Annual Report 2017

Assets based on Trust

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Oberbank at a Glance

Income statement in €m	2017	2016	Change
Net interest income	387.5	359.6	7.7%
Charges for losses on loans and advances	-28.4	-25.0	13.5%
Net commission income	140.6	130.9	7.4%
Administrative expenses	-266.2	-251.8	5.8%
Profit for the period before tax	238.9	219.1	9.0%
Profit for the year after tax	200.5	181.3	10.6%

Balance sheet in € m	2017	2016	Change
Total assets	20,830.6	19,158.5	8.7%
Loans and advances to customers	14,760.3	13,777.9	7.1%
Primary funds	13,394.7	13,008.9	3.0%
of which savings deposits	2,719.0	2,794.2	-2.7%
of which securitised liabilities incl. subordinated debt capital	1,997.4	2,064.5	-3.3%
Equity	2,466.8	2,282.8	8.1%
Customer funds under management	29,332.6	26,524.2	10.6%

Regulatory capital in € million	2017	2016	Change
Common Equity Tier 1 capital	2,203.1	2,009.4	9.6%
Tier 1 capital	2,273.8	2,086.0	9.0%
Own funds	2,622.9	2,482.2	5.7%
Common Equity tier 1 capital ratio	16.50%	15.67%	0.83% ppt
Tier 1 capital ratio	17.03%	16.27%	0.76% ppt
Total capital ratio	19.64%	19.36%	0.28% ppt

Performance indicators	2017	2016	Change
Return on equity before tax (RoE)	10.06%	10.76%	-0.70% ppt
Return on equity after tax	8.44%	8.91%	-0.47% ppt
Cost/income ratio	49.90%	50.77%	-0.87% ppt
Risk/earnings ratio (credit risk/net interest)	7.33%	6.96%	0.37% ppt

Resources	2017	2016	Change
Average number of staff (weighted)	2,050	2,049	1
Number of branches	161	159	2

Oberbank’s share	2017	2016	2015
Number of ordinary no-par shares	32,307,300	32,307,300	29,237,100
Number of preference no-par shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	81.95/71.40	60.30/52.75	52.80/38.20
Low (ordinary/preference share) in €	60.36/52.00	52.57/37.70	49.96/37.55
Close (ordinary/preference share) in €	81.95/71.40	60.30/52.50	52.80/37.70
Market capitalization in € m	2,861.8	2,105.6	1,656.8
IFRS earnings per share in €	5.68	5.59	5.47
Dividend payout per share in €	0.90	0.65	0.55
P/E ratio, ordinary shares	14.4	10.8	9.7
P/E ratio, preference shares	12.6	9.4	6.9

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

Letter from the Chairman of the Management Board

Florian Hagenauer
Management Board Member Oberbank AG

Franz Gasselsberger
CEO Oberbank AG

Josef Weißl
Management Board Member Oberbank AG

Dear readers,

I would like to mention the most important piece of news first: Oberbank has once again performed excellently in 2017, all key indicators attained outstanding levels, and for the eighth time in a row, Oberbank posted a record result.

Net profit before tax rose by 9.0% to EUR 238.9 million and after tax by 10.6% to EUR 200.5 million. There were significant increases in the volume of loans (+7.1% to EUR 14.8 billion) and customer assets under management (+10.6% to EUR 29.3 billion), while credit risk was pleasingly low and the CET 1 capital ratio of 17.03% and total capital ratio of 19.64% were also very good in international comparison.

We can also report a number of special achievements in the reporting year outside of our daily business.

We have again been conferred several awards by independent bodies.

As in 2016, the financial magazine “Der Börsianer” ranked us the best universal bank, and for the first time also named us the best bank in Austria. Moreover, our investment management company was named the best investment company in Austria, one could almost say, no surprise here.

Employees rated us the most attractive employer in the financial sector.

This assessment was also confirmed by the results of the employee survey conducted in 2017.

Although the workload has increased substantially, employees have a deep loyalty to Oberbank, which is much stronger than at other financial service providers, other service companies and in the industrial sector. Our managers were given especially high ratings both for their expertise as well as for their considerate and respectful treatment of employees.

The enlarged headquarters have opened for business.

Accompanied by keen interest from the media, we invested almost EUR 70 million in enlarging the complex on the shores of the Danube in Linz to finally unite the headquarters of Oberbank one roof. Today, some 1,000 persons or almost half of the entire staff of Oberbank work there.

Further expansion, six new branches opened.

We opened six branches (two in Vienna, three in Hungary, one in the Czech Republic), thereby continuing our steady expansion. At the end of 2017, Oberbank operated 161 branches in Austria, Germany, the Czech Republic, Hungary and Slovakia.

Given these achievements, the question arises as to what is Oberbank’s “secret recipe for success”.

Our vision and our values underpin everything we do.

The shared vision gives our employees guidance and creates trust. Our values determine how we treat our customers and each other. They include sustainability, predictability, solidity and a respectful behaviour, but also industriousness, hard work and loyalty.

This is the foundation of our business model, which has proven to be reliable and resistant to crises over the years.

Autonomy and independence remain our top-priority objectives – they allow us to continue making decisions autonomously, for the region in the region.

As a regional bank, we focus on customer business and not on risky speculative trades.

As a universal bank, we have two mainstays with the corporates and personal banking segments.

We offer high quality advisory services and regularly receive awards for our performance.

We pursue a cautious risk policy and rely on professional risk management.

We grow organically through new branches and do not engage in the acquisition of banks at overrated prices.

Cost awareness is a matter of course for us in our daily business – this is why we do not have to close branches for cost reasons or make hundreds of employees redundant overnight.

The commitment and motivation of our employees are also indispensable for our success.

Our employees are the most important link between Oberbank and its customers, and set us apart from our competitors.

These factors together form the basis for what is our most important asset and our guarantee for success: the trust and satisfaction of our customers.

What is in store for us in 2018?

According to the most recent forecasts for 2018, the global economy is set to develop robustly.

Growth in the US, the EU and the euro area is estimated at 2.4%, and, at an expected rate of 3.0%, Austria will clearly outperform the euro area average.

Inflation is estimated to reach 2.0%, and therefore, close to the ECB's target. Interest rates will remain low, and we expect the euro to remain strong versus other leading currencies.

The central banks will not have any other option but to taper the money supply. They will test the response of the markets and when in doubt opt for a cautious approach. Bond prices especially will not be able to retain their current high levels.

What are the concrete plans of Oberbank for 2018?

We will pursue our course of steady expansion.

For years, we have been growing faster than the market in lending, capital, number of branches and employees, and the development of earnings. We will continue to pursue this course vigorously – we have a concrete plan for growth until 2020 that we are implementing step by step.

Our expansion through new branches is contrary to the market trend.

In the past few years, we have massively widened our capital base and have high aspirations for return on equity. In order to achieve the target of an 8% to 10% return on equity over the long term, it is necessary to expand profitably. For this reason we continue to rely on organic growth through new branches.

Letter from the Chairman of the Management Board

We are and remain a regional bank. However, we remain flexible in defining what exactly our region comprises. As of 2018, we will enter new markets in Germany, in Baden Württemberg and Saxony, and overall we plan to open some ten new branches in 2018: one or two in Vienna, one in Hungary (Budapest) and eight in Germany.

On behalf of the entire Board of Oberbank I would like to thank everyone who has made our success possible!
I thank our customers, who we have the privilege of continuing to support; our shareholders, who by investing in Oberbank shares have placed their trust in us, and to our employees, who once again have been crucial for the success achieved.
My special thanks also go to all members of the Supervisory Board. It is not only the top-most monitoring body, but an important advisor for the management on crucial matters.

Only the constructive cooperation of all of them has enabled us to achieve outstanding earnings again in 2017. Let us continue together on this path of mutual trust and success.

Linz, in March 2018

CEO Franz Gasselsberger
Chairman of the Management Board

Corporate Governance Report for the Group

Preamble

A listed company with subsidiaries such as Oberbank must prepare a corporate governance report on a consolidated basis (§ 267b Austrian Business Code). As the Oberbank group does not have any exchange-listed subsidiaries, the information required is limited to the information defined in § 243c (2) Austrian Business Code as set out in the principles of the Austrian Financial Reporting and Auditing Committee (AFRAC), i.e. the information on the mode of operation of the management boards and of the supervisory boards of these companies, on the measures to promote women and on remuneration policy.
The information required was integrated into the appropriate sections of the corporate governance report. The report has been produced in accordance with the principles published by the Austrian Financial Reporting and Auditing Committee (AFRAC) for the drafting and auditing of corporate governance reports.

Corporate Governance

The commonly applied national and international standards of good corporate governance aim to guarantee the long-term and sustainable creation of added value for listed companies to safeguard the interests of all stakeholders involved.
This goal of long-term and sustainable value added creation is also a strategic goal of Oberbank, and therefore, the establishment of effective corporate governance is a matter of course for us.
In its internal corporate governance principles, Oberbank takes guidance in this endeavour from the Guidelines of the European Banking Authority (EBA) on internal governance and from the rules of the Austrian Code of Corporate Governance.

Austrian Code of Corporate Governance / Declaration of Conformity

As a listed company, Oberbank is committed to the Austrian Code of Corporate Governance (ÖCGK) as amended. The Code of Corporate Governance is available for downloading from the website of Oberbank at www.oberbank.at and serves as a valuable guidance aid for developing internal mechanisms and rules. The Supervisory Board of Oberbank made its first declaration of conformity at its meeting of 26 November 2007.
Ever since, the respective current version of the Austrian Code of Corporate Governance has been applied by implementing the relevant rules or giving explanations for any departures from the rules; this was also reviewed and confirmed at the first meeting of the Supervisory Board of the year in March.

Reasons given by Oberbank for non-compliance with certain C Rules

The Austrian Code of Corporate Governance requires companies to state the reasons for any non-compliance with the so-called C Rules ("comply or explain”) clearly, precisely and comprehensively (ÖCFK 2018, Annex 2b).
Oberbank complied with the Code by explaining the following departures in the reporting year:

Rule 2 C: Based on a resolution of the Annual General Meeting of 15 April 1991, Oberbank, besides ordinary shares, has also issued preference shares, which give shareholders an attractive investment option by paying out higher dividends. The ordinary shares issued by Oberbank carry one vote each; therefore, no shareholder has a disproportionately high share of voting rights.

Rule 31 C: In compliance with legal requirements, the remuneration paid to the members of the Management Board is disclosed as a total amount for each Board member. For reasons data of protection and to protect the privacy of the Management Board members, no breakdown of the individualised remunerations into fixed and variable components is given.

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 evolved shareholder structure of Oberbank, the members of the Supervisory Board include representatives from the group of the major individual shareholders. Since these representatives also include banks, the respective Supervisory Board members also hold board functions at other banks that are competitors of Oberbank.
The statutory obligations of the members of the Supervisory Board ensure that the legitimate interests of Oberbank are protected to the fullest extent.

Rule 52a C: The Supervisory Board of Oberbank includes more than ten shareholder representatives. At 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 Rules of Procedure. The Management Board regularly reports to the Supervisory Board, thus ensuring a comprehensive flow of information.
In the case of the fully consolidated companies (see also Chapter “Consolidated Financial Statements, note 39), apart from the managing directors of the direct leasing subsidiaries in Austria (Oberbank LEASING GESELLSCHAFT MBH, Linz, 3 Banken Kfz-Leasing GmbH, Linz), Germany (Oberbank Leasing GmbH Bayern, Neuötting), Czech Republic (Oberbank Leasing spol. s.r.o., Prague), Hungary (Ober Lizing Kft, Budapest) and Slovakia (Oberbank Leasing s.r.o., Bratislava), the mandates of the management boards, managing directors and, if required, supervisory boards are assumed by current Management Board members and heads of department of Oberbank or by one of the partner banks (e.g. 3 Banken Wohnbaubank AG).
Regular reports on the development of business of the operational subsidiaries are sent to the Management Board. These subsidiaries are also covered by the Group rules on money laundering and compliance.

Members of the Management Board

In the 2017 financial year, the Management Board of Oberbank consisted of three members.

	Year of birth	Initial appointment	End of period of office
Franz Gasselsberger	1959	28 April 1998	12 May 2022
Josef Weißl	1959	1 May 2005	30 April 2020
Florian Hagenauer	1963	1 Dec. 2009	30 Nov. 2019

CEO Franz Gasselsberger

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 was appointed Board Spokesman; on 1 May 2005 he was designated Chairman of the Management Board with the title “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 in Upper Austria, 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: AMAG Austria Metall AG; Lenzing Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board: Bank für Tirol und Vorarlberg Aktiengesellschaft

Vice Chairman of the Supervisory Board: BKS Bank AG

Member of the Supervisory Board: voestalpine AG

All upper limits regarding mandates pursuant to the Austrian Code of Corporate Governance, Joint Stock Companies Act and the Banking Act are complied with.

Josef Weißl, Management Board Member

Upon his graduation from the University of Linz, where he studied business administration and law, Josef Weißl started his career at Oberbank in 1983. Concurrently with his management function in the Bank's Salzburg operations, he completed 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 member of the Austro-American Society and president of its regional organisation for Upper Austria.

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

Chairman of the Supervisory Board: Gasteiner Bergbahnen AG

Member of the Supervisory Board: BAUSPARERHEIM Gemeinnützige Siedlungsgemeinschaft reg. Gen.m.b.H.; VBV-Pensionskasse AG (until 26 August 2017); BRP-Powertrain Gmbh & Co.KG; Wiener Börse AG; CEESEG Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

None

All upper limits regarding mandates pursuant to the Austrian Code of Corporate Governance, Joint Stock Companies Act and the Banking Act are complied with.

Florian Hagenauer, Management Board Member

Upon his graduation from the University of Vienna, where he studied business, Florian Hagenauer started his career at Oberbank in 1987. 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 completed 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 Vice President of 'Verein der Förderer der OÖ Landmuseen' and member of the Federation of Austrian Industries in Upper Austria.

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

Member of the Management Board and of the Investment Committee of Gain Capital Participations SA

Member of the Management Board and of the Investment Committee of Gain Capital Participations II SA, SICAR

Member of the Supervisory Board: Generali Holding Vienna AG; Energie AG Oberösterreich

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of 3-Banken Wohnbaubank AG

All upper limits regarding mandates pursuant to the Austrian Code of Corporate Governance, Joint Stock Companies Act and the Banking Act are complied with.

Mode of operation of the Management Board

The Management Board has the obligation to uphold the interests of the company in its work in order to optimally achieve the sustainable value added defined in the corporate strategy for the benefit of all involved stakeholders.

The mode of operation of the Management Board is defined by the legal framework and the Articles of Association in addition to the defined areas of competence in the Rules of Procedure of the Management Board.

Cooperation within the Management Board is based on regular, usually weekly Management Board meetings. Resolutions are usually reached unanimously even though the areas of responsibility are clearly defined in the defined remits for each individual member of the Management Board.

In the case of major decisions with an impact on risk, it is customary to inform the Supervisory Board by the latest at the next subsequent meeting unless approval is mandatory anyway under the Articles of Association, the law or the Rules of Procedure of the Management Board and the Supervisory Board.

Additionally, the individual members of the Management Board cooperate closely with the second management level of the Bank which must also report to the Management Board under the extensive internal reporting duties.

Current Management Board Remits

CEO **Franz Gasselsberger**	**Management Board Member** **Josef Weißl**	**Management Board Member** **Florian Hagenauer**
General Business Policy		
Internal Audit		
Compliance		
Business and Service Departments		
CIF (Corporate & International Finance)	PKU (Personal Banking)	KRM (Credit Management)
GFM (Global Financial Markets)	PAM (Private Banking & Asset Management)	RIS (Strategic Risk Management)
HRA (Human Resources)		SEK (Corporate Secretary & Communication)
RUC (Accounts & Controlling)		ORG (Organisational Development, Strategy and Process Management)
		ZSP (Payment Systems and Central Production CEE**, securities settlement)
		BDSG* (payment service systems and central production)
Regional Business Divisions		
Linz Nord	Linz Süd	
Salzkammergut	Innviertel	
Vienna	Salzburg	
Wels	Lower Austria	
Southern Bavaria	Slovakia	
Germany Central	Czech Republic	
	Hungary	

* Banken DL Servicegesellschaft m.b.H., 100% subsidiary of Oberbank

** CEE as defined by Oberbank comprises the regions Czech Republic, Slovakia and Hungary.

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 § 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 policies 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 total remuneration. The fixed basic remuneration takes into account the respective tasks of the member. 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 and risk objectives in line with the defined strategy and the objectives of the Bank's multi-year plan;
- Sustained attainment of the additional quantitative and qualitative strategic goals in general.

In compliance with the circular 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 (total 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 2017, 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 at 50% in equity instruments and 50% in cash. The respective equity instruments are subject to a holding period of three years, and the portion that has to be deferred for a period of five years under paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors has to consist of equity instruments and cash in equal parts.
The total remuneration paid to the Management Board members in the reporting year was EUR 1,812,000, of which EUR 1,646,000 were attributable to fixed salary components and EUR 348,000 constituted variable remuneration components.

Total remuneration 2017:	Franz Gasselsberger	EUR 844,000
	Josef Weißl	EUR 525,000[1)]
	Florian Hagenauer	EUR 443,000[1)]

1) Including pension fund contributions

Sideline business activities pursued by members of the Management Board require approval by the Supervisory Board pursuant to the Rules of Procedure of the Management 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 that have been applicable pursuant to the Austrian Banking Act since 1 July 2014.

The amount of the 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 progressive scale 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, provided that no cause for termination exists that is attributable to the respective Board member pursuant to Rule 27a of the Austrian Code of Corporate Governance.

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.

In the case of fully consolidated companies (see Chapter “Consolidated Financial Statements”, note 39), only the direct leasing subsidiaries in Austria (incl. car leasing), Germany, Czech Republic, Hungary and Slovakia have managing directors that receive remunerations worthy of mention. In the risk identification process, these were identified as risk buyers and were analysed by the Remuneration Committee regarding their variable remuneration. Given the low volume of variable remuneration, which is below the relevant threshold defined by the FMA, and the very restricted scope of autonomous decision-making powers, the payout methods defined in paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors do not apply.

Members of the Supervisory Board

Number and type of all additional mandates have been agreed with the supervisory authority and all members of the Supervisory Board comply with the mandate restrictions pursuant to the Banking Act that have been effective since 1 July 2014. In accordance with Rule 58 C Austrian Code of Corporate Governance, all Supervisory Board mandates and similar functions in domestic and international listed companies are listed here.

Year of birth / Initial appointment / Scheduled end of period of office

Presidency:

Herta Stockbauer — 1960 / 13 May 2014 / AGM 2019

Chairwoman
Vice Chairwoman of the Supervisory Board of Bank für Tirol und Vorarlberg AG
Member of the Supervisory Board of Österreichische Post Aktiengesellschaft
Member of the Supervisory Board of SW Umwelttechnik Stoiser & Wolscher AG

Ludwig Andorfer — 1944 / 24 May 2011/ AGM 2021

1st Vice-Chairman

Gerhard Burtscher — 1967 / 18 May 2016 / AGM 2021

2nd Vice-Chairman
Chairman of the Supervisory Board of BKS Bank AG

Representatives of shareholders:

Peter Mitterbauer — 1942 / 15 April 1991 / AGM 2020

Herbert Walterskirchen — 1937 / 20 May 1997 / AGM 2020

Karl Samstag — 1944 / 22 April 2002 / AGM 2022

Member of the Supervisory Board of BKS Bank AG
Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG

Wolfgang Eder	1952 / 9 May 2006 / AGM 2021
Barbara Leitl-Staudinger	1974 / 13 May 2014 / AGM 2022
Barbara Steger	1980 / 13 May 2014 / AGM 2022
Gregor Hofstätter-Pobst	1972 / 16 May 2017 / AGM 2020
Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG (from 12 May 2017)	
Member of the Supervisory Board of BKS Bank AG (from 9 May 2017)	
Alfred Leu	1958 / 18 May 2016 / AGM 2021
Martin Zahlbruckner	1966 / 18 May 2016 / AGM 2021

Honorary president for life:
Hermann Bell *(since 13 May 2014)*

Representatives of the Works Council:
Wolfgang Pischinger, first delegated: 28 Jan. 1993; Chairman of the Central Works Council of Oberbank AG
Elfriede Höchtel, first delegated: 22 May 2007; Oberbank Wels
Josef Pesendorfer, first delegated: 29 Jan. 2001; Oberbank Gmunden (until 17 Jan. 2017)
Herbert Skoff, first delegated: 28 March 2011; Oberbank Wien
Stefan Prohaska, first delegated: 28 March 2013; Oberbank Salzburg-Taxham
Alexandra Grabner, first delegated: 26 March 2014; Central Works Council of Oberbank AG
Markus Rohrbacher, first delegated: 29 Jan. 2013; Oberbank Krems; delegated again 17 Jan. 2017 (until 31 Dec. 2017)

State Commissioners:
Marian Wakounig, State Commissioner, appointed as of 1 August 2007 (until 31 July 2017)
Edith Wanger, Deputy State Commissioner, appointed as of 1 July 2002 (until 30 June 2017)
Angelika Schlögel, State Commissioner, appointed as of 1 August 2017
Jutta Raunig, Deputy State Commissioner appointed as of 1 July 2017

Mode of operation of the Supervisory Board
The Supervisory Board consists of twelve elected shareholder representatives and six staff representatives delegated by the Works Council.

