, Kisfaludy utca 8
H-6720 Szeged, Klauzál tér 2
H-9700 Szombathely, Berzsenyi Dániel tér 2

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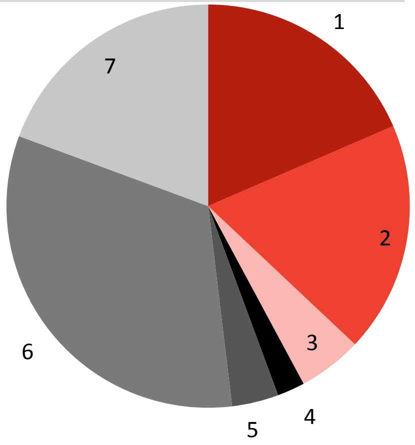
SK-949 01 Nitra, Mostná ulica 70
SK-911 01 Trenčín, Legionárska 4
SK-010 01 Žilina, Jána Kalinčiaka 22

3 Banken Group at a Glance

Shareholder Structure of the 3 Banks as at 31/12/2014 by Voting Rights

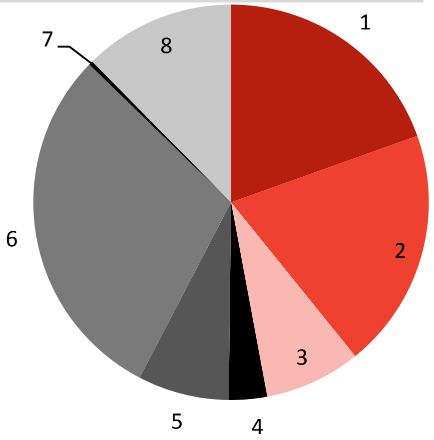
Oberbank

1	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	18.51%
2	BKS Bank AG, Klagenfurt	18.51%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	5.13%
4	Generali 3 Banken Holding AG, Vienna	2.21%
5	Staff shares	3.82%
6	CABO Beteiligungs-gesellschaft m. b. H., Vienna	32.54%
7	Free float	19.28%



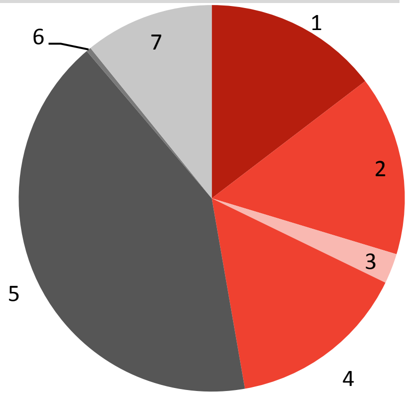
BKS

1	Oberbank AG, Linz	19.44%
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	19.57%
3	Generali 3 Banken Holding AG, Vienna	7.84%
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	3.10%
5	UniCredit Bank Austria AG, Vienna	6.74%
6	CABO Beteiligungsgesellschaft m. b. H., Vienna	26.81%
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	0.37%
8	Free float	16.13%



BTV

1	Oberbank AG, Linz	14.69%
2	BKS Bank AG, Klagenfurt	15.10%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.53%
4	Generali 3 Banken Holding AG, Vienna	15.12%
5	CABO Beteiligungs-gesellschaft m. b. H., Vienna	41.70%
6	BTV Privatstiftung, Innsbruck	0.40%
7	Free float	10.46%



A syndicate agreement is in place with each of the shareholders depicted in shades of red.