The Supervisory Board held four regular meetings in the financial year 2017 at which it performed its control functions (see the Chapter Consolidated Financial Statements, Report of the Supervisory Board).
None of the members of the Supervisory Board failed to take part personally in more than half of the meetings of the Supervisory Board (Rule 58 C Austrian Code of Corporate Governance).

The Supervisory Board monitors how the Management Board manages the company, discusses the business and risk strategy with the Management Board, monitors the efficacy of the main processes such as accounting, risk management, internal audit and the internal control system; it reviews the single-entity and consolidated financial statements, monitors the independence of the auditors of the financial statements, defines the items to be decided at the Annual General Meeting regarding the election of the auditor and the election of new Supervisory Board members; it discusses and decides jointly with the Management Board the common proposals for resolutions for all other items of the agenda; it examines conformity with the law and compliance of the remuneration guidelines and is responsible for the appointment and removal of the Management Board members and for many other matters.

In order to accomplish its extensive tasks, the Supervisory Board establishes a certain number of committees that include the relevant experts who deal with the topics defined by law, by the Articles of Association or by the internal Rules of Procedure.

Committees set up by the Supervisory Board

With the objective of improving operational efficiency, the Supervisory Board of Oberbank AG has set up a Working Committee, a Risk and Credit Committee, an Audit Committee, a Nomination Committee and a Remuneration Committee. Their members are elected by the full Supervisory Board from among the shareholder representatives and supplemented by the required number of members from among staff representatives.

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

Audit Committee

It fulfills its obligations under § 63a (4) of the Austrian Banking Act. These include:

- Monitoring the accounting process and presenting recommendations and proposals to guarantee reliability;
- Monitoring the effectiveness of the Bank's internal control system, the internal auditing system and the risk management system;
- Monitoring the audit of the single-entity and consolidated financial statements taking into account the findings and conclusions in reports that the supervisory body for the auditing profession has published pursuant to § 4 para. 2 no. 12 Auditor Supervisory Act (APAG);
- reviewing and monitoring the independence of the auditor (auditor of the consolidated financial statements), especially with respect to the additional services provided to the audited company; Article 5 of Regulation (EU) No 537/2014 and § 271a (6) Austrian Business Code applies;
- reporting the findings of the audit of the financial statements to the Supervisory Board and presenting how the audit of the financial statements contributed to the reliability of financial reporting as well as on the role of the Audit Committee;
- reviewing the financial statements and making preparations for their approval, examining the proposal for the appropriation of profits, the management report and, if applicable, the corporate governance report, as well as reporting on the audit findings to Supervisory Board;
- if applicable, reviewing the consolidated financial statements and group management report, the consolidated corporate governance report as well as the report on the audit findings to Supervisory Board;
- conducting the procedure for selecting the auditor for the single-entity and consolidated financial statements, considering also the appropriateness of the fee, and recommending to the Supervisory Board an auditor to be appointed for the audit of the single-entity and consolidated financial statements pursuant to Article 16 of Regulation (EU) No 537/2014.

With the entry into force on 17 June 2016 of the new Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public interest

entities, the Audit Committee was assigned additional monitoring obligations regarding auditor independence; the Audit Committee also discussed this topic at its meeting of 25 September 2017.
The Audit Committee convened twice during the reporting year. Both meetings were held in the presence of the auditor and the State Commissioner and the Deputy State Commissioner.
The auditor presented the findings of the audit conducted in accordance with the auditing assignment defined in the audit contract on the economic position (single-entity and consolidated financial statements) and on the risk situation of the bank to the Management Board and to the Chairwoman of the Supervisory Board. The chair then presented the findings to the Audit Committee, which discussed the matter at length directly with the auditors.
The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.
In accordance with Rule 83 of the Austrian Code of Corporate Governance, the bank auditor was also charged with a review of the functioning of the risk management system in the reporting year. In the report to the Audit Committee at its meeting of 25 September 2017, the bank auditor confirmed that the risk management system set up is fully functional in all material aspects.

Committee Members: Ludwig Andorfer (Chairman), Herta Stockbauer, Gerhard Burtscher, Herbert Walterskirchen, Alfred Leu (from 16 May 2017), Wolfgang Pischinger, Herbert Skoff, Alexandra Grabner (from 16 May 2017)

With Ludwig Andorfer, Herta Stockbauer, Gerhard Burtscher and Herbert Walterskirchen, four committee members have specialist knowledge and practical experience in banking operations in the areas of finance and accounting (financial experts).

Working Committee

The Working Committee takes decisions on matters of special urgency which are not assigned to either the plenary meeting of the Supervisory Board or the Risk and Credit Committee under the Rules of Procedure. These include, in particular, the acquisition and divestment of shareholdings of significant size and the acquisition, sale or encumbrance of real estate and investments exceeding defined threshold amounts, which are exactly specified in the Rules of Procedure 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 resolutions reached by written circulation, 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 2017, the Working Committee approved six 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.
As decisions must usually be reached by written circulation due to urgency, Oberbank relies on the banking expertise of the members of the Working Committee.

Committee members: Ludwig Andorfer (Chairman), Herta Stockbauer, Gerhard Burtscher, Herbert Walterskirchen, Wolfgang Pischinger, Herbert Skoff

Risk and Credit Committee

The approval of the Risk and Credit Committee is required for every loan exceeding the threshold amount specified in the Rules of Procedure of the Management Board unless such loan is approved directly by the full Supervisory Board at one of its meetings. Large exposures in the meaning of Article 392 of EU Regulation No. 575/2013 (CRR) must be presented to the Supervisory Board and the Credit Committee for a decision.
In urgent matters requiring prompt decisions, the Credit and Risk Committee, in accordance with the Articles of Association, exercises its decision-making power by resolutions reached by written circulation, 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 2017, the Risk and Credit Committee approved 43 time-critical resolutions. It also dealt with direct applications subsequently approved by the plenary meeting of the Supervisory Board.
Business matters decided by the Risk and Credit Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

In its function as Risk Committee, it must deal with the following matters pursuant to § 39d Banking Act:

- Advising the Management Board with respect to the current and future risk appetite and risk strategy of the credit institution;
- Monitoring implementation of the risk strategy in connection with the management, monitoring and containment of risks pursuant to § 39 (2b) nos. 1 to 14, with capital adequacy and with liquidity;
- Reviewing the pricing policy for the services and products offered by the credit institution to check if it adequately takes the business model and risk strategy of the credit institution into account, and if necessary presenting a plan for remedial measures;
- Checking, regardless of the tasks of the Remuneration Committee, to ascertain whether the incentives of the internal remuneration system take into consideration risk, capital, liquidity, probability and time of profits realized.

In the reporting year, the committee, in compliance with the Banking Act, held one meeting in the presence of the staff member responsible for the independent risk management function within Oberbank and the State Commissioner; at this meeting, the committee dealt in detail with the risk strategy of Oberbank and other matters required by law.
At its next meeting, the full Supervisory Board was informed in detail of the results.

Committee members: Herta Stockbauer (Chairwoman), Ludwig Arndorfer, Gerhard Burtscher, Wolfgang Pischinger, Herbert Skoff

Apart from the Chairwoman, who prior to her appointment as Chairwoman of BKS Bank was board member for risk management there, Ludwig Andorfer, former board member for back office, and Gerhard Burtscher as Management Board member of Oberbank also have the required expertise for monitoring implementation of the bank’s risk strategy as required by law.

Nominations Committee
The Nominations Committee performs the tasks assigned to it by law (§ 29 Banking Act):

- Find candidates for appointment to any vacant positions on the Management Board and present the relevant proposals to the Supervisory Board;

- If required by the respective legal form of the credit institution, provide support to the Supervisory Board in preparing proposals for the Annual General Meeting for appointments to vacant positions on the Supervisory Board;
- Within the scope of its tasks pursuant to nos. 1 and 2, consider a balance and the differences in the levels of knowledge, skills and experience of all members of a relevant entity, prepare a description of the tasks and an applicant job profile and state the time required for the tasks;
- Within the scope of its tasks pursuant to nos. 1 and 2, define a target ratio for women on the Management Board and on the Supervisory Board as well as develop a strategy to achieve this target; the target ratio, strategy and progress achieved must be published pursuant to Article 435(2)(c) of Regulation (EU) No 575/2013;
- Within the scope of its tasks pursuant to nos. 1 and 2, ensure that when decisions are being reached by the Management Board or the Supervisory Board, no individual or a small group of persons is able to dominate those bodies in such a manner as is contrary to the interests of the credit institution;
- Regularly, in any case when events occur that indicate the need for a re-assessment, evaluate the structure, size, composition and performance of the Management Board and the Supervisory Board, and, if necessary, present proposals for changes to the Supervisory Board;
- Regularly, in any case at least yearly, conduct an assessment of the knowledge, skills and experience of both the Management Board members and of each of the members of the Supervisory Board as well as of the respective body as a whole and report its findings to the Supervisory Board;
- Review the course of the Management Board with respect to the selection of senior management staff and support the Supervisory Board in preparing recommendations for the Management Board.

Among other things, the Nomination Committee regulates the relations between the company and the members of the Management Board, submits proposals regarding appointments to (soon to be vacated) Management Board positions and takes care of addressing succession planning issues. The full Supervisory Board takes decisions on these proposals.
In November 2013, the Nomination Committee, in compliance with the statutory provisions applicable from 1 January 2014, by a resolution through written circulation, 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 women on the Management Board and the Supervisory Board and developed strategies to attain the target quota. Any need for adjustments is evaluated at the annual meetings.
The new members of the Supervisory Board were assessed by the Nomination Committee at its meeting of 27 March 2017 based on these applicant profiles and the candidates were deemed excellently qualified for their tasks on the Supervisory Board of Oberbank.

Committee members: Herta Stockbauer (Chairwoman), Ludwig Arndorfer

Remuneration Committee
The Remuneration Committee performs the tasks assigned to it by law. In this function, the committee defined 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 and with respect to employees who, in application of the proportionality principles laid down in § 39b of the Banking Act and the appertaining Annex,

are recognised as falling under the remuneration policy provisions laid down in § 39b of the Banking Act, and also determined the parameters for the measurement and review of variable remunerations.
In compliance with the relevant 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 29 March 2016, the Remuneration Committee identified the group of persons to which the Remuneration Guidelines apply based on the policy implemented for the identification of risk buyers pursuant to Delegated Regulation (EU) No. 604/2014. Due to the low volume of variable remuneration offered to employees at the level below the Management Board with an impact on the risk profile of the bank, the payout methods apply only to the Management Board in accordance with paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors.
The new EBA Guidelines for sound remuneration policies (EBA/GL/2015/22) that entered into force on 1 January 2017 have already been integrated into the Remuneration Policy of Oberbank. Due to the very sound remuneration policy already in place at Oberbank, the material effects of these Guidelines are limited in their implementation for Oberbank.

Committee members: Herta Stockbauer (Chairwoman), Ludwig Arndorfer, Herbert Walterskirchen, Wolfgang Pischinger

Based on her many years of experience as head of department and bank manager, the Chairwoman has sufficient expert knowledge and experience in remuneration policy. She is supported by two long-serving managers who also have vast experience in this area.

Remuneration of the Supervisory Board

Besides the reimbursement of cash expenses incurred in connection with their function, the members of the Supervisory Board receive a fee of EUR 150 per meeting and an annual emolument. The amount of these emoluments was approved by the Annual General Meeting 2017 for the financial year 2017 and subsequent years until further notice as follows: EUR 24,000 for the chairperson, EUR 20,000 for each deputy and EUR 18,000 for the other board members.
The Annual General Meeting of 15 May 2017 set the annual emoluments per committee member effective as of the financial year 2017 at EUR 6,000 for the members of the Audit Committee and the Risk and Credit Committee per person and year, at EUR 3,000 per person and year for the members of the Remuneration Committee, at EUR 2,000 per person and year for the members of the Working Committee, and at EUR 1,000 per person and year for the members of the Nomination Committee.
There is no separate attendance fee for committee members.

The emoluments are payable once the Annual General Meeting has discharged the committee members from liability for the respective business year retroactively.

Remuneration in € for FY 2017	Supervisory	Committees	Attendance	Total
Herta Stockbauer	24,000	18,000	600	42,600
Ludwig Andorfer	20,000	18,000	600	38,600
Gerhard Burtscher	20,000	14,000	600	34,600
Wolfgang Eder	18,000		300	18,300
Gregor Hofstätter-Pobst *	0		0	0
Alfred Leu	18,000	6,000	600	24,600
Peter Mitterbauer	18,000		600	18,600
Karl Samstag	18,000		600	18,600
Herbert Walterskirchen	18,000	11,000	600	29,600
Barbara Leitl-Staudinger	18,000		600	18,600
Barbara Steger	18,000		600	18,600
Martin Zahlbruckner	18,000		600	18,600

* This member of the Supervisory Board did not receive any remuneration or attendance fees due to an internal rule of the UniCredit Group.

The members of the Works Council delegated to the Supervisory Board do not receive any fixed remuneration or attendance fees.

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, the Supervisory Board has defined the following criteria to ensure its members' independence; the criteria can be found 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 management staff member of the Company or one of its subsidiaries in the past three years.
A previous management board mandate shall not be deemed to qualify a person as lacking independence, above all, when considering all of the circumstances set out in § 87 (2) Joint Stock Companies Act 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 any extent of significance for such member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a material economic interest. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is qualified as not being 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 have 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) to a member of the Management Board who holds one of the aforementioned positions.

All members of the Supervisory Board of Oberbank elected by the Annual General Meeting have made individual declarations of independence in accordance with these criteria. Furthermore, with the exception of Herta Stockbauer (BKS Bank AG), Gerhard Burtscher (Bank für Tirol und Vorarlberg AG), Karl Samstag and Gregor Hofstätter-Pobst (from 16 May 2017), all members of the Supervisory Board elected by the Annual General Meeting are members that are neither shareholders with a stake of more than 10% nor representatives of such shareholders. (Rule 54 C Austrian Code of Corporate Governance).

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 (§ 243c (2) no. 2 Business Code) and diversity concept (§ 243c (2) no. 2a Business Code)

The Management Board and Supervisory Board of Oberbank have developed a diversity concept which also contains measures to promote women.

Status as at 31/12/2017

Governing body	Number of women	Number of men	Minority ratio
Management Board	0	3	0%
Supervisory Board (shareholder representatives)	3	9	25%
Supervisory Board (employee representatives)	2*	4	33%

* from 1 Jan. 2018 three female employee representatives will be delegated to the Supervisory Board, thus raising the ratio to 50%.

The Management Board of Oberbank currently consists of three male Austrian citizens. Two Management Board members are in charge of sales and share responsibility for the regional sales units in the bank’s five country markets. Sales units report to these Management Board members in line with those members’ main remits, i.e. Corporates and Personal Banking respectively.
The third Management Board member is in charge of back office matters and the relevant departments dealing with such matters.

The Supervisory Board consists of three female shareholder representatives and nine male shareholder representatives. All are specialists in their fields, with the board exhibiting a broad diversification (banks, insurance, industry, academia). In accordance with the strategic goal of preserving the independence of Oberbank, there is no political influence on the Supervisory Board.

With respect to the age of the members of the Supervisory Board, we would like to state that the Supervisory Board members have many years of professional experience under their belt which is highly appreciated and guarantees good supervision. However, in the past years there have been several elections and appointments of shareholder representatives and employee representatives which brought younger members onto the Supervisory Board without detracting from quality. Nonetheless, bearing in mind the responsibility to be assumed, the Works Council will not delegate young and unexperienced colleagues.

The majority of the shareholders representatives hold university degrees, with the qualifications ranging from business and law to technical specialties. The other members of the Supervisory Board also have sufficient experience, especially in the area of banking.

In accordance with the one-third parity rule, six employee representatives are on the Supervisory Board of the Bank, these being three women and three men from various areas of the bank, from a Central Works Council member exempted from work to representatives from sales and internal audit.

As regards compliance with the statutory ratio requiring at least 30% women and at least 30% men on the Supervisory Board, the shareholder representatives and employee representatives agreed at the AGM meeting of 25 Sept. 2017 to meet the ratio together and also waived any objections in this respect for five years.

With five female Supervisory Board members in total, Oberbank met the statutory ratio mandated as of 31 Dec. 2017 (30% of 18 = 5.4; rounding to 5 permitted), and now in 2018 it is six women or 33% due to the delegation of a female employee representative instead of a male.

Target ratios and implementation strategy

<u>Management Board members:</u>
At present, the three members of the Management Board (governing body) are all male. In the past few years, recruiting from the ranks of higher management has been very successful. Therefore, it must be the aim of the bank to ensure, already at the second management level, that the share of women in management positions increases continuously.
To this end, the “Zukunft Frau 2020” (Future Women 2020) project was initiated in 2011, to raise the share of women in management positions at the bank from 20% at the time to double that level. In a bid to gradually approach this target, a rule was imposed that a minimum quota of 40% of women must be promoted every year when new management positions or vacancies below Board level are filled.
The project involves financial support for childcare (also during the holiday months), the opportunity for women on childcare leave to participate in further education events, targeted careers development for women, flexible working time and work organisation models to ease women's return to work, home office offers and special seminars for women as (potential) executives.
Within the framework of the "Zukunft Frau 2020” project, Oberbank also applied for certification as a family-friendly employer. Following an examination by a certified expert on 14 April 2011, the Federal Ministry of Economic Affairs, Family and Youth awarded Oberbank the "berufundfamilie" Basic Certificate for its efforts for a period of three years from 5 June 2011. Following an external evaluation by TÜV SÜD Landesgesellschaft

Österreich GmbH, Oberbank was awarded this government quality certificate for a further three years in 2014. The implementation of further measures is now being evaluated annually by external experts.

As at 31 December 2017, Oberbank (IFRS group including Leasing) employed 88 women in executive positions (up to the team leader level); this corresponds to a share of 21.7% (2016: 85 women or 21.4%).

Given the age structure of the three Management Board Members, who are only four years apart, it is clear that a generation change lies ahead.
Over the long term, the measures under the "Zukunft Frau 2020" project are intended to bring a woman onto the Management Board, based on a wider selection of female managers.
The goal envisaged by the Nominations Committee is 25% (for a 4-person Board) or 33% (if the 3-person Board is retained).
With a view to in-house management grooming for Management Board positions, but also for any new Board members coming from outside, the Nominations Committee has prepared job descriptions and applicant profiles for the Board members responsible for both sales and the back office matters; in the event of potential being developed from the bank's own ranks it can also serve as a guideline for development.

Supervisory Board (shareholder representatives)
When filling expiring mandates, the Chair of the Supervisory Board and the Nominations Committee of Oberbank always endeavour to find qualified women to take on Supervisory Board mandates.
Since the target quota of 25% was defined in 2013 - at the time there was one woman on the board as a shareholder representative - this figure has tripled, and a woman now chairs the Supervisory Board.
Given the statutory rules stipulating a share of at least 30% of female members on the Supervisory Board, it is, of course, our goal to meet the quota for the long term also among the shareholder representatives, notwithstanding the consensus currently in place under which Works Council representatives are included in the count.

Supervisory Board (employee representatives)
As of 2018, the members of the Supervisory Board delegated by the Works Council are 50% women and 50% men.

Evaluation of Compliance with the C Rules pursuant to Rule 62 Austrian Code of Corporate Governance

In accordance with Rule 62 of the Austrian Code of Corporate Governance, the Supervisory Board assigned KPMG the task of evaluating Oberbank AG's compliance with the C Rules of the Austrian Code of Corporate Governance in accordance with C Rule 62 of the Austrian Code of Corporate Governance on the basis of the Corporate Governance Report for the financial year 2016 and to assess if the statement of compliance by the Management Board presented an essentially true view of implementation of and compliance with the relevant C Rules of the Austrian Code of Corporate Governance.

Audit activities
— Interviews of persons responsible for reporting on compliance with the Austrian Code of Corporate Governance;
— Inspection of the relevant documents and materials;

— Analysis of the information made available on the website;
— Review and examination of the statement of compliance by the Management Board and the explanations of departures from the C Rules of the Austrian Code of Corporate Governance for the financial year 2016 based on the questionnaire published by the Working Group for Corporate Governance.

Findings of the audit:
Based on its audit activities, KPMG did not gain knowledge of any matters that would lead it to believe that the statement of the Management Board in the Corporate Governance Report fails to present a true view of the implementation of and compliance with the relevant rules of the Austrian Code of Corporate Governance.

As KPMG also served as auditor of the financial statements for the financial year 2016, its audit - as contracted - did not include a review of compliance with C Rules 77 to 83 of the Austrian Code of Corporate Governance.

Linz, 2 March 2018
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

Investor Relations und Compliance

Share and shareholder structure

Oberbank's top priority is to safeguard its independence. This is achieved by securing robust earnings, pursuing a sound risk policy and having shareholders committed to preserving the independence of Oberbank.

No single shareholder of Oberbank AG is in a position to acquire a direct or indirect controlling interest. A syndicate agreement between BKS, BTV and Wüstenrot Genossenschaft specifically aims at ensuring Oberbank's independence. A further stabilising element of the shareholder structure is the fact that the employees also own shares and the long-standing relations with business partners like Wüstenrot and Generali.

Investors have a choice: Ordinary shares and/or preference shares

Investors have a choice between Oberbank ordinary shares and Oberbank preference shares. The preference shares do not give shareholders voting rights, but guarantee a 6% minimum dividend on the pro-rata percentage of the share capital (EUR 9 million), payable at a later time. The dividend was the same for both types of shares at the last payout. As the preference shares do not carry voting rights, they are traded at a markdown versus ordinary shares, which results in higher dividend yields.

Oberbank shares soar to all-time highs in 2017

The shares of Oberbank rose to all-time highs in 2017. Ordinary shares reached a record level of EUR 81.95 on 29 Dec. 2017, while preference shares were quoted at EUR 71.40 on the same day.

Annual performance (price trend and dividend) was + 37.1% for ordinary shares and + 37.3% for preference shares in 2017. Market capitalisation of Oberbank AG was EUR 2,861.8 million at the end of 2017, as compared to EUR 2,105.6 million at the end of the preceding year, which is an increase of the company’s value by 35.9%.

Oberbank shares – key figures	**2017**	**2016**	**2015**
Number of ordinary no-par shares	32,307,300	32,307,300	29,237,100
Number of preference no-par shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	81.95/71.40	60.30/52.75	52.80/38.20
Low (ordinary/preference share) in €	60.36/52.00	52.57/37.70	49.96/37.55
Close (ordinary/preference share) in €	81.95/71.40	60.30/52.50	52.80/37.70
Market capitalization in € m	2,861.8	2,105.6	1,656.8
IFRS earnings per share in €	5.68	5.59	5.47
Dividend payout per share in €	0.90	0.65	0.55
P/E ratio, ordinary shares	14.4	10.8	9.7
P/E ratio, preference shares	12.6	9.4	6.9

Oberbank ordinary shares have been listed on the Vienna Stock Exchange since 1 July 1986. Since then, the value of the share has been rising continuously. Shareholders who acquired Oberbank shares in 1986 and participated in all capital increases have achieved, taking into account dividend distributions, an average yield of 9.5% per year (before withholding tax).

Attractive valuation, constant dividends

Earnings per share rose significantly in 2017 from EUR 5.59 to EUR 5.68 . Based on the shares' closing prices, the price-earnings ratio (PER) for ordinary shares was 14.4, and for preference shares 12.6.

At the 138th Annual General Meeting on 15 May 2018, the Board will recommend a dividend payout of EUR 0.90 per qualifying share; this is EUR 0.25 higher than in the preceding year.

Oberbank shareholder structure at 31/12/2017	Ordinary shares	Total
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	16.98%	16.15%
BKS Bank AG, Klagenfurt	15.21%	14.21%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.90%	4.50%
Generali 3 Banken Holding AG, Vienna	1.93%	1.76%
Employees	3.76%	3.61%
CABO Beteiligungsgesellschaft m. b. H., Vienna	25.97%	23.76%
Free float	31.25%	36.01%

See also Chapter “Service Information”, shareholder structure of the 3 Banken Group

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 invitation to the Annual General Meeting encourages shareholders to seek direct contact with the members of the Management Board and the Supervisory Board.

Potentially price-sensitive events are disclosed through the euro adhoc system under “Insider Information”. In the financial year 2017, Oberbank published two such disclosures.

Investor Relations - Contact

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Financial calendar 2018	
Publication of the annual financial statements in the official gazette “Wiener Zeitung”	28 March 2018
Record date in respect of Oberbank shares	5 May 2018
Annual General Meeting	15 May 2018
(Dividends) ex day	22 May 2018
Record date dividend	23 May 2018
Dividend distribution date	24 May 2018

Publication of quarterly reports	
Q1	18 May 2018
HY1	24 Aug. 2018
Q1-3	30 Nov. 2018

<u>Information on voting results of the general meeting of preference shareholders of Oberbank on 16 May 2017</u>

<u>Agenda item 1</u>: Resolution on

a) revoking the resolution, passed at 132nd Annual General Meeting of Oberbank AG held on 8 May 2012, 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, 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, while excluding existing shareholders' subscription rights,

at the same time 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, with the type of shares, the offer price and terms of issue being defined by the Management Board with the consent of the Supervisory Board, by issuing shares for contributions in cash and excluding the subscription rights of shareholders, provided the capital increase serves to issue shares to employees, top executives, Belegschaftsbeteiligungsprivatstiftung der Oberbank AG and members of the Management Board of the company or an associated company;

authorising the Supervisory Board to amend the Articles of Association that result from the issuance of shares from the approved capital;

b) the corresponding amendment to the Articles of Association in § 4 (share capital and shares) para (2).

YES: 2,022,291 votes; NO: 192 votes; ABSTENTIONS 20 votes.

<u>137th Annual General Meeting of Oberbank on 16 May 2017 / resolutions passed</u>

<u>Agenda item 2</u>: Resolution on the use of the net profit for financial year 2016

YES: 25,593,357 votes; NO: 497 votes; ABSTENTIONS: 408 votes

<u>Agenda item 3</u>: Resolution on the discharge of the Management Board for the financial year 2016

YES: 25,575,595 votes; NO: 0 votes; ABSTENTIONS: 0 votes

<u>Agenda item 4</u>: Resolution on the discharge of the Supervisory Board for the financial year 2016

YES: 24,785,053 votes; NO: 0 votes; ABSTENTIONS: 0 votes

<u>Agenda item 5</u>: Supervisory Board elections

<u>Barbara Leitl-Staudinger:</u> YES: 25,594,805 votes; NO: 0 votes; ABSTENTIONS: 20 votes

<u>Barbara Steger:</u> YES: 25,594,825 votes; NO: 0 votes; ABSTENTIONS: 0 votes

<u>Karl Samstag</u> YES: 25,593,017 votes; NO: 1,788 votes; ABSTENTIONS: 20 votes

<u>Gregor Hofstätter-Pobst:</u> YES: 25,593,793 votes; NO: 1,032 votes; ABSTENTIONS: 0 votes

<u>Agenda item 6</u>: Resolution on the determination of the remuneration for the members of the Supervisory Board for the financial year 2017 and subsequent years.

YES: 25,587,199 votes; NO: 6,918 votes; ABSTENTIONS: 1,409 votes.

<u>Agenda item 7</u>: Appointment of the bank auditor for the financial year 2018
YES: 25,589,261 votes; NO: 537 votes; ABSTENTIONS: 5,668 votes

<u>Agenda item 8</u>: Resolution on
a) revoking of the resolution passed at the 136th Annual General Meeting of 18 May 2016 authorising the Management Board to increase the share capital of the company for cash contributions by up to EUR 10,50,000 by issuing up to 3,500,000 ordinary no-par value 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, and to define the issue price and the terms of issue in agreement with the Supervisory Board, to the extent not used to date;
at the same time authorising the Management Board to increase the share capital of the company for a cash contribution by up to EUR 10,500,000 by issuing up to 3,500,000 ordinary no-par value 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, and to define the issue price and the terms of offer in agreement with the Supervisory Board;
b) authorising the Supervisory Board to pass resolutions on amendments to the Articles of Association that result from the issuance of shares from the approved capital; and on
c) the corresponding change to the Articles of Association in § 4 para. (3)
YES: 25,595,026 votes; NO: 440 votes; ABSTENTIONS: 0 votes.

<u>Agenda item 9</u>: Resolution on
a) revoking the resolution passed at 132nd Annual General Meeting of Oberbank AG held on 8 May 2012 authorising the Management Board pursuant to § 169 Joint Stock Companies Act to increase the share capital by up to EUR 750,000 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, to be offered to the staff, top executives, the 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 while excluding existing shareholders’ subscription rights;
at the same time 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, with the type of shares, the offer price and terms of issue being defined by the Management Board with the consent of the Supervisory Board, by issuing shares for contributions in cash and excluding the subscription rights of shareholders, provided the capital increase serves to issue shares to employees, top executives, Belegschaftsbeteiligungsprivatstiftung der Oberbank AG and members of the Management Board of the company or an associated company;
authorising the Supervisory Board to amend the Articles of Association that result from the issuance of shares from the approved capital;
b) the corresponding amendment to the Articles of Association in § 4 (share capital and shares) para (2).
YES: 25,562,127 votes; NO: 15,839 votes; ABSTENTIONS 0 votes.

Directors' Dealings

Persons discharging managerial responsibilities within the issuer and persons closely associated with such persons shall notify the issuer and to the FMA of every transaction conducted on their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto (Article 19(1) MAR). Immediately after this, the issuer shall make public the report pursuant to Article 19(3) Market Abuse Regulation.

Oberbank AG published 17 such reports through the euro-adhoc-system in 2017.

Compliance

In the area of securities compliance, a new automation-assisted compliance system was implemented in 2017, which serves, in particular, to mitigate risk by quickly and specifically enabling the discovery of malversation relating to securities trading, in particular, market manipulations or insider dealing. It provides for proactive monitoring through ad hoc and regular evaluations and helps to avoid reputational damage and monetary loss.

A further focus of compliance activities were surveillance and support for the implementation of the statutory requirements of the MiFID II rules, which enter into force as of 2018.

Compliance monitoring in accordance with the Standard Compliance Code of the Banking Industry, the Securities Supervision Act (SSA 2007), and the provisions of the Issuers' Compliance Regulation was performed as required also in 2017. The Compliance Office conducted regular checks of financial transactions with the help of computer-assisted processes.

The relevant reports on compliance activities were sent to the management. Additionally, the Bank organised employee training courses, in particular, for the staff involved in the settlement and clearing of securities transactions.

Money laundering

In the financial year 2017, as in the past, the measures to prevent money laundering and terrorism financing were a special focus of Oberbank.

The main challenge in this context was the implementation of the legal provisions of the Fourth Anti-Money Laundering Directive (EU) 2015/849 and also of national law. The introduction of the Financial Market Anti-Money Laundering Act (FM-GwG) marked the first time that all of the main provisions for the prevention of money laundering and terrorism financing for credit institutions and financial institutions were compiled in one act of legislation. What is new is the wider scope of the risk-based approach: the concrete cases for the application of simplified or enhanced due diligence are stipulated by law only in exceptional cases. The assessment of such risks / the determining of cases for application shall in future based only on company-internal risk analyses. The Austrian Financial Market Authority (FMA) may specify concrete cases for application additionally by way of decrees.

Based on the Beneficial Owners Register Act (WiEReG), a register was established for the beneficial owners of companies, other legal entities and trusts. The register is maintained by Statistics Austria, the competent registration authority is the Federal Ministry of Finance. The persons and legal entities listed below are entitled to inspect the register: tax advisors, auditors, lawyers, notaries, certified accounting specialists, bookkeepers and payroll accountants for the purpose of determining, checking and reporting beneficial owners of their clients as well as all persons or legal entities under the obligation to report suspected money laundering or terrorism financing activities (e.g. credit institutions) as well as anyone having a legitimate interest.

The computer-assisted review of potential AML transactions and potential embargo hits (commodity and person checks) as well as a review of business relationships with politically exposed persons were carried out in accordance statutory requirements. Within the scope of an ongoing improvement process, the findings gained from the interaction with supervisory authorities were implemented after careful scrutiny so as to be able to develop and improve the processes applied.

Employees received training on the themes of money-laundering and terrorism financing during the reporting period so that any risky transactions or business cases can be recognised at an early stage. In the event of suspicious transactions, a report is made to the Financial Intelligence Unit.
Regular reports are made to the Management Board on the activities taken to prevent money laundering.

Mandatory training for anti-money laundering and terrorism prevention for all employees
All employees of Oberbank must attend an extensive e-learning course on compliance, money laundering and fraud every year. Additionally, local road shows for all employees will be organised by Compliance in 2017, 2018 and 2019 The main focus is on the due diligence obligations under the Financial Market Anti-Money Laundering Act and the Beneficial Owners Register Act.

Group Management Report

General Economic Environment
General Information on Reporting
Business Development and Economic Situation
Outlook 2018
Non-financial Information
Strategy Review 2017
Human Resources
Report pursuant to Directive 2014/95/EU
Information pursuant to § 243a Business Code

Global economy grows by 3.6%

At +3.6% in 2017, the global economy was slightly more robust year on year (3.2%).

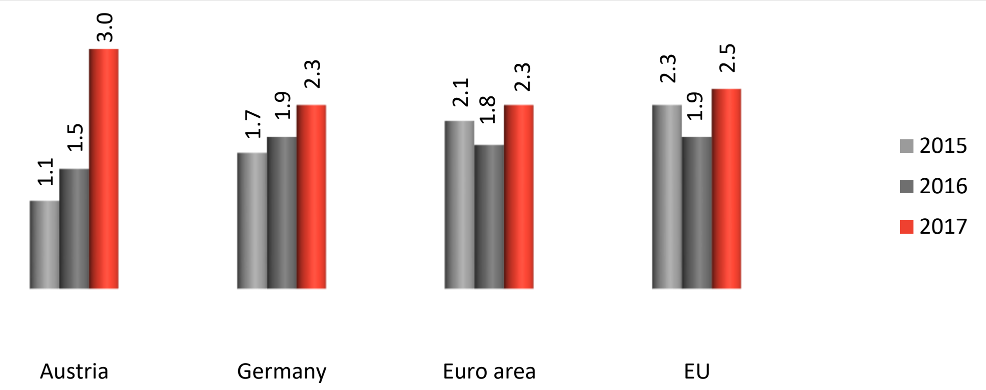
The US economy was up by 2.3%, which is much higher growth rate than in the previous year (1.5%), while China's economy weakened again versus the average of preceding years despite a nominally high growth rate of 6.8%.

European Union GDP slightly higher at 2.5% than euro area (2.3%)

In the euro area, economic growth was 2.3% in 2017 and thus stronger than in 2016 (1.8%) which is also true for the entire EU (2.5% vs. 1.9%). Economic growth trends were relatively strong in the member states of Central and Eastern Europe.

Germany's economic growth was right on the average of the euro countries at 2.3%, while Austria's economy grew by 3.0% in 2017, placing it above the average.

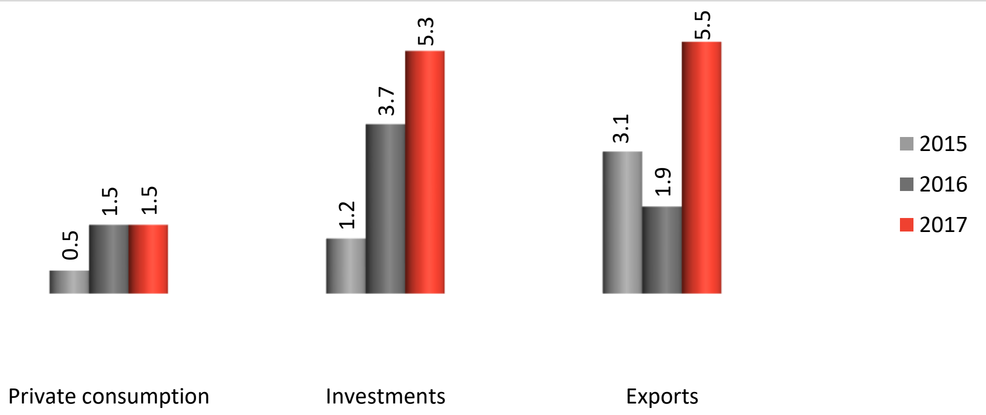
GDP growth in %



Austria's economy grew by 3.0% in 2017

Growth was driven primarily by spending on capital goods (+5.3% vs. +3.7%) and by exports (+5.5% vs. +1.9%).

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



Interest rates continue at low levels

The US central bank, the Fed, raised the federal funds rate in 2017 in three steps (16 March, 15 June, 14 December) by 0.25 percentage points each time until the range was 1.25% to 1.50%. The ECB left key lending rates unchanged at 0.00 in the reporting year.

Also money market and capital market rates stayed at very low levels in 2017.

The annual average for the 3-month Euribor was -0.33% and the 3-month USD Libor was 1.26%. The 10-year SWAP rate for the euro was on average 0.81% and for the USD 2.27% in 2017.

Currency trends

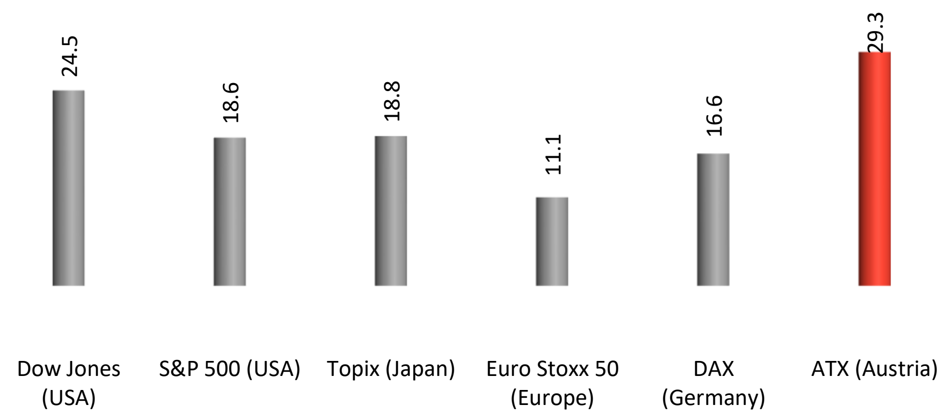
The EUR/USD exchange rate rose from 1.06 (January average) to 1.18 (December average) in 2017. On an annual average, the exchange rate was slightly higher at 1.13 than in the previous year (1.11).