3 Banken Group at a Glance
Key Figures of the 3 Banks

	Oberbank		BKS Bank		BTV	
Income statement in €m	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Net interest income	372.9	335.6	157.3	146.2	182.3	180.2
Charges for losses on loans and advances	(78.0)	(70.6)	(49.5)	(42.7)	(29.0)	(46.9)
Net commission income	119.3	114.6	44.7	45.4	43.7	45.3
Administrative expenses	(236.9)	(231.0)	(105.8)	(100.8)	(139.6)	(96.0)
Profit for the year before tax	157.6	141.7	51.2	45.5	89.8	86.3
Consolidated net profit	136.5	122.4	46.6	40.6	76.1	68.5
Balance sheet in €m						
Assets	17,774.9	17,531.8	6,864.5	6,743.8	9,597.7	9,591.8
Loans and advances to customers after provisioning charges	11,801.8	11,277.9	4,828.9	4,874.2	6,187.2	6,197.4
Primary funds	12,288.6	12,250.4	5,013.0	4,597.5	6,918.6	6,702.1
Of which savings deposits	3,098.5	3,352.1	1,705.5	1,741.2	1,176.3	1,175.8
Of which securitised liabilities incl. subordinated debt capital	2,295.0	2,224.4	789.1	813.9	1,391.5	1,282.3
Equity	1,534.1	1,421.0	805.7	714.2	1,004.4	932.7
Customer funds under management	23,441.9	22,787.5	12,972.0	11,383.4	12,155.4	11,532.0
Of which in customer's security accounts	11,153.3	10,537.1	7,959.0	6,785.9	5,236.8	4,829.9
Capital resources CRR (Previous year BWG) in €m						
Assessment basis	11,935.2	10,734.0	4,846.6	4,423.3	6,212.8	6,055.4
Own funds	1,874.4	1,824.8	580.9	707.6	930.3	964.4
of which core capital (CET1)	1,306.9	n. a.	543.7	n. a.	796.1	n. a.
of which total core capital (CET1+AT1)	1,385.2	1,320.6	543.7	662.5	796.1	807.0
Common equity Tier 1 capital ratio	10.95%	n. a.	11.22%	n. a.	12.81%	n. a.
Core Tier 1 capital ratio	11.61%	12.30%	11.22%	13.92%	12.81%	13.33%
Total capital ratio	15.70%	17.00%	11.99%	16.00%	14.97%	15.93%
Performance						
Return on equity before tax	10.68%	10.31%	6.74%	6.49%	9.27%	9.50%
Return on equity after tax	9.25%	8.91%	6.13%	5.79%	7.86%	7.54%
Cost/income ratio	50.14%	52.11%	52.66%	54.25%	54.38%	42.83%
Risk/earnings ratio (credit risk in% of net interest income)	20.92%	21.05%	31.47%	29.21%	15.93%	26.02%
Resources						
Average number of staff (weighted)	2,004	2,001	915	910	1,195	793
Number of branches	156	150	57	56	38	37

Imprint

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Investor Relations: Frank Helmkamp, Oberbank AG, Linz
Editing: Corporate Secretary and Communications
Sources (the economic environment): WIFO, IHS and OeNB, Vienna; DIW, Berlin; Ifo, Munich
Copy deadline: 23 March 2015

Design: Createam, Agentur für Markenwachstum, Linz
Photos: Dieter Eikelpoth, Düsseldorf; Florian Stöllinger, Linz
Printing: Oberbank
English translation: Maria Bennett-Hengl

Oberbank abstains from producing a resource-intensive printed version for the presentation of its Annual Reports. True to our business philosophy that stresses sustainability and the protection of resources, this enables the Bank to reduce resource consumption by some nine tonnes of timber and 360,000 litres of water. What is more, the Bank thus also avoids the full gamut of polluting effects of the printing process.
The full version of the Bank's Annual Reports can be accessed on our website www.oberbank.at.

In 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 which have not been rounded off.

Disclaimer: Forward-looking statements
This Annual Report contains statements and forward-looking statements regarding Oberbank AG's future development. These forward-looking statements are usually accompanied by words such as "estimates", "expects", "plans", "predicts", "targets" and similar expressions. The forecasts are estimates made on the basis of all the information available on the reporting date of 31 December 2014. Should the assumptions upon which such forecasts have been based prove unjustified or should risks such as those referred to in the Risk Report transpire, actual results may differ from the results that are currently expected.
This Annual Report does not constitute any recommendation to buy or sell shares of Oberbank AG.
A separate glossary has not been included in this Annual Report, as the terms used are either common terminology or, where required, explained directly in the text.
This Annual Report is prepared for the convenience of English-speaking readers. It is based on the German original; only the German text is binding.