The EUR/CHF exchange rate came to 1.11 on average, which is slightly above last year's average of 1.09.

Steady upwards trend on international stock markets

In 2017, stock markets posted a steady uptrend. Apart from the sound development of the economy, one of the reasons for this development was the sustained low interest rate phase that drives investors to seek investment with chances of higher returns.

Increase of stock indices, Dec. 2016 to Dec. 2017, in %



General Information on Reporting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements prepared in accordance with internationally accepted accounting standards replace the consolidated financial statements pursuant to § 59a Banking Act and § 245a Business Code. The Group management report was prepared in accordance with international financial reporting standards.

The Oberbank group of consolidated companies

Besides Oberbank AG, the group of consolidated companies included 35 domestic and 18 foreign subsidiaries in 2017.

Compared to 31 December 2016, the group of consolidated companies changed as follows:

- Foundation of Oberbank FSS Immobilienleasing GmbH, Linz (this entailed an increase by €1,000 in Other liabilities and no changes to Loans and advanced to customers or to Other assets);
- Acquisition of Donaulände Holding GmbH, Linz (this did not entail any changes to Other liabilities, but increased the item Property, plant and equipment by €k 18,000; there were no changes to Other assets);
- Acquisition of Donaulände Invest GmbH, Linz (this increased Other liabilities by € 67,000 and Property, plant and equipment by €k 34,355; there was a change to Other assets by €54,000);
- Acquisition of Donaulände Garage GmbH, Linz (this did not entail any changes to Other liabilities, but increased the item Property, plant and equipment by €k 5,620 and reduced Other assets by €k8,000).

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was recognised in the consolidated financial statements by proportionate consolidation in accordance with IFRS 11.

Besides Drei-Banken Versicherungsagentur GmbH (formerly 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 according to the equity method.

Not included in the group of consolidated companies were 24 subsidiaries and 18 associated companies which have no significant influence on the group's assets and its financial and earnings position.

Segmentation

In terms of customer segmentation, the reporting breaks down into Corporate and Business Banking, Personal Banking, Financial Markets and Other.

In regional terms, the 161 branch offices of Oberbank are spread over the following markets: Austria (97 branches), Germany (28), Czech Republic (21), Hungary (12) and Slovakia (3).

For further details regarding business and earnings developments in the individual customer segments and geographic regions, please refer to the chapters "Segment Report" and "Consolidated Financial Statements" of this Annual Report.

Oberbank once again attained excellent earnings in the financial year 2017.

Net commission income rose by 9.0% to EUR 238.9 million. Net profit before tax rose by 10.6% to EUR 200.5 million, with the tax burden being only 1.4% higher than in the preceding year.

IFRS consolidated income statement in €m	**2017**	**2016**	**Change**
Net interest income	387.5	359.6	7.7%
Charges for losses on loans and advances	-28.4	-25.0	13.5%
Net commission income	140.6	130.9	7.4%
Net trading income	9.9	11.4	-12.7%
Administrative expenses	-266.2	-251.8	5.8%
Other operating income	-4.5	-6.1	-25.7%
Profit/(loss) for the year before tax	**238.9**	**219.1**	**9.0%**
Income taxes	-38.4	-37.8	1.4%
Net profit for the year after tax	**200.5**	**181.3**	**10.6%**
of which attributable to equity holders of the parent and to the owners of additional equity components	200.1	181.1	**10.5%**
of which attributable to non-controlling interests	0.4	0.2	100.0%

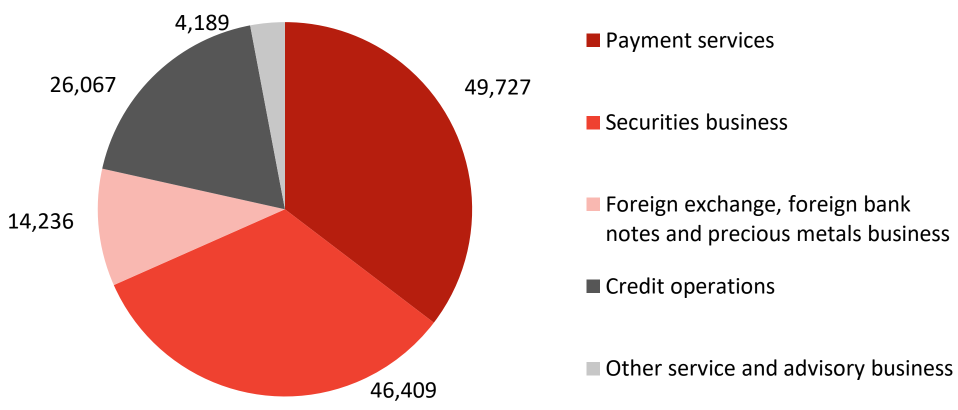
Net interest income increased by 7.7% to EUR 387.5 million.

Operating net interest income of Oberbank was 2.3% higher than in the preceding year at EUR 315.3 million. The contribution to earnings of investees measured by the equity method was 40.7% higher year on year at EUR 72.2 million.

Adequate provisions were set up for all discernible risks.

Besides specific valuation allowances, a general allowance for impairment of the portfolio was also recognised in accordance with IAS 39. Taking into account write-offs of receivables, net charges for losses on loans and advances came to EUR 28.4 million in 2017. In relation to receivables from customers of EUR 14,760.3 million, this results in an impairment allowance ratio of 0.19%.

Structure of net commission income in €k



Net commission income rose by 7.4% to EUR 140.6 million

Commission income from payment services rose by 6.1% to EUR 49.7 million, and from the securities business by 12.7% to EUR 46.4 million. Commission income from foreign exchange, foreign notes and coins increased by

8.0% to EUR 14.2 million, while commission income from lending operations were 1.1% higher year on year at EUR 26.1 million.

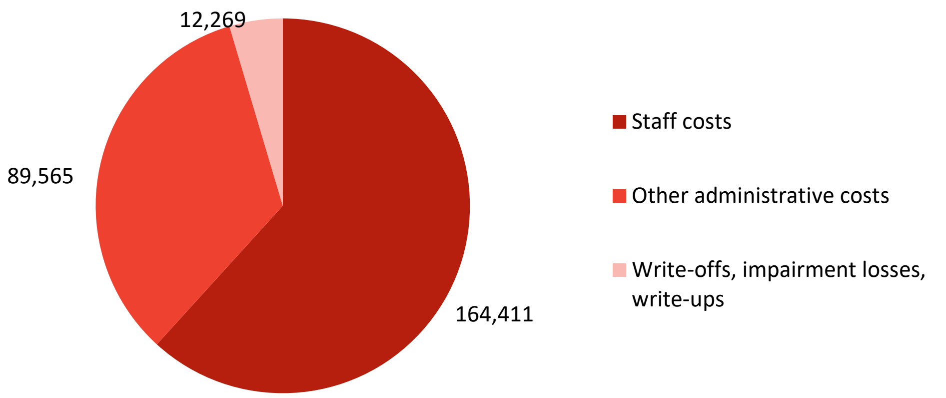
Net trading income

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. In the financial year 2017, net trading income was 12.7% lower than in the preceding year at EUR 9.9 million.

Administrative expenses

In the financial year 2017, administrative expenses increased year-on-year by 5.8% to EUR 266.2 million.
Staff costs rose by 6.8% to EUR 164.4 million; other administrative costs increased by 3.9% to EUR 89.6 million; depreciation/amortisation and impairment charges by 6.3% to EUR 12.3 million.
The cost/income ratio remained very favourable at 49.90%.

Structure of administrative expenses in €k



Excellent development of profit before and after taxes

At EUR 238.9 million, the profit for the year before tax and after charges for losses on loans and advances increased by 9.0% year on year.
The income taxes of EUR 38.4 million were 1.4% higher than in the preceding year.
This resulted in an increase of net profit after tax by 10.6% to EUR 200.5 million.
Minority interests in net profit for the year were EUR 468,000; therefore, Oberbank's consolidated net profit for the year was EUR 200.1 million (+10.5%).
The average number of Oberbank AG shares in circulation was 35,295,644. Earnings per share amounted to EUR 5.68, after EUR 5.59 in the previous year.

Proposed appropriation of profit

Distributable profit is determined on the basis of the single-entity financial statements of the Group parent, Oberbank AG. Its profit for the financial year 2017 was EUR 127,275,626.26.
After the allocation of EUR 95,700,873.25 to reserves and including the profit brought forward of EUR 374,200.02, the profit available for distribution was EUR 31,948,953.03.

Subject to approval by the Annual General Meeting, the Management Board proposes the payout on the share capital of a dividend higher by EUR 0.25 than in 2016, of EUR 0.90 per entitled share (on 32,307,300 ordinary shares and 3,000,000 preference shares this is a distributable amount of EUR 31,776,570.00) and to carry the remainder of EUR 172,383.03 forward to the new account.

Analysis of key performance indicators

The return on equity (ROE) before tax decreased slightly – owing to the strong increase in capital – from 10.76% to 10.06% and after tax from 8.91% to 8.44%.

IFRS earnings per share rose from EUR 5.59 to EUR 5.68.

The cost/income ratio stayed at an excellent level of 49.90 in 2017. The risk/earnings ratio was excellent at 7.33% due to the better-than-average risk situation.

Key performance indicators, IFRS	2017	2016
Return on equity before tax (RoE)[1)]	10.06%	10.76%
Return on equity after tax[1)]	8.44%	8.91%
IFRS earnings per share in €	5.68	5.59
Cost-income-ratio (cost/income coefficient)[2)]	49.90%	50.77%
Risk/earnings ratio (credit risk/net interest)[3)]	7.33%	6.96%

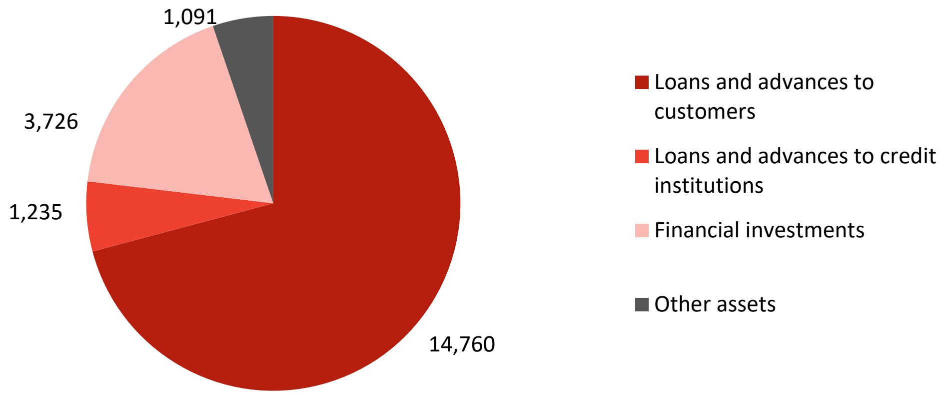
1) Return on equity before/after tax shows the return on equity of the company within a defined period. The calculation is based on the ratio of the net profit before / after taxes versus the average equity available on the quarterly cut-off dates of the period and adjusted for planned dividend distributions.
2) The cost/income ratio is an indicator of efficiency and shows what it costs the bank to earn one euro. To calculate it, the administrative expenses for the respective accounting period are compared to the operating income (sum of net interest income and net commission income, trade result and other operating income).
3) The risk/earnings ratio is a risk indicator for the lending business that shows how much of the net interest income is used to cover credit risk. To calculate it, the charges for losses on loans and advances in lending operations are compared to net interest income.

Assets, Earnings, and Financial Position

Total assets of the Oberbank Group amounted to EUR 20,830.6 million at the close of 2017, thus 8.8% higher than on the previous year's balance sheet date.

Total assets

Structure of balance sheet assets in €m



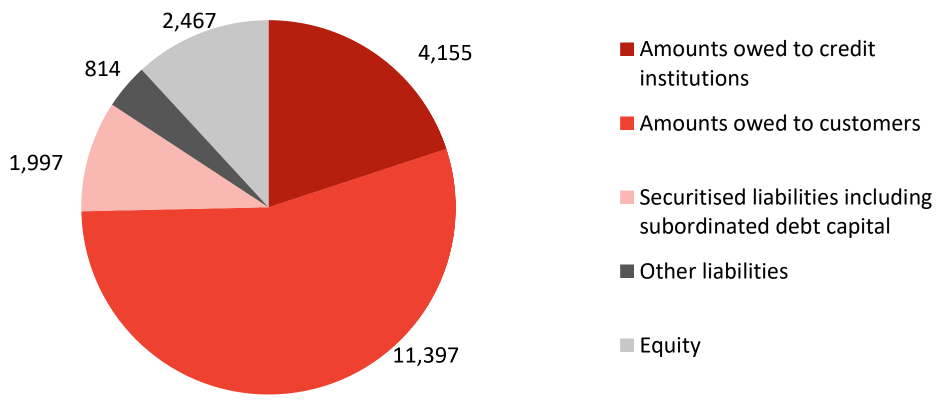
Loans and advances to credit institutions declined by 72.6% to EUR 1,253.4 million in 2017.
Loans and advances to customers increased significantly by 7.1% to EUR 14,760.3 million.
While loans and advances to domestic customers increased by 8.9% to EUR 9,093.1 million, loans and advances to foreign customers rose by 4.4% to 5,667.2 million.

The decrease in impairment provisions by 13.2% to EUR 392.7 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 assets decreased slightly in 2017 by 1.4% to EUR 3,726.4 million and break down as follows: financial assets recognised at fair value, EUR 228.6 million; available-for-sale financial assets EUR 664.8 million; held-to-maturity financial assets EUR 2,007.1 million, companies measured using the equity method EUR 826.0 million. The remaining assets comprise the line items Cash and balances at central banks; Trading assets; Intangible assets; Property, plant and equipment and Other assets.
Trading assets decreased by 40.1% to EUR 37.6 million, intangible assets declined by 14.0% to EUR 0.9 million.
Administrative expenses rose by 21.7% to EUR 293.0 million.
The line item Other assets (such as positive fair values of derivatives in the banking book, down payments on lease contracts as well as lease contracts not yet effective, other receivables of leasing companies as well as deferred tax assets and other deferred items) decreased by 15.1% to EUR 306.7 million.

Balance sheet equity and liabilities

Structure of balance sheet equity and liabilities in €m



Amounts owed to credit institutions rose in 2017 by 31.6% to EUR 4,155.3 million.

Primary funds rose by 3.0% to EUR 13,394.7 million.
Amounts owed to customers of EUR 11,397.40 million included in this item were 4.1% higher than in the preceding year. Savings deposits decreased by 2.7% to EUR 2,719.0 million mainly due to the low interest rates and low savings ratio throughout Austria. By contrast, other liabilities rose by 6.5% to EUR 8,678.4 million.
Securitised liabilities decrease by 2.5% to EUR 1,368.3 million, while subordinated capital was EUR 4.8% lower year on year at EUR 629.1 million.

The rise in equity capital by 8.1% to EUR 2,466.8 million was based on the substantial allocations to reserves due to the excellent profit situation.

The item Other liabilities includes provisions and other liabilities.

Provisions increased by 18.3% to EUR 381.0 million in total. These consist mainly of provisions for termination and post-employment benefits (EUR 172.9 million) and loan loss provisions (EUR 141.5 million).
Other liabilities increased by 13.3% to EUR 432.7 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	**2017**	**2016**	**Change**
Amounts owed to customers	11,397.4	10,944.5	4.1%
Securitised liabilities	1,368.2	1,404.0	-2.5%
Subordinated debt capital	629.1	660.5	-4.8%
Primary deposits including subordinated debt	**13,394.7**	**13,009.0**	**3.0%**
Amounts owed to credit institutions	4,155.3	3,158.6	31.6%
Total	**17,550.0**	**16,167.6**	**8.6%**

Statement of changes in equity

Equity on the balance sheet in € m	**2017**	**2016**	**Change**
Subscribed capital	105.9	105.8	0.0%
Capital reserves	505.5	505.5	-
Retained earnings (incl. net profit)	1,797.3	1,614.5	11.3%
Negative goodwill	1.9	1.9	-
Additional equity capital components	50.0	50.0	-
Minority interests	6.2	5.0	25.2%
Equity on the balance sheet	**2,466.8**	**2,282.8**	**8.1%**

Eligible capital pursuant to Part 2 of Reg. (EU) No 575/2013[1)]	**2017**	**2016**	**Change**
Common Equity Tier 1 capital	2,203.1	2,009.4	9.6%
Tier 1 capital	2,273.8	2,086.0	9.0%
Own funds	2,622.9	2,482.2	5.7%
Common Equity tier 1 capital ratio	16.50%	15.67%	0.83% ppt
Tier 1 capital ratio	17.03%	16.27%	0.76% ppt
Total capital ratio	19.64%	19.36%	0.28% ppt

1) Subject to approval by the Supervisory Board on 20 March 2018.

In the financial year 2017, equity on the consolidated balance sheet of the Oberbank Group increased by 8.1% to EUR 2,466.8 million. The share capital of EUR 105.9 million remained practically unchanged year on year.
Consolidated common equity tier 1 capital of the Oberbank Group amounted to EUR 2,203.1 million on 31 December 2017, and thus exceeded the statutory requirement of EUR 878.4 million by EUR 1,324.7 million or 150.8%. Common equity tier 1 capital was EUR 2,273.8 million and exceeded the required level of EUR 1,114.3 million by EUR 1,159.5 million or 104.1%. Own funds stood at EUR 2,622.9 million and were EUR 1,194.8 million or 83.7% higher than required.

In 2017, common equity tier 1 capital ratio was 16.50%; the tier 1 capital ratio was 17.03% and the total capital ratio 19.64%.

Use of financial instruments

The use of financial instruments is presented in detail in the Notes to the Consolidated Financial Statements of the Oberbank Group.

Own shares

In the course of the year, Oberbank briefly held own shares on its trading book.
In the reporting year, it acquired 173,634 of its own ordinary shares at an average price of EUR 75.62 as well as 56,434 of its own preference shares at an average price of EUR 64.30; these were offset by the sale of 191,508 own ordinary shares at an average price of EUR 74.24 and by the sale of 46,847 own preference shares at an average price of EUR 62.35.
The proceeds from the sale were allocated to working capital.
As of the balance sheet date, Oberbank held 7,050 own ordinary shares and 13,076 own preference shares in its portfolio.
The highest level in the course of the year 2017 was 0.25% of the share capital.

Research and development

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

Important events since the end of the financial year

No important events have occurred since the close of the 2017 financial year.

Solid global growth, Europe and US expanding synchronously

The global economy is estimated to develop robustly in 2018 and post a 3.7% growth rate (vs. 3.6% in 2017). This is a sound environment for companies engaged in international business.
Growth in the US, the EU and the euro area is estimated at 2.4% for each region.
In Central and Eastern Europe, the economy is projected to grow faster than in Western Europe in 2018. In the three “Oberbank countries” Czech Republic, Hungary and Slovakia, GDP is anticipated to rise by around 3.5%.
At 6%, economic growth in China is expected to continue to grow more strongly than in Western industrialised countries, but compared to the average of the previous years, a further slowing of growth is on the horizon.

Economic growth in Austria again higher than the EU average

Austria’s economy is expected to grow by 3.0% in 2018, which is clearly higher than the average of the euro area. Private consumption developed slightly better at + 1.7% in 2017, while at + 3.3% capital expenditure will be clearly below the level of the exceptional year 2017 (+5.3%).
Inflation is estimated to reach 2.0%, and therefore, close to the ECB's target.
Unemployment is expected to be 5.4% in Austria and therefore see another slight decline.
The current account is still positive in 2018, and the budget deficit will shrink to 0.4% of GDP.

Interest / exchange rates / stock markets

Interest rates will remain low in 2018 both on the money markets and on the capital markets.
The euro is expected to be strong in 2018 versus other major currencies. Versus the US dollar, the development depends, above all, on the person of the US President and the development of the conflict with North Korea.
As regards the Swiss franc, the euro is expected to remain stable as long demand for the franc as a safe haven currency does not increase due to political crises or insecurity.
Stock markets have developed very well over the past few years and are expected to return solid earnings also in 2018. On account of the high valuations, expectations are lower than in the past few years.

Focus of Oberbank's business activities

In the environment described, Oberbank will continue its proactive policy in 2018. The growth of the global economy and Austria’s above-EU-average development trend opens up opportunities for Oberbank both within the country and also in international business. The forecasts of higher private consumption and capital expenditure harbour the promise of pleasingly higher demand for loans in 2018.
With respect to both lending volume - primarily for capital expenditure and residential housing construction - and primary deposits, Oberbank expects further growth in 2018.

The policy of organic growth will be continued in 2018.

In Germany, the markets in the federal states of Baden Württemberg and Saxony will be entered; the plan is to open eight branches (Hanau, Aalen, Esslingen, Reutlingen, Halle a. d. Saale, Chemnitz, Dresden, Leipzig). Furthermore, one to two new branches will be opened in Vienna and one branch in Budapest.
In total, ten or eleven new branches are planned for 2018.

Earnings development in 2018

It is difficult to give precise earnings estimates for 2018 due to the insecurity prevailing over the economic development. Still, the goal of the Management Board at Oberbank is to achieve excellent earnings just like in the year 2017.

Strategy Review 2017

The core messages of the "Strategy 2020" adopted in 2015 are still valid:

- The focus is still in keeping earnings going strong and to further strengthen sales.
- Oberbank will stick to its growth course, while focussing on achieving growth without burdening equity. In some markets, this means a concentration on high margin business.
- Apart from lending, low-risk services such as payment services and securities operations will gain significance.
- The most important strategic goal is to increase the common equity tier 1 capital ratio.

The Management of Oberbank considered it necessary to revise the strategy as the banking business environment is constantly changing. Also, some of the goals defined for 2020 were already attained in 2016, and "going-digital" was not awarded sufficient priority in the original strategy.

The 2017 strategy review defined areas for action that will be decisive for Oberbank's future earnings capacity.

- Focussing too heavily on lending operations would mean an excessive burden on equity. Therefore, the potentials of the service business need to be exploited more in order to further increase earnings.
- To achieve a broader earnings basis and avoid concentration risks, all potential sources for acquiring business customers must be explored.
- As regards retail banking, the lending business has a very good risk-to-earnings ratio.
- Acquiring new customers, selling more to existing customers and recommendation management are the prerequisites for attaining success in both the advisory business *and* sales.
- The profitability goal, which is set at 8% to 10% RoE, can only be achieved if Oberbank continues to vigorously pursue its growth path.
- Just as important as the expansion of the branch network is the integration of new markets.
- Around 80% of customers are satisfied with the Oberbank's digital offers, which means there is still room for improvement.
- While Oberbank's risk situation is excellent, the early recognition of risks will become even more important in the future.
- Oberbank's cost efficiency is outstanding; nonetheless, it is necessary to continue sustainable cost management.

The strategy and the business model of Oberbank have proven highly resilient to crises, which is why there is no need for a fundamental reorientation.

Rather, the new strategy is a further development of the current strategy. It continues to be based on the values, the corporate culture and the strategic goals of Oberbank, while also accounting for changed market conditions and new market trends.

A key factor for Oberbank's lasting success is its committed, competent and sales-oriented staff. The HR Strategy 2020 includes areas of action such as "Recruiting & Retention", "Leadership & Development" as well as "Learning & Training" and the measures defined for these themes are being accomplished step by step.

Recruiting & Retention

Oberbank is an attractive employer and receives excellent ratings on the "kununu" internet platform. The special interest magazine "trend" designated Oberbank the "best employer in the banking and financial services industry 2017".
In the last business year, the third survey on job satisfaction was conducted among all employees of the entire group. The results show that Oberbank has done very well in maintaining a high level of motivation, commitment and loyalty among employees. Unswerving commitment to the corporate values and a business model designed to preserve independence have a sustainably positive effect and boost motivation – also considering the growing pressure to perform and to achieve.
Oberbank employees (IFRS) are employed on average for 13 years, and especially the management staff is very loyal to Oberbank. These long-standing relationships with employees are very important, because they make it possible to maintain long-lasting customer relations.
The employee turnover rate in 2017 was 6.9%, thereby continuing at a very attractive level and setting Oberbank positively apart from the rest of the market.

Learning & Training

In an environment that is rapidly and constantly changing, life-long learning is a necessity and at Oberbank, firmly embedded in corporate culture. The training and further education programme is continually being modernised and updated, with the management staff providing guidance on the development of content. The courses are very popular and employees have autonomy in deciding which courses to attend.
Training for the highest level of advisory and sales competence is regularly on offer and the knowledge gained is reinforced and deepened by individual sales coaching sessions.
In Private Banking, Oberbank launched a successful project in mid-2017 to achieve change and strengthen sales culture; the features of the new MiFID II framework were integrated into the training courses as well. An adaptation of the processes and training courses for the segments "Corporates and Business Banking" and "Personal Banking" is planned for 2018.
In addition to measures to improve social and personal skills, training initiatives for specialist and legal themes are part and parcel of our concept: our employees can attend and obtain certification at regular training courses as well as by attending e-learning courses and webinars (e.g. money laundering, compliance, FATCA, CRS, etc.).
In 2017, almost EUR 1.7 million were invested in high quality and diversified further education courses.

Management & Development

At Oberbank, governance is understood to comprise management and leadership and has become a separate brand. Successful governance is sustainable, and therefore, Oberbank believes in its constant further development.
Oberbank management staff are also the first personnel developers on site, with uniform management standards offering them guidance for their daily work. Oberbank Management Academy, in cooperation with LIMAK Austrian Business School, provides training not only for acquiring the skills required by these standards, but also for applying them in practice. Annual MbO talks provide a forum for evaluating the required management qualities.

Based on the MbO system, revised in 2017, which is *the* key management instrument, Oberbank is increasingly concentrating on employee development and identification of potentials: Developing personnel from the Bank's own ranks is very important, and around 80% of vacant management positions are filled internally.
Personnel development is *the* central theme of the MbO and HR check talks. Every year since 2017, ten to fifteen young employees with outstanding potential participate in the newly developed potentials development programme (POP) to prepare for possible future management positions.

"Aktie Gesundheit" ("Health Share")

Oberbank's "Aktie Gesundheit" project has been in place since 2010 with a programme to encourage all employees to take responsibility for their own health. Focusing on exercise, nutrition and mental fitness, it presents ways and initiatives on how to achieve positive effects in these three areas.
The traditionally very high health ratio was 97.1% in 2017.

"Zukunft Frau 2020" ("Future Woman 2020")

With the successful recertification "audit berufundfamilie" in 2017, Oberbank has once again proven the high priority it gives to ensuring compatibility of career and family life and equal opportunities for all employees. The goal is to achieve a 40% ratio of women among newly appointed management staff by 2020.
The framework conditions for combining career and family life are good at Oberbank. Flexible working time arrangements, teleworking options, active parental leave planning and financial assistance for childcare are important contributions Oberbank makes to attain this goal. Participation in the cross mentoring programme run by the province of Upper Austria and the Frauenfachakademie Mondsee, networking events and special seminars for women are further measures to support and promote women.
A workshop was organized in 2017 with the firm Red House to analyse the situation and develop further activities. Based on the findings of this workshop, measures and ways to implement them were developed.

Managing human resource risks

The key human resource risks are clearly defined and are systematically monitored, recorded and evaluated. Based on key risk indicators, it is possible to take measures in time to eliminate or mitigate threats and risks.

Number of employees

The average headcount of the Oberbank Group (employees, full time equivalents) rose by one person to 2,050 in 2017. The expansion of our branch network in Vienna, Hungary and Germany is the main reason for the increase. Additionally, investments were made to increase staff capacities due regulatory requirements and in a bid to support expansion at the main office. Parallel to this, costs were cut by taking advantage of natural fluctuations and by optimising processes in central areas as well as in service areas at the branches.

Company profile and business model

Concepts, due diligence processes and results
Ombudsstelle, Complaints Management
Tax Ethics
Compliance
IT Security
Business Continuity Management

Key risks and their Treatment
Risk Report
Guidelines on the Mitigation of Lending Risks
Human Resource Risks

Performance indicators
Staff-related Indicators
Environment-related Indicators
Indicators on Tax Payments

Thematic aspects
Ecological Issues
Economic Issues
Social Issues
Human Rights
Employee Issues

Diversity on the Management and Governing Bodies

Underlying Guidelines and Principles

Oberbank is a multinational company with a network of 161 branches in Austria (Upper Austria, Salzburg, Lower Austria and Vienna), Germany (Bavaria, Hessen and Thüringen), the Czech Republic, Hungary and Slovakia. For this reason, the decision was reached to prepare the Sustainability Report based on the OECD Guidelines for Multinational Enterprises.

Furthermore, this Report is based on the European Commission's guidelines for the reporting of non-financial information .

Brief history of Oberbank

On 13 April 1869, the “Bank für Ober-Oesterreich und Salzburg” was founded in Linz.
The official date of establishment was 1 July 1869 and the registered office of the company was in Linz.
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.

After World War II, CA, which held majority stakes in Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) and Bank für Kärnten AG (today BKS Bank AG) divided its shares into three parts.
A stake of one third was retained by CA and two thirds each were sold to the other two banks.
The original cross-holding structure has developed into a close, partnership-based cooperation under the banner of the 3 Banken Group. The three banks cooperate closely wherever there is synergy potential to be exploited such as in the jointly-owned subsidiaries 3 Banken-Generali Investment-Gesellschaft and DREI-BANKEN-EDV Gesellschaft, both of which are very successful. In ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT (ALGAR), the three banks hedge large exposure risks.
This cooperation in no way interferes with the three banks' independent market presence.

From 1955, Oberbank’s development improved significantly when it acquired retail customers.
By taking in deposits from private individuals and extending loans to this customer group, the foundation was laid for Oberbank’s equally strong foothold in both corporate and retail banking.

The stocks of Oberbank have been listed on the Vienna Stock Exchange since 1 July 1986.
When Oberbank went public, it removed itself from the influence of CA and started pursuing an independent strategy. Today, Oberbank's shareholder structure includes, besides its two sister banks, UniCredit Bank Austria, Wüstenrot, Generali and a large share of Oberbank’s employees; some 36% of shares are held in free float.

Since the 1980s, Oberbank has been expanding also outside of Upper Austria and Salzburg.
Oberbank has been represented with branches in Lower Austria since 1985, in Vienna since 1988, in Germany since 1990, in the Czech Republic since 2004, in Hungary since 2007 and in Slovakia since 2009.

Oberbank's Investment Portfolio

Oberbank only makes long-term investments in other companies if these investments serve to safeguard the survival of headquarters and jobs of domestic companies, to live up to its role of principal local banker, or if the activities of a potential joint venture partner are an “extension” to the Bank's core banking business (e.g. real estate or investment fund companies).
A complete list of Oberbank's investments is given in Note 56 “Consolidated Financial Statements”.

- The most important equity investments of Oberbank are the stakes in BKS and BTV. Oberbank also holds stakes in other companies with whom it cooperates closely, among them Bausparkasse Wüstenrot, Oesterreichische Kontrollbank AG and CEESEG AG (the parent company of Wiener Börse AG).
- As a strategic partner, Oberbank owns stakes, among others, in voestalpine AG (8.14%), Energie AG Oberösterreich (4.12%), Lenzing Aktiengesellschaft (3.73%), LINZ TEXTIL HOLDING AKTIEN-GESELLSCHAFT (6.22%) and Gasteiner Bergbahnen AG (32.62%).

- Oberbank invests directly as a private equity finance partner through holding companies.
- In the 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.
- 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).

Value-based Strategy

- **Safeguarding the independence and autonomy of Oberbank has top priority.**
  It is, first and foremost, Oberbank's focus on this goal that ensures that all the Bank's activities always serve to maintain a balance between the interests of its customers, employees and shareholders.
- **Oberbank offers corporate and private clients high quality advisory services.**
  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 advisory-intensive services: in Private Banking, in asset management and in residential construction finance.
- **Oberbank's organic growth is achieved by expanding its network of branches.**
  The goal of the expansion is to support existing customers and to win new customers in attractive regions. At the end of 2017, Oberbank operated 161 branches: 46 in Upper Austria, 14 in Salzburg, 37 in Lower Austria and Vienna, 64 in Germany, the Czech Republic, Hungary and Slovakia.
- **Oberbank only takes risks it can handle on the strength of its own resources.**
  The aim is to stabilize the company’s risk at a low level.
- **Oberbank refinances retail loans with customer deposits and other long-term refinancing funds.**
  Additionally, Oberbank holds extensive liquidity reserves in the form of eligible loan assets and securities eligible for refinancing as well as access to open refinancing lines at a large number of other banks and institutional investors.
- **Proprietary trading plays a minor role at Oberbank.**
  The Global Financial Markets department provides services for interest rate and currency risk management for customers and asset/liability and liquidity management of the bank.
- **Oberbank consistently works to improve the professional expertise and social competence of its staff.**
  Management by objectives (MbO) and predefined standards of performance provide clear guidance for the management and ensure regular feedback.
- **Attractive cost structures contribute enormously to the earnings power of Oberbank.**
  Efficient processes, lean company structures, ongoing rationalisation projects and the shift of resources from administrative processes to sales help to create the basis for the constant improvement of earnings and secure good profitability ratios.

Complaints Management, Tax Ethics, Compliance, IT Security, Business Continuity Management

Ombudsstelle

If there are differences in opinion and disputes between customers and Oberbank, the internal mediation department, the so-called Ombudsstelle, takes action. Oberbank believes that customer satisfaction is of the utmost importance and needs to be safeguarded going forward. For this reason it is important to maintain personal contacts also in conflict situations. As disputes can be very time-consuming and expensive and it is always preferable to try and arrive at a mutual understanding, the Ombudsstelle acts as a neutral party and offers help in such cases. Its aim is to arrive at a satisfactory solution for all parties involved.

The services of the Ombudsstelle are provided free of charge. It can be contacted in writing, by e-mail, by fax or by telephone.

Oberbank AG – Ombudsstelle, Untere Donaulände 28, 4020 Linz, phone: +43 (0) 732 / 7802 ext. 37280 or 37248, fax: +43 (0) 732 / 78 58 12, e-mail: ombudsstelle@oberbank.at

Complaints Management

Oberbank requests specific descriptions of the matter and also requests the information needed to clarify the matter (e.g. account number, branch concerned) and documents (e.g. statement of account, e-mail of advisor). Your complaint/request will be processed promptly or forwarded to the respective responsible office(s) within the bank for a statement/clarification/decision/processing. As soon as the required information is available, the outcome will be communicated accordingly. Simple inquiries will be processed without delay as promptly as possible and closed within 24 hours of receipt (excluding weekends, holidays and banking holidays). A response will be sent within two weeks of receipt of the complaint/inquiry.

If there are valid reasons (e.g. complex matter, time-consuming research or absence of the persons involved) for not completing processing of the matter within such time limit, the Ombudsstelle will inform you about this.

Out of Court Dispute Resolution Body

Moreover, Oberbank has agreed to submit to the jurisdiction of the following external, out of court dispute resolution body/ alternative dispute resolution body for consumer matters:

Gemeinsame Schlichtungsstelle der österreichischen Kreditwirtschaft

Wiedner Hauptstraße 63, 1045 Vienna, phone: + 43 (1) 505 4298, fax: + 43 (0) 1 505 4474, e-mail: office@bankenschlichtung.at, www.bankenschlichtung.at

Activity Report of the Ombudsstelle for the Period 1 Jan. 2017 to 31 Dec. 2017

The Joint Committee of the three European supervisory authorities (ESMA, European Securities and Markets Authority; EBA, European Banking Authority; EIOPA, European Insurance and Occupational Pensions Authority) has agreed on common guidelines for complaints handling (JC Guidelines). The following guidelines have already been implemented at Oberbank.

Complaints Management, Tax Ethics, Compliance, IT Security, Business Continuity Management

Guidelines for Complaints Handling (JC Guidelines)

- **Guideline 1 – Complaints Management Policy**
  Credit institutions must have a complaints management policy set out in a written document and must make it available to all employees.
- **Guideline 2 – Complaints Management Function**
  Credit institutions must set up an (independent) complaints management function which enables complaints to be investigated fairly and possible conflicts of interest to be identified and mitigated.
- **Guideline 3 – Registration**
- **Guideline 4 – Reporting**
  Credit institutions must provide information on complaints and complaints-handling to the competent authorities (FMA) – see III. Reporting Obligation
- **Guideline 5 – Internal Follow-up of Complaints Handling**
  Credit institutions must continuously analyse, on an on-going basis, complaints-handling data, to ensure that they identify and address any recurring or systemic problems, and potential legal and operational risks.
- **Guideline 6 – Provision of Information**
  Credit institutions must provide information on the complaints handling process (how to file a complaint, identity and details of contact person, handling timelines, further procedures, other competent institutions) and publish such information in an easily accessible manner (on the website).
- **Guideline 7 – Procedures for Responding to Complaints**
  Credit institutions must investigate all relevant evidence and information regarding the complaint, must communicate in clear and plain language, provide a response to the person filing the complaint without delay, give reasons for a negative decision (full or partial) and in this case refer to other competent institutions.

National law as basis for complaints handling

National law as a basis for complaints handling is to be found in § 39e Banking Act: “Credit institutions and financial institutions must establish transparent and adequate procedures to process the complaints of clients and business partners in order to identify, analyse and remedy repeatedly occurring as well as potential legal or operational risks.”

Definition of the term “complaint”

Pursuant to lit. a of Annex A3g to the “Assets, Earnings and Risk Reporting Decree” – VERA-V – issued by the FMA, a complaint is
“any statement of dissatisfaction by a person or legal entity with a concrete claim regarding a concrete transaction addressed to a credit institution without any proceedings relating to the same claim also being dealt with by a court of law or a dispute resolution body or a legally valid decision having already been handed down on the same claim;”.
Based on said Annex A3g to the VERA Decree, the number of complaints relating to a specific category of complaints (“special themes” – clustering pursuant to the Circular issued by the FMA on 28 Dec. 2015) must be reported.
The deadline for the such report being submitted is the 20th banking day after the close of the year. The annual report (to the Federal Chamber of Commerce and to OeNB) is submitted by Oberbank’s RUC department in consultation with the RIS and SEK (Ombudsstelle) departments.

Because the technical requirements for the receipt of reports had not been met in time at OeNB, the submission deadline was extended until the end of April 2017.

Development of complaints

During the period 1 Jan. 2017 to 31 Dec. 2017 the number of complaints that had to be processed by the Ombudsstelle was 13% lower than in 2016.

Tax ethics

Ethical behaviour and tax compliance are important pillars of social cohesion.

At no time did Oberbank actively suggest offshore banking solutions to Private Banking customers. Even if such queries were received, no products or services in this context were recommended or brokered. Generally, investment options primarily for tax reasons are viewed negatively.

Oberbank carries out all tasks in connection with the European data exchange mechanism pursuant to the Common Reporting Standard (CRS) and with FATCA (Foreign Account Tax Compliance Act). In this context, customers must voluntarily disclose information about themselves regarding their domicile for taxation purposes and whether they are subject to unlimited taxation in the US. Furthermore, Oberbank acts as a “qualified intermediary” (QI) for US tax authorities. This means it acts as a US paying agent and withholds US taxes, and then sends corresponding reports to the US tax authorities.

The statutory reports to the central accounts register and reports in connection with capital inflows and outflows have been fully implemented at Oberbank. The advisors expressly point out to customers that tax compliant behaviour is welcome and that Oberbank only invests money earned through honest means. In suspicious cases, comprehensive and verified evidence is requested. In case of doubt, the business relationship is rejected.

Account managers undergo intensive training on these subjects by attending various seminars. Numerous information sheets that provide explanations on these subject matters are handed over to customers upon request.

Prevention of money laundering and terrorism financing & embargos

Oberbank is committed to a business policy that adheres to the provisions for the prevention of money laundering and terrorism financing, and takes a serious view of the relevant developments and initiatives by European and national lawmakers in this respect. Money laundering and terrorism financing pose a threat to European values and require rigorous preventive measures, relying also on the options and instruments available to credit institutions, to combat them from the very start, wherever possible.

New staff was assigned to anti-money laundering and embargo at Oberbank in 2017. The most important new challenges are the implementation of the Austrian Financial Market Anti-Money Laundering Act and the Beneficial Owners Register Act based on the 4th EU Anti-Money Laundering Directive 2015/849.

Compliance with these stringent provisions is ensured by strict internal rules and regulations (anti-money laundering manual, embargo manual, risk analysis) as well as by the use of the IT tools Siron AML, Siron KYC and Siron Embargo. In accordance with the risk-based approach, Oberbank’s specific internal risk analysis is the basis for calibrating these systems.

The IT tool Siron AML ensures daily monitoring of transactions for predicate offenses and circumstances (e.g. cases of fraud). As soon as contact has been made with one of our account managers, a thorough investigation is launched and the matter is researched. At the end of this process, the matter has been either clarified or a

notification has been sent to the Financial Intelligence Unit for money laundering and terrorism financing at the Ministry of the Interior.
The tool Siron KYC is used to identify whether customers are potential politically-exposed persons (PEPs) and to rule out any connection with an embargo. This statutory requirement is checked even before a business relationship is entered into. Siron Embargo makes it possible to check SWIFT transactions in real time for any relevance for sanctions or embargos (checking of commodities or persons).
Compliance with statutory provisions starts with the training of the advisory staff. To this end, Compliance organizes road shows on the themes of money laundering prevention, embargos and securities compliance for all staff members. The rules and regulations are available to all employees on the intranet and there are informative illustrations with examples on all key thematic blocks. All rules and regulations are updated as needed or otherwise regularly, at least once a year. All employees must, each year, successfully complete e-learning training courses on the subjects of AML, compliance, fraud and securities compliance.
Within the scope of enhanced customer due diligence, various transactions that pose an AML risk require prior approval by Compliance; this means that an account can only be opened with the consent of Compliance and only after all documents required by law have been furnished. The requirement to obtain prior approval is triggered mainly by risk factors such as customer characteristics and geography/country risk as well as by the type of transaction intended and applies to new customer relationships with both companies and private individuals. Existing customers with a higher AML risk are subject to shortened intervals at which the quality of the documents provided is audited. Thus, customers rated as having a “medium-high” or “high” AML risk are subject to an annual review and must furnish new, current documents as needed.
Through these measures, Oberbank ensures that it fully complies with the stringent statutory and regulatory requirements.

Notification of suspicious activities

Oberbank submitted a total of 23 notifications of suspected money laundering activities in the financial year 2017.

Prevention of fraud and corruption

Apart from the measures taken to combat money laundering, Oberbank also takes action to prevent fraud, malicious acts or corrupt activities and business practices. To this end, Oberbank has issued clear guidelines for its employees to prevent internal and external misconduct in the meaning of the aforementioned motives and intents. A Code of Conduct has been prepared that includes separate guidelines for staff conduct in business relations to prevent and help avoid opportunities and incentives for fraudulent misconduct from the very beginning.
Additionally, a Fraud Prevention Policy presents and defines Oberbank’s procedures and measures based on the principles PREVENT – DETECT – RESPOND as a means of preventing and counteracting any type of fraud in the widest sense of the word.
Such measures include training courses for and further education of employees to guarantee the highest degree of awareness of the procedures and processes set up to help recognize potential fraudulent circumstances and also to respond clearly in the event of such situations.
Oberbank also uses proactive surveillance tools in its IT environment which rely on data from past fraud attempts as a benchmark, screen payment service transactions in real time and monitor and tag suspicious payment transactions and forward them for manual processing if appropriate. In this manner Oberbank

attempts to protect its customers as best possible and to ward off loss or damage that may occur during the settlement of financial transactions, thereby honouring the trust placed in Oberbank by investors.

Securities compliance

As regards securities compliance, Oberbank has been using the computer-aided securities compliance tool "cConform" since the beginning of 2017. This IT tool helps mitigate risk by quickly and specifically revealing instances of malversation in exchange trading, in particular, market manipulation and insider dealings. It makes proactive monitoring through ad hoc and regular evaluations possible and helps avoid reputational damage and monetary loss. Furthermore, this IT tool also maintains the lists and records that must be kept by law, such as insider lists, blocking and watch lists, areas of confidentiality, and the register of conflicts of interest. This IT tool thus enables the professional management of (potential) securities compliance incidents by documenting all incidents seamlessly, centrally and without delay.
Apart from the computer-aided securities compliance tool "cConform", Oberbank also has an extensive internal set of rules and regulations on compliance in place. Oberbank's Compliance Manual presents in detail the entire range of compliance matters with respect to securities and capital market law as well as featuring a general section on organisation. The Compliance Manual is published internally on the company intranet and is therefore available to all employees at all times. Familiarity with the themes discussed in the Compliance Manual is verified by annual e-learning course that must be attended by all employees once a year.
It is thus is assured that Oberbank meets its statutory obligation to have in place and maintain effective rules, systems and procedures for the discovery and reporting of suspicious securities orders and transactions.

Findings of the securities compliance audits

In the year 2017, Oberbank did not have to report any suspicious securities orders or transactions to the Financial Market Authority (FMA) for market abuse.

IT security summary: dealing with cyber threats

Digitalization and the use of modern technologies are a must for keeping up with current changes and future requirements. The use of modern technologies opens up many possibilities for the financial industry. It permits processes to be designed more efficiently and to offer customer-friendly and personalized services. Apart from the great diversity of options available, this development also carries information security risks. An especially high risk is posed by cyber threats originating from attacks on data and technologies, which are also increasing in volume, speed and sophistication throughout the world. Oberbank's IT systems are also exposed to these risks of digitalization. The implementation of an IT security masterplan is indispensable to counteract these threats. This security masterplan defines the structures, regulations, processes and methods that contribute to heightening IT information security.

The information security strategy of DREI-BANKEN-EDV Gesellschaft (3BEG)

The 3BEG information security policy is a reference document with a long-term horizon that describes the fundamental approach taken by 3BEG towards information security and the security of the IT systems. The purpose of this policy is, among other things, to guarantee the information security and data privacy, to ward off threats and to draft regulations, conduct risk assessments, prepare security sub-concepts, draft process descriptions and effectively implement security measures based on a comprehensive IT security management system. The aim is mainly to ensure the confidentiality, availability and integrity of data and systems in order to protect 3BEG and its clients from threats.

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An IT security staff unit has been set up at 3BEG that is responsible for all organisational matters relating to data security. The smooth functioning of communication channels to operational units is a key element and important for active prevention as well as for timely and adequate response.

Recognizing and affording protection against cyber threats

As the IT service provider of Oberbank, it is 3BEG's responsibility to engage in continuous development and ensure that measures are in place that reflect the latest state of the art. The threat scenario, which is constantly changing, must be permanently monitored and analysed in depth, and, on this basis, measures must be taken to increase security and eliminate or reduce threats. Classical perimeter protection has not been enough for some time now. It is important and necessary to implement protective measures at various levels, ranging from security and surveillance of internal systems, communication channels and entry points for malware or attacks to constantly analysing weak points and log data and establishing correlations. Apart from prevention, 3BEG also focuses on rapid and orderly responses with clearly defined areas of competence. To this end, processes have been set up at 3BEG that clearly define how to deal with security incidents and how to communicate in such circumstances.

Raising security awareness among employees

As people are frequently the target of attacks, such as by social engineering, fake president or phishing emails, it is important to 3BEG to inform employees of the specific threats, instruct them on how to handle confidential information and what to do in the event of an attack, thereby creating long-lasting awareness of security issues. This is why measures such as regular and recurring training courses as well as ad hoc and routine communication of information via the intranet are important. Employees themselves are responsible for compliance with the information security regulations and procedures and contribute to maintaining information security.

3BEG IT security summary

In the year 2017, 47 risk and protection requirement assessments (47 in 2016) and 20 audits were conducted (3BEG assessments as well as bank audits with an impact on 3BEG; 23 in 2016). Furthermore, 21 external audits (in particular by KPMG) were conducted (11 in 2016).
In 2017, 90 IT problems and incidents were recorded (2016: 111 cases). Usually, these are system failures and faulty processing. The related external damage was EUR 940 (2016: EUR 33,230). The internal expenses incurred amounted to 1,400 hours (2016: 1,300) at 3BEG and 80 hours (2016: 80) at the 3 Banken Group. The total amount (external damage plus internal expenses, settled at the transfer pricing rate) was EUR 119,550 (2016: EUR 136,450).

Cyber crime report

In 2017, a cyber crime report was prepared for each quarter. The report covers current threats, defensive measures implemented, statistics illustrating the reality of the threats in figures, current ongoing projects relating to this subject as well as actual incidents and attacks. The reports shows that there were no incidents that caused damage and that the defensive measures taken are effective.

Complaints Management, Tax Ethics, Compliance, IT Security, Business Continuity Management

Regulations on IT security

In 2017, 3BEG was increasingly confronted with regulations relating to the IT security environment. This required the preparation of extensive documentation and the creation of new documents, a process that will be continued also in 2018.

1. EBA PSD 2 Guidelines on the Reporting of Major Incidents;
2. EBA ICT Guidelines;
3. NIS Directive.

The functioning of the backup solutions was tested two times in 2017.

Business continuity management

Business continuity management at Oberbank focuses on the measures to be taken in the first three days after the occurrence of a crisis. In the event of medium-term or long-term infrastructure failure, it is necessary to transition the emergency operations triggered based on the BCM concept towards “standard operations under continengy”.

Risk Report

Knowingly assuming risks is a key element of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term. Responsibility for risk management strategy, risk management implementation and risk controlling throughout the Oberbank Group lies with Oberbank AG. The basis for Oberbank's risk strategy is the Bank's positioning as a regional bank. The Management Board and all of the Bank's employees act in accordance with the principles laid down in the Bank's risk policy, and decisions are 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 full Management Board of Oberbank AG. Management competencies as well as the economic capital allocated to a specific risk (limits) or predefined management and control processes are specified for every material risk within the Oberbank Group. The overall risk management process is the responsibility of the Bank's Asset/Liability Management Committee (ALM Committee), which meets once a month and reviews the relevant materials prepared for it by the Risk Management department. The Management Board member responsible for risk management is the chair of the Committee and has a veto right in the decision-making process relating to risks.

Risk management pursuant to § 39 (5) Banking Act

The central and independent risk controlling function stipulated by the Banking Act (§ 39 (5)) is the responsibility of the Strategic Risk Management department. This department has a complete overview of the existing risk types and their magnitude as well as of the risk situation of the Bank; it measures, analyses and monitors and reports on all material risks of Oberbank. The reporting line is to the Management Board, the ALM Committee as well as to the respective department heads and employees. The Strategic Risk Management department is also involved in preparing the risk strategy.

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 of the Bank and the pertinent control measures are consistently documented. Responsibilities and functions relating to the ICS are clearly defined. Internal control activities are reported regularly in a multi-layered process regarding efficacy and maturity. Control activities are documented and reviewed and ICS-relevant risks are regularly evaluated and adjusted. This ongoing optimisation process contributes to quality assurance. The Internal Audit department of Oberbank AG serves as an independent monitoring 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 work instructions.

The control mechanisms of ICS with respect to the reporting process are described in detail in the following sections (Disclosure pursuant to § 243a (2) Business Code):

Accounting (bookkeeping and accounting) with the related processes is part of the Accounts and Controlling department. Individual sub-processes are the responsibility of the Strategic Risk Management department. The Internal Audit department conducts the statutory internal audits as an independent unit.

Within the scope of ICS, all processes are reviewed in connection with the preparation of the financial statements and the risks relating to this are identified, analysed and constantly monitored. If necessary, measures are taken to mitigate these risks.

Control environment

Apart from compliance with statutory requirements, Oberbank’s code of conduct and corporate governance rules are at the focus. The staff involved in the financial reporting processes has the required knowledge and experience to perform their tasks. Ongoing continuing education measures serve to ensure that know-how is constantly being improved and form the basis for the timely implementation of any innovations in the financial reporting process. To meet the extensive statutory requirements, daily work is supported by numerous guidelines, manuals and work manuals, which are regularly reviewed and updated as necessary.

Control procedures

Control procedures comprise systemic IT inspections defined by Oberbank, and also manual inspections and plausibility checks as well as the principle of dual control. The IT authorisation concept used at Oberbank is an additional protection mechanism.

Monitoring procedures

The monitoring of financial reporting processes is ensured – as described above – by ICS. Furthermore, heads of department and the competent heads of groups exercise monitoring functions. This entire monitoring process is audited by the Internal Audit department. An additional surveillance function is exercised by the auditors of the consolidated financial statements and by the Audit Committee.

Overall Risk Management Process and Calculation Of Risk-bearing Capacity

At Oberbank AG, compliance with the regulatory requirements for high-quality risk management resulting from the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) is ensured by the risk-bearing capacity calculation as well as by a system of reports and limits for liquidity management. The basis for the assessment of the Bank's risk-bearing capacity is a quantification of all material banking risks and the economic capital allocated to each of them. Within the framework of the risk-bearing capacity 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. This is done for credit risk (within which default risk, counterparty default risk, foreign currency loan risk, risk of credit valuation adjustments (CVA risk), transfer risk and credit risk concentrations are quantified), for market risk in the bank book, for liquidity risk, for operational risks as well as for risks arising from the macroeconomic environment. In the risk-bearing capacity 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

Credit risk is understood to mean the risk of a borrower's full or partial failure to fulfil the contractually-agreed payment obligations. 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. The management of credit risk is the responsibility of the Credit Management

department. 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 credit risk strategy is based on the regionality principle, i.e. the domicile of customers granted loans is in the regions covered by the branch network. In Austria and Germany, the principal focus is on lending to industry and to small and medium-sized enterprises. In the Czech Republic, Slovakia and Hungary, Oberbank lends mainly to small- and medium-sized businesses. Operational risk targets are defined jointly by the Management Board together 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, which is an assessment of the respective customer's creditworthiness. In the corporate banking business, these assessments are performed using credit rating processes developed with statistical methods. The same is true for the rating of existing business in the personal banking segment as well as for application ratings in the personal banking business in Austria and Germany. Assessments are based on quantitative (hard facts) and qualitative criteria (soft facts, warning signals), which together provide an objective and forward-looking picture of a customer's creditworthiness. The rating procedures are validated annually. 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 threat of cover shortfalls 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 organisationally separated from sales throughout the Oberbank Group and is performed exclusively by the respective back-office credit management groups of subsidiary BDSG.

Equity risk
Equity risk is defined as the risk of value impairments caused by dividends not paid out, impairment 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 AG are the stakes in BKS and BTV together with which it 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 activities or constitute services ancillary to banking. Where new equity investments are to be made, analyses are performed in order to gain as complete a picture as possible of the 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 prices and interest rates on financial markets. Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries.

Within Oberbank, the management of market risks is split between two competent bodies, 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 Group Risk Controlling department is in charge of the daily limit control and daily reporting of the risk and earnings situation to the Management Board and to 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 meets once every month. Members of the Committee are the Management Board member responsible for risk management as well as representatives of the departments Strategic Risk Management, Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Corporate Secretary and & Communication and Internal Audit.

Macroeconomic risk

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 stocks and in real estate prices, etc.).

Operational risk

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

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.

The management of operational risks is performed by the respective operating departments and the regional sales offices (risk-taking units); they are responsible for operational risk in connection with products and processes within their respective spheres of responsibility. An electronic reporting process supports the recording of information regarding operational risks that have effectively occurred.

Systematic risk analyses form the basis for the steering and further development of operational risk management. These are conducted in the form of risk assessments that comprise regular surveys and the quantification of potential operational risks, by monitoring the key risk indicators as well as by evaluating instances of loss or damage as recorded in a special database.
Concrete measures have been taken to hedge against any major risks identified in the risk analyses (e.g. insurance policies, IT contingency plans, backup data centre).

Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank 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

objectives of liquidity risk management are therefore 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 adhered to the financing principle of ensuring that the Bank's entire customer loan volume can be refinanced from primary deposits by customers and funds from Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle continues to be valid. Furthermore, Oberbank holds appropriate 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. A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.
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. Strategic Risk Management calculates a 30 and 90-day forward liquidity gap analysis including the available risk buffer minus liquidity-at-risk to determine the limit for day-to-day liquidity management, which is reported to the Management Board member in charge of risk. Oberbank's long-term and strategic liquidity is the responsibility of the Management Board and the ALM Committee. The Strategic Risk Management department is responsible for reporting. A comprehensive liquidity gap analysis is drawn up for the purpose of medium and long-term liquidity risk management. A contingency 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 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 especially in credit risk. The intra-concentration risk in credit risk is taken into account within the framework of the risk-bearing capacity calculation. Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

Guidelines on the mitigation of lending risks

- Dual control principle;
- strong weighting of creditworthiness assessment, i.e. positive development of the company takes precedence over collateral provision;
- no loans to criminals or radical organisations or similar;
- no banking business that requires bribery;
- no knowing support of the export of protected or banned goods;

- in the case of foreign currency loans, both the exchange rate and also the interest rate risk must be taken into account accordingly (in particular, the capacity to pay interest and principal also in one's own currency must be given) as well as compliance with current minimum standards for foreign currency loans;
- financing of pure margin trades (speculative transactions) is permitted only in well-founded cases, with special attention being paid to a customer's creditworthiness and understanding of the relevant facts;
- financing of Oberbank equity instruments is not permitted.

Human Resource Risks

Managing of human resource risks

As a means of managing HR risks, the following factors were defined as key risk indicators: staff turnover rate and sick leave ratio, estimated values (esp. overtime and vacation day balances) as well as the number of infringements of working hour laws. These are reported on a quarterly basis for every organisational unit, are discussed in the aggregate and are part of the operational risk management of the entire bank.

Corporate and management culture, attractive employer, learning & training, talent management & development of high potentials, growth and expansion as well as HR core processes were defined as fields of action in Oberbank's HR strategy, with measures being planned for the next few years.
Measurable or observable indicators were defined for every field of action. These can be used to guide HR work and to ensure early identification of changes or risks.

Material risks relating to persons:

- Claims of employees or third parties that do not result from the fulfilment of statutory, collective agreement or contractual framework conditions;
- Losses as a consequence of the failure to fill key positions or of filling these with the wrong persons;
- Losses due to, temporary or permanent, unplanned absences;
- Losses due to undesired turnover or lack of education or training.

The main key risk indicators such as the fluctuation rate and sick leave ratio stayed at a very favouralbe level at the end of 2017.
The satisfactory results of the employee survey conducted in September 2017 also show that Oberbank has done very well in maintaining a high level of performance, commitment and loyalty among employees.

Performance Indicators

Staff, Environment and Taxes

Employee-related Indicators (Source: ÖGUT - Österreichische Gesellschaft für Umwelt und Technik / Austrian Society for Environment and Technology)

Oberbank Group	**2017**	**2016**
Total number of employees	**2,330**	**2,283**
thereof under 30 years	380	388
thereof from 30 to 50 years	1,395	1,363
thereof over 50 years	555	532
Total number of women	**1,354**	**1,330**
Total number of men	**976**	**953**
Full-time equivalent	**2,085**	**2,047**
Number of persons in management positions (management including heads of teams)	**406**	**399**
thereof under 30 years	6	5
thereof from 30 to 50 years	246	245
thereof over 50 years	154	149
Number of women in management positions	**88**	**86**
Sum of service years of all employees (incl. those on leave)	**32,025**	**32,566**
Sum of service years of all female employees	18,853	18,904
Sum of service years of all male employees	13,172	13,661
Sum of the age of all employees (incl. those on leave)	**102,796**	**100,294**
Sum of the age of all female employees	60,418	59,006
Sum of age of all male employees	42,378	41,288
Number of employees with disabilities	**43**	**45**

Performance Indicators

Staff, Environment and Taxes

Number full-time employees	**1,710**	**1,688**
thereof under 30 years	354	357
thereof from 30 to 50 years	937	929
thereof over 50 years	419	402
Number part-time employees	**625**	**595**
thereof under 30 years	27	31
thereof from 30 to 50 years	460	434
thereof over 50 years	138	130
Number of full-time female employees	**773**	**772**
Number of part-time female employees	**581**	**558**
Number full-time employees in management positions (general managers, heads of departments and heads of business areas)	**38**	**37**
thereof women	3	3
Number part-time employees in management positions (general managers, heads of departments and heads of business areas)	**0**	**0**
thereof women	0	0
Number of employees that left the company in the last year	**159**	**136**
thereof women	90	69
thereof under 30 years	58	54
thereof from 30 to 50 years	86	70
thereof over 50 years	15	12

Performance Indicators

Staff, Environment and Taxes

Training days attended by employees in the last year	**10,848**	**-**
training days attended by female employees in the last year	5,438	-
training days attended by male employees in the last year	5,410	-
training days attended by persons under 30 years	3,027	-
training days attended by persons aged from 30 to 50 years	6,021	-
training days attended by persons over 50 years	1,800	-
Employees hired in the last year	**232**	**166**
thereof women	116	88
New employees under 30 years	105	84
New employees from 30 to 50 years	118	72
New employees over 50 years	9	10
Number of employees on leave	**100**	**101**
Total period of leave for all employees on leave	483	564
Number of women on leave	**82**	**88**
Total period of leave for of women on leave	456	542
Number of women that claim parental part-time work after returning from leave	38	29
Number of men on leave	**18**	**13**
Total period of leave for all men on leave	27	22
Number of men that claim parental part-time work after returning from leave	0	0
Total number of sick days of all employees	**16,423**	**16,536**
thereof sick days of employees under 30 years	2,822	2,653
thereof sick days of employees from 30 to 50 years	8,423	8,647
thereof sick days of employees over 50 years	5,178	5,236

Environment-related Indicators (Source: ÖGUT - Österreichische Gesellschaft für Umwelt und Technik / Austrian Society for Environment and Technology)

Oberbank Group		**2017**	**2016**	**2015**	**Comments**
Total consumption of paper	Total consumption of paper (in kg/a)	117,923	122,188	122,941	Paper consumption in sheet per employee is defined as the consumption of copy and printing paper based on A4 and A3 (no difference!). Exempted are: IT lists, fan-fold paper, other materials used for customers (advertising material, publications, etc.), mail received, magazines, books.
	Total consumption of paper (in sheet/a)	23,584,600	24,437,600	24,588,200	1 sheet weighs 5 gram
Paper types	ECF or chlorine-bleached paper in %	92	92	92	The survey is carried out separately for recycling paper, TCF paper and ECF paper.
	Recycling paper and TCF/ECF/chlorine-free bleached paper (e.g. Nautilus) in %	8	8	8	
Water Consumption	Water consumption (in l/day)	81,442	77,739	82,445	Water consumption per day in litres includes consumption of both fresh water and surface water. The use of rainwater may be recorded as a “bonus” and reported separately. The assumption is 250 days per year.
	Does the use of grey water, black water or rainwater apply (YES/NO)	No	No	No	
	Are there specific major consumers (e.g. company cafeteria, garden)	Company cafeteria	Company cafeteria	Company cafeteria	
Waste Volume	Waste volume (in kg/a)	539,951	533,535	540,280	The indicator is calculated based on the total waste volume in kg broken down by recyclable waste, hazardous waste (or special waste) as well as non-recyclable waste.
	Non-recyclable waste (in kg/a)	248,788	243,414	252,019	
	Waste paper (in kg/a)	254,463	253,297	249,070	
	Is computer leasing used (YES/NO)	No	No	No	
Waste types	Waste paper and cartonboard as recyclable materials (in %)	47.00	47.00	46.00	The types of waste in percentage are calculated based on total waste volume in kg excluding construction debris.
	Other recyclable materials %	7.00	7.00	7.00	
	Non-recyclable waste (in %)	46.00	46.00	47.00	
	Hazardous waste and special waste (in %)	0.00	0.00	0.00	
	Electronic scrap materials (in %)	0.00	0.00	0.00	
Business travel	Cars (in km/a)	6,567,635	6,600,862	6,470,919	This indicator includes all trips undertaken by employees for work purposes. Commuting to the workplace and trips by customers and suppliers are not included. A year is assumed to have 250 workdays.

Performance Indicators

Staff, Environment and Taxes

Data on tax payments (excluding deferred taxes)

<u>**Oberbank Group**</u>	**Austria**		**Germany**		**Czech Republic**		**Hungary**		**Slovakia**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Income tax in €k	-42,406	-28,996	-1,935	-1,232	-3,389	-2,548	-1,425	-915	-398	-217
Banking tax in €k	-2,689	-37,772	0	0	0	0	-318	-68	-407	-324

The banking levy for 2016 contains a special payment of €k 23,902 paid in full by the Oberbank Group in the financial year 2016.

Oberbank Group	**2017 in €m**	**2016 in €m**
Allocation to the deposit protection fund	4.2	4.0
Contributions to the resolution fund	6.0	6.6

Ecological and social engagement

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

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. Emphasizing 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.

Selection of suppliers

When selecting suppliers, as much consideration as possible is given to the ecological effects (e.g. purchase of recycling materials for paper, paper towels, and where possible contracts are awarded to regional suppliers).

Measures to increase energy efficiency

Since 2007, Oberbank has employed a professional energy management team that implements the internal guidelines on energy efficiency and sustainability.

HQ Location Linz Donaulände – Donauforum new building

Comprehensive aspects of energy saving, environmental and climate protection were taken into consideration already in the project initiation phase.
Among other things, the objective of having an energy-neutral event centre applies to the operation of the building, meaning there no additional primary energy is to be consumed even though the built-up volume has increased by 40%. This is achieved through energy-efficient building cladding, the use of efficient power technologies, the use of existing renewable energy sources (waste heat, well water) and the exploitation of energy-saving potentials in the existing building.
Total savings achieved by these measures correspond to the energy consumption of the Donauforum building as built in standard format in 2008. The estimated energy consumption was 82,000 kWh/a of electricity and 228,000 kWh/a of distance heating.

Optimizing Untere Donaulände 28

In der Zentrale an der Unteren Donaulände wurden nicht nur die Neubauten energieeffizient realisiert, auch das Bestandsgebäude wurde wesentlich optimiert um die Energieeffizienz zu steigern.

Computer centre (2011)

Housing 70% of computing capacity in water-cooled racks at the data centre resulted in the following measures to increase energy efficiency: Option of raising the cooling temperature to 17°C so that no extra AC is needed; reduction of fan speed in existing equipment; use of waste heat for existing building heating system (waste heat from servers used for water/water heat pump).
Total savings in electricity costs from these changes is around 250,000 kWh/a.

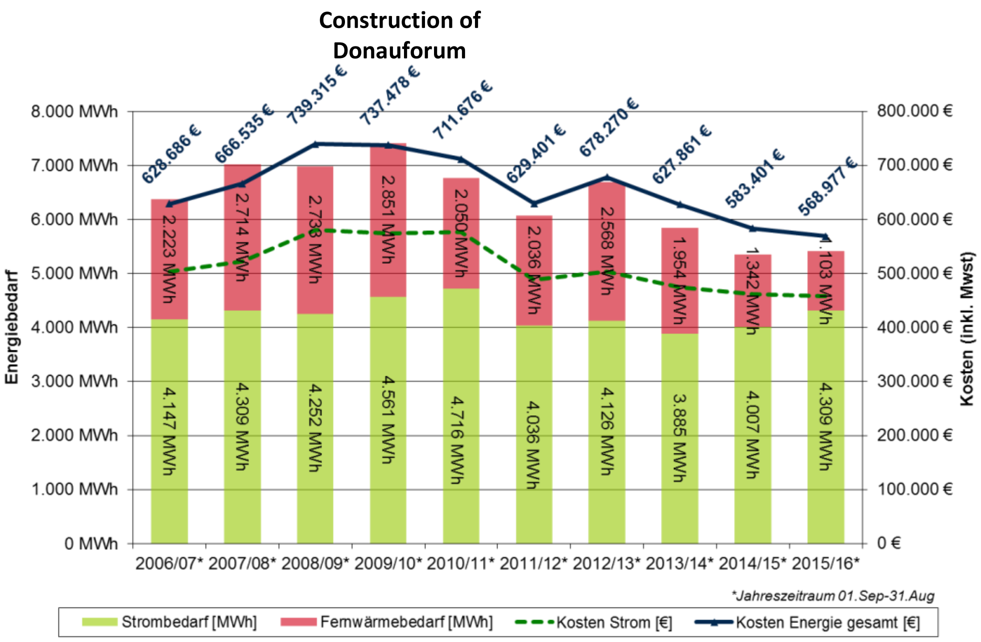
Heat pump (2014)

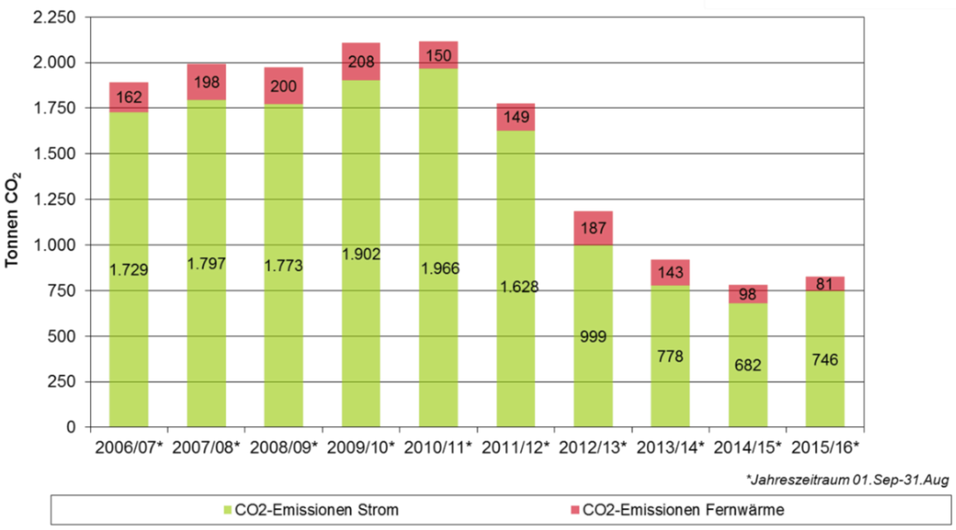
A heat pump is now used as the base supply for the heating system instead of distance heating. This has several advantages:

- Use of ground water and waste heat for heating purposes;
- Reduction of service price for distance heating;
- Optimisation of well water temperature

The savings in primary energy due to heat pump use is approx. 1,000,000 kWh/a.

Result despite the significant enlargement of the building complex, energy consumption was reduced from 2006 to 2016 by 15% and the CO2 share by 60%.



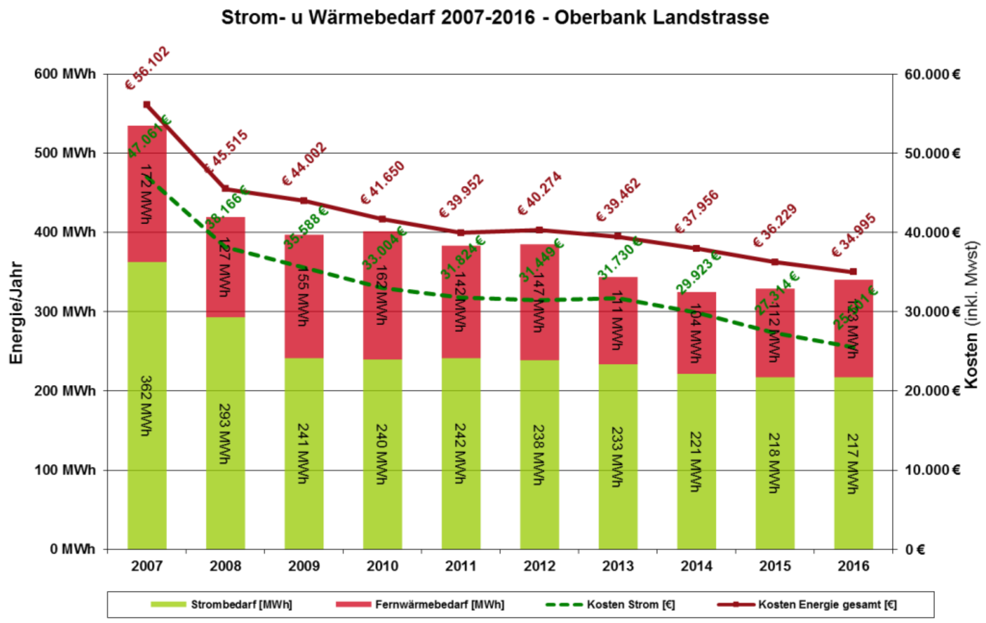


New building Untere Donaulände 36 (2015-2017)

The new building was designed with energy efficiency and sustainability in mind. Several applications for subsidies for environmental measures were submitted and approved already in the planning phase.
The building went into operation in 2017, and the energy monitoring system installed will keep records in the coming years which, as in other projects to date, will be used for further optimization.

Landstraße Branch

A major overhaul of the Landstraße branch was completed in 2007. From the start of the project, an energy expert worked on the planning team, helping to reduce energy consumption by 25%.

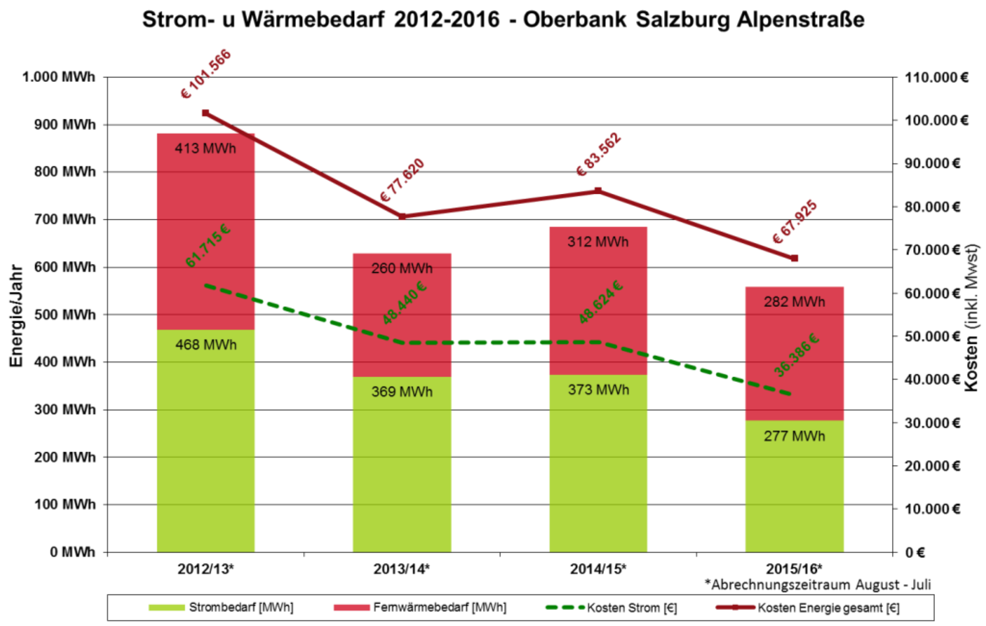


After completion, an ongoing improvement process was introduced (based on energy monitoring). The team tasked with this job reduced energy consumption even further by taking smaller optimization measures without impairing user-friendliness.

The renovation helped lower distance heating consumption by around 59,000 kWh/a. Electricity consumption was also significantly reduced by optimizing the core consumers, with savings amounting to around 140,000 kWh/a.

Alpenstraße Branch

The Alpenstraße branch in Salzburg was modernized from 2014 to 2016. In this context, efficiency measures were also implemented for core consumers, lowering energy consumption lowered by 35%.
In 2014, the heating and ventilation control system was renewed and subsequently optimized. Distance heating consumption saved in this manner is around 130,000 kWh/a.
Electricity consumption was also reduced by a change in the control system. Total electricity savings amount to around 76,000 kWh/a. From 2014 to 2016, the lighting at the branch was changed over to LED lamps on a step-by-step basis. The savings achieved are around 100,000 kWh/a.



Optimisation at the branches

Oberbank is constantly renewing and modernizing its branches . In the past few years the focus has been on server infrastructure and lighting systems.

Servers

In the years 2014 to 2016, servers were replaced at a total of 90 Austrian locations. Each of these servers saves around 1,730 kWh/a, which gives rise to total savings of 155,700 kWh/a.
Responsibility for this measure was assigned to the utility companies (Enamo, Energie AG & Salzburg AG), also in light of the obligations under the Energy Efficiency Act.

Lighting

In the period from 2014 to 2015, 980 lighting fixtures with conventional light bulbs were converted to LED. The replacement of the light bulbs saves around 150 kWh/a, resulting in total savings of 147,659 kWh/a. Responsibility for this measure was assigned to the utility companies (Enamo, Energie AG & Salzburg AG), also in light of the obligations under the Energy Efficiency Act.

Overview of savings

Location	Energy sources	Savings in kWh/a
Donauforum new building	Electricity	82,000
Donauforum new building	Distance heating	228,000
UDL 28 – heat pump	Distance heating	1,000,000
UDL 28 – servers	Electricity	250,000
Alpenstraße – HVAC	Electricity	76,000
Alpenstraße – HVAC	Distance heating	130,000
Alpenstraße – LED lighting	Electricity	100,000
Landstraße – renovation	Electricity	140,000

Landstraße – renovation	Distance heating	59,000
Branches – servers	Electricity	155,700
Branches – lighting stands	Electricity	147,659
Total electricity	Electricity	951,000
Total distance heating	Distance heating	1,857,000
TOTAL SAVINGS	**Electricity + Distance Heating**	**2,808 MWh/a**

Climate-friendly business travel

Business travel should also be as climate-friendly as possible. To this end, Oberbank has laid down a priority for the use of public transport – especially rail – in its business travel guidelines. Only if, in individual cases, public transport is not economical, unreasonable or non-viable is it permitted to use different means of transport. Our business partner is ÖBB (Austrian Federal Railways).

The use of video conference rooms has also helped to significantly reduce the number of business trips.

Travel costs allowance for use of public transport

Already in 2008, Oberbank declared its commitment to public transport in a Works Agreement and agreed to grant financial aid to employees that use public transport to travel to and from work. A share of 40% of travel costs under the least expensive tariff (usually annual cards) are reimbursed – total costs come to around EUR 145 per employee and year.

Bees - A highly endangered species

In 2018, four bee colonies will be set up on the roof of the Oberbank Head Office.

Due to the deteriorating environmental conditions, bees are a highly endangered species; they play a vital role for the survival of many plants in the ecosystem. The location offers an ideal site for bees to thrive. What is more, this measure is a key symbol of sustainability.

Economic responsibility

A responsible approach to conducting 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 good 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 all focus on long-term business success and make sustainable, successful development the guiding principle of all corporate activities.

Responsibility in product design

Oberbank makes an effort to live up to its ecological responsibility with respect to products as well. The customers of Oberbank's investment fund company 3 Banken-Generali Investment-Gesellschaft have the option of investing their money in eco-friendly and ethical funds. 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.

Oberbank financial check

At the core of Oberbank’s support and advisory services for Private Banking customers is a financial check, which consists of an extensive and comprehensive interview. Within the scope of such interviews, the entire financial situation and needs of customers are reviewed at regular intervals. Some 35,000 financial check are conducted every year. Oberbank develops individual financial services in the areas of finance and investment in response to the needs its customers.

Oberbank offers “outstanding asset management"

On behalf of the financial magazine FOCUS-MONEY and the news channel n-tv, Institut für Vermögensaufbau (Institute for Wealth Building) together with Munich-based tax advisor Manfred Speidel tested the quality of the advisory services offered for wealthy bank clients in Germany.

To ascertain advisory quality under real-life conditions, the institute from Munich sent one tester each to 45 banks in Germany. Advisory services and systematic risk limitation were assessed based on different scenarios. Oberbank and 21 further banks were awarded the best ranking of “outstanding asset management”.

The assessment was based on the written materials handed over to the test persons. These materials were evaluated based on the following criteria: Holistic approach/taxation, customer orientation/readability, risk explanations, costs, transparency, portfolio structure and product implementation. Three online asset managers and banks which, according to a private banking study conducted by a renowned personnel and consulting company, belong to the leading firms in the regions of Berlin, Cologne/Düsseldorf/Essen, Frankfurt am Main, Hamburg, Munich and Stuttgart were included in the bank test. Further institutes were selected because they were of special interest to FOCUS-MONEY for thematic reasons (savings banks, private asset managers).

Awards by "Börsianer" Oberbank named "Best Bank in Austria 2017"
The financial magazine "Börsianer" designated the best companies and top managers of the financial industry in Austria for 2017, including the best bank in Austria and the best domestic investment fund in Austria. "Börsianer" ranked Oberbank the "Best Bank in Austria 2017" and the "Best Universal Bank in Austria 2017".
"Börsianer" is a Vienna-based special interest magazine for the financial industry. The magazine is reputed to be a key source of information for the financial sector and its rankings are widely recognized as benchmarks for the Austrian financial industry.

The designation "Best Financial Company in Austria 2017" was awarded based on qualitative and quantitative methods in a three-pillar scoring model (peer group, indicators, editorial staff). In the case of banks, the indicators used were profit, return-on-equity, cost/income ratio and equity ratio. A total of 140 financial institutions from five sectors were nominated. 138 companies - thereof 54 banks - were published. The evaluation of the entire ranking as well as the data analysis of the indicators was carried out by the auditing and tax advisory firm BDO Austria. The objective of the ranking is to give the customers of banks, insurance companies, fund managers and pension funds an overview of the best companies in Austria.

Excellent customer orientation
The "finanz-markteting verband" association confers the annual Austrian award for customer orientation for banks, insurance companies and building societies. It is based on a representative telephone survey of 8,000 private individuals throughout Austria. In 2017, Oberbank again received the quality seal "Excellent Customer Orientation" in the 11th year of this award and, among the 22 regional banks in the ranking, it was the only one to constantly and sustainably have achieved a top ranking in the theme of customer satisfaction.

Selection of customers
When selecting customers, Oberbank applies the same measures of sustainability and trustworthiness as it applies to itself. Grounds for exclusion are, for example, human rights violations.

Financing of low-emission and resource-efficient projects
Many of Oberbank's customers make environmentally-friendly investments (e.g. heat pump instead of oil-fuelled heating) due to the possibility of obtaining environmental subsidies, which are also offered whenever we advise our customers. For example, Oberbank financed the first hotel in Europe certified as a passive-energy building. The primary goal for Oberbank in all large hotel projects it finances is to minimize energy loss and maximize energy exploitation while at the same time achieving a much higher level of comfort.
The theme of energy efficiency and energy saving is proactively considered in advisory talks. Additionally, Oberbank also finances resource-efficient energy projects, among them twelve wind farms, nine hydropower plants and seven photovoltaic facilities.

Loans for sustainable housing
In the area of private housing loans, customers are also advised on the various ecological subsidy programmes available (for example, thermal renovation and photovoltaic). All residential loan specialists are trained in this subject matter and are regularly kept up to date on relevant changes and innovations.

3-Banken Wohnbaubank AG

3-Banken Wohnbaubank AG issues privileged residential housing bonds on behalf of its shareholders (Oberbank AG, BKS Bank AG, BTV AG) and forwards the proceeds of the issues to these banks. Oberbank, BKS and BTV pass these funds on to their customers in the form of loans for the specific purpose of building and renovating residential homes. The funds from the region are therefore reinvested again in the region.

Basic account

Oberbank offers socially or economically disadvantaged consumers a basic account. All consumers with valid residency permits within the European Union have the right to open a giro account with basic functions and to use it regardless of where they live.

Sustainability of all activities

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.

Social responsibility and corporate citizenship

As a successful financial company, Oberbank is aware of its responsibility towards society and engages in specific sponsoring activities.

As a regional bank, Oberbank concentrates primarily on sponsoring activities with a regional significance in its catchment area. In some cases, Oberbank also support prominent national and cross-border activities.

Oberbank has established a strong position over the years as a sponsor for sports and cultural projects – and these areas are also the core themes of Oberbank’s sponsoring.
It is precisely in these areas that Oberbank acts as an authentic and credible as well as a sustainable and loyal partner. This means that Oberbank does not perceive itself to be merely a “funder”, but also lives these themes (internally and externally) and understands its engagement as a mutual “give and take” process.
It is also a goal of Oberbank to support projects that are closely aligned with its own values not just once, but over the long term and sustainably.

The sponsoring of cultural and sports projects is supplemented by its engagement in various other areas: social & voluntary institutions, charity & service clubs, public institutions, economy & politics, and the sponsoring of various small projects.

As a general rule, individual sponsoring projects are selected very carefully. The quality, the target group addressed and especially the image of the activity must comply with the values embraced by Oberbank (regionality, trust, security, partnership, respect, authenticity) and match Oberbank’s public image.

Expenses for sponsoring activities

In 2017, Oberbank supported 494 projects with roughly EUR 1.4 million and by making the Donau Forum available, especially in the areas of sports, culture, social matters, charity, public institutions and the economy. Particular attention is given to institutions and projects dedicated to providing financial assistance and support to young talent such as “Musikschule der Stadt Linz” or the “ULC Linz Oberbank” sports club.

Cultural sponsoring

Oberbank has been a supporter of cultural activities for many years. Culture is a perfect fit for Oberbank, as its aim is to satisfy high-quality aspirations.
Cultural engagement has developed historically at Oberbank and is well-established. Apart from major national events (Salzburg Festival), Oberbank also sponsors regional cultural activities (Musikschule Linz, Wagner Festspiele, Festwochen Salzkammergut).
By sponsoring such cultural events, Oberbank shows its commitment to its (regional) cultural responsibility. Generally, such sponsoring activities are not one-offs, but long-term partnerships in the spirit of Oberbank’s values. This is the only way for Oberbank to define is position in cultural sponsoring based on honesty, authenticity and sustainability.

Not least because Oberbank's head office is in Linz – "European Culture Capital 2009" and home to the Bruckner Orchestra – cultural sponsoring is very important to Oberbank.

Global 2000 – A gift with added value
Every year, prominent artists support GLOBAL 2000 with their works of art. Oberbank has taken part in this drive several times already and acquired works of art for EUR 10,000 also in 2017.

Sports sponsoring
For Oberbank, the theme of "fitness and health" has been a special concern for many years. Fitness and health are not only worth achieving for physical fitness reasons, but also with respect to the financial aspects.

As a bank, Oberbank supports its customers on the way towards achieving financial health. By sponsoring sports activities, Oberbank contributes to raising public awareness for exercise as a means of staying healthy and fit as long as possible. This also ties in with Oberbank's image as a dynamic, fit and healthy bank.

>From the wide range of sports activities, Oberbank focuses on those, such as running, hiking and football, that have broad public appeal and will thus attract the largest possible target group.

In sports sponsoring, Oberbank concentrates on competitions and large-scale events in its catchment area such as the "Oberbank Linz Donau Marathon", the Business Runs in Linz and Salzburg and "Lust aufs Wandern" ("Let's Go Hiking") in Upper Austria. Upper Austrian football is also important to Oberbank: by sponsoring SV Ried, it supports a successful team from the region.

As a sports sponsor, Oberbank is a particularly authentic partner, because fitness and health is a prominent theme also within the company – with employees embracing it every day. Projects and programmes to promote health are a matter of course for Oberbank.

Sponsoring of social & volunteer institutions
Through its support for social and volunteer organisations, institutions and special-purpose foundations, Oberbank's economic success also benefits persons and groups that are less privileged. Moreover, Oberbank supports institutions engaged in maintaining a functioning social infrastructure for people (volunteer fire brigades, Red Cross, animal protection organizations, Alpenverein (hiking club), mountain rescue, Boy/Girl Scouts, police). Especially in this area, it is a matter of principle for Oberbank to provide support and give back.

Charity & service clubs
On the one hand, Oberbank supports charity and donation campaigns organised by third parties, and on the other, it also acts as a donor, for example, in the "Licht ins Dunkel" fundraiser organised every year on Austrian TV.

Service clubs like the Lions Club or Rotary Club also receive support from Oberbank. These activities round off Oberbank's direct engagement in social and volunteer institutions.

Sponsoring of public institutions

Public institutions such as schools, universities, hospitals, churches, educational associations and further education institutions are essential for a functioning society and for public health and education.

Only in a system with functioning institutions of this kind is it possible to ensure that people can profit from good healthcare and good education. This benefits not only every individual, but every business enterprise as well, as it is the foundation for the economic success of any region or country.

Oberbank frequently supports public institutions because as a regional bank it can only achieve success for the benefit of customers and employees in an economically prosperous region.

Support for business and political interest group representatives

Securing the success of a country requires well-functioning interactions between politics and business. Through their initiatives and decisions, political parties, business associations and the interest group representatives of labour and industry set the course of future development. In its function as a financial service provider, Oberbank plays a particularly important role. For this reason, Oberbank supports very specific business and political activities that are beneficial for the country, its business sector and its people.

Respect for human rights

Respect for human rights is given high priority at Oberbank, from the first job interview, over the course of employment, to the day an employee leaves the Bank. Should a human rights violation occur - which has not happened to date - the relevant steps under labour law, criminal law or civil law will be initiated. Oberbank sets great store by good, constructive collaboration and communication with the social partners. Apart from ongoing talks between the Management Board, HR and the Works Council, Oberbank also has established information sharing between these bodies to take place three times a year, as required by law.
Oberbank meets its obligations as an employer correctly in all countries in which it operates. In the past, there have never been any material criticisms from external auditors in this respect. To this end, Oberbank uses a uniform, integrated system (SAP) in all countries, which also ensures a high degree of data quality.

Employment practices and wages/salaries

Oberbank employs its staff on the basis of the laws applicable in the respective country. Oberbank reports all employment contracts to the competent authorities in accordance with applicable provisions. Apart from flexible working hours, many other working hour models are available. In all models including part-time work (26% of employees work part-time) and telework, Oberbank strives to enable a good work-life balance for its employees.
As regards remuneration, guidance is taken, on the one hand, from applicable collective agreements, and on the other, from prevailing market structures in the respective region.
Remuneration at Oberbank is based on the type and quality of the work as well as the qualifications and experience of the employee. In this respect, no difference is made between men and women. Oberbank makes the annual report on wages and salaries available to the Works Council. To date, Oberbank has not had to deal with any complaints or lawsuits in this context.

Tasks of the Oberbank Works Council

Representing the interests of employees, ensuring framework conditions favourable to employees, entering into works agreements, responding to labour law questions and to questions relating to work-life balance, health themes, organising events and current projects are just a few examples of the well-functioning “internal social partnership” the Oberbank Works Council deals with.
Elected Works Council bodies are present in all of Oberbank’s business areas, in Austria as well as in Germany and the Czech Republic, In the central region, the Works Council is made up of 28 persons, 13 of which are women. The activities of the Works Council – especially in relations between its individual bodies – are based on solidarity, independence, credibility, trust, justice and a high sense of responsibility. The balancing of the business interests of the Bank and the interests of the employees is a key function.
Elected members of the Central Works Council are also delegated to the Supervisory Board of Oberbank and fulfil a controlling function there within the scope provided by law. The employee representatives are highly regarded by the shareholder representatives on the Supervisory Board and their views are heard especially on all matters relating to employees.
The members of the Works Council are the contacts for issues relating to employment law, and for personal, economic, social and health matters.
A good working climate and mutual respect in dealings with each other are very important, also because satisfied employees are a key prerequisite for the economic success of Oberbank.

Oberbank boasts a fruitful and productive collaboration between the management and the Works Council representatives, with everybody striving to arrive at constructive solutions that take into consideration both the interests of employees and the interests of the company.

New website design

Oberbank aims to enable persons with physical disabilities to access to its website. In 2014, work on the design of a new website based on a barrier-free approach started. In a separate project, measures have been implemented based on WCAG 2.0 specifications, such as text alternatives to images, audio and video files, content in plain language and the option of navigating the website and keyboard accessibility features

Progress in the renovation of branches

The services of an external consulting firm are retained in a bid to further improve barrier-free access at the branches. Since 1 January 2016, the Equal Treatment of Disabled Persons Act has applied to the full extent to all Oberbank branches in Austria. The following measures have already been implemented by Oberbank:

- Evaluation by the Head Office, presentation and discussion, conclusions drawn for measures to be taken;
- Preparation of a standard for ensuring barrier-free structures at the branches and offices;
- Evaluation of the branches Landstraße, Gmunden Esplanade, Ried, Urfahr and Vöcklabruck;
- Support for the planning of adaptation work at selected branches based on the barrier-free standard;
- Ongoing development of the standard, coordination meetings between project leaders and external service providers;
- Support for the development of the concept for glass markings;
- Evaluation of 84 branches in Austria to review the status quo with respect to barrier-free customer areas;
- Presentation of the evaluation results at a workshop and decision on next steps.

In 2017, a tactile guiding system leading to the tellers was installed at all branches in Austria, as well as handrails for all steps and ramps were implemented using adhesive film in accordance with legal requirements.

Guidelines for cash dispensers of the Austrian Federation of the Blind and Partially Sighted (BSVÖ)

Almost all cash dispensers of Oberbank meet the Guidelines of the Austrian Federation of the Blind and Partially Sighted, only three devices remain to be replaced.

The Human Resources Department is responsible, among other things, for compliance with all claims resulting from people providing personal services to Oberbank under employment contracts. In this context, it is also responsible for correctly calculating and instructing payment of all taxes, fees and charges due to public bodies. Furthermore, HR must ensure correct compliance with all applicable regulations under labour law and related processes and procedures in accordance with currently applicable laws and court rulings. Moreover, the HR department is responsible for finding, hiring, developing and retaining employees in the numbers needed and with the relevant qualifications so as to enable Oberbank to conduct its business and meet its obligations.

Top Employer 2017

Based on a broad survey, the magazine trend, the employer assessment platform kununu and the market research institution Statista for the first time selected the best employers in Austria. This award is based on the evaluation of over 70,000 assessments.

The following assessment criteria were used: willingness to recommend one's own employer, employer assessments on the kununu.com platform and recommendations of employees for other employers within the industry.

With a score of 7.83, Oberbank is the winner in the banking and financial services industry. The overall ranking is also quite impressive: number 37 among the 300 best employers in Austria.

The magazine "Woman", kununu and Statista presented Oberbank with the award of "Most family-friendly company in Austria 2017".

"Aktive Gesundheit" (Health Share) Project

Oberbank's "Aktie Gesundheit" project has been in place since 2010 with a programme to encourage all employees to take responsibility for their own health; it features programmes to help employees achieve positive effects with respect to exercise, nutrition and mental fitness. The theme of employee health is also part of Oberbank's intensive training for management staff.

"Zukunft Frau 2020" ("Future Woman 2020") Project

Since 2011, the "Zukunft Frau 2020" project has been dedicated, above all, to working women who are planning or are taking a "family phase": flexible working hour models, talks for planning parental leave, teleworking, retaining and improving knowledge and skills also during the leave period, management functions in part-time work and financial support for childcare are just a few from a the broad range of measures.

Audit Certificate "berufundfamilie" and "BGF Quality Seal"

Oberbank has been awarded the "audit berufundfamilie"certificate without interruption since 2011, and since 2013 has been awarded the "BGF Quality Seal" every year.

Social benefits for employees

Employees are offered a wide range of social benefits. Here is an excerpt from the social benefits offered:

- **Oberbank guest houses:** Going on holiday is often a major financial burden, especially for families. The Works Council offers a special social benefit for this purpose: 23 banked-owned apartments and 13 rental apartments in very attractive regions which employees can use for their family holidays at favourable rates.

- **Supplementary health insurance:** Employees can join a group health insurance scheme to which Oberbank makes a considerable monthly contribution.
- **Employee share participation scheme** Since 1994, Oberbank has carried out an annual employee share participation programme where employees can acquire Oberbank shares at preferential rates.
- **Lunch:** All colleagues who work at Donaulände have a choice of two full meals at the company restaurant for EUR 2.44 every day. All external employees receive 15 restaurant vouchers every month, each worth EUR 4.15.
- **Support in emergency situations:** In the event of a financial emergency, the Works Council grants an allowance for high medical bills (from EUR 500) that are not covered or only partly covered by health insurance. The amount of the allowance is calculated based on social and family factors.
- **Childcare:** An allowance is granted for childcare costs and "emergency childcare" arrangements are available in cooperation with Caritas.
- **Donation campaigns:** Our employees are never left to cope on their own, especially in hard times. In this spirit, several donation drives were carried out in the past few years by the Works Council to offer colleagues hit by personal tragedy (death, severe illness of children, …) at least financial help. These drives have always benefited from the support of a very large number of employees (from within and outside the country), and the quite impressive amounts collected were then topped up generously by the Management Board of Oberbank. Such campaigns give people a feeling of really belonging to the "Oberbank family".

Sharing views with interest groups

HR management at Oberbank takes part regularly in talks on HR-relevant themes within the scope of expert rounds held at the Austrian Banking Association. This also includes sharing views with representatives of trade unions, especially within the framework of the annual collective bargaining talks.

Cooperation with service providers

Themes of relevance for HR that require support from third parties are addressed exclusively with stable, experienced and forward-looking institutions. Here, too, Oberbank relies on "regional" partners who are personally reachable and well-known.

- A long-standing partner for the conceptual design and implementation of training and further education courses is the LIMAK Austrian Business School of Johannes-Kepler University in Linz.
- VBV Vorsorgekasse AG, Austria's largest and leading retirement provisioning and severance fund, with its registered office in Vienna, is our partner for supplementary company pensions. The insurance and risk association within VBV was among the top performers in Austria in 2017, posting +9.9%.
- As regards company group insurance schemes and salary conversion, our insurance partner - as for the customer business - is Generali Versicherung AG, Vienna.
- Employees and their families are offered the option of procuring an inexpensive supplementary health insurance plan subsidised by Oberbank from Uniqa Österreich Versicherungen AG. Uniqa and its predecessors have been reliable partners since 1964.

Overtime

At Oberbank, all units have flexible working hour arrangements with a total calculation period of one month (in Hungary four months) and time balances of +/- 10 hours (Czech Republic), +/- 25 hours (Austria, Slovakia) and +/-30 hours (Germany). Overtime hours are to be avoided if possible and if they occur they may be paid out, after agreement with the manager, or may be accumulated as time credits to be compensated later by taking

time off. There is a partnership works agreement between the Management and the Works Council regarding daily and weekly maximum working hours. Regular evaluations and ongoing communication with managers help to avoid “unhealthy” developments. The intelligent management of additional work hours is beneficial both for individual employees and the Bank’s earnings situation.
The average number of overtime hours worked per employee is 9.6 per year, and 21% of employees have either an overtime lump sum included in their employment contract or a so-called all-inclusive employment contract.

Occupational medicine and work safety
At Oberbank, the “Arbeitsmedizinische und Sicherheitstechnische Zentrum” and at the head office in Linz, a company doctor, help to secure a sustainable and healthy working environment by focusing on occupational medicine and work safety. They also conduct regular workplace evaluations and follow-up inspections. Support and advice is also provided by a network of safety officers and first aid first responders who regularly undergo training.
Negative findings are reported centrally to the safety officer and are processed stringently. Additionally, employees have access to a psychologist who offers occupational psychological advice under confidentiality.
Provision of first aid is ensured by an adequate number of first responders who receive regular training also during working hours. Moreover, defibrillators are available at seven locations, with 22 employees having up-to-date training on their use.
Fire protection is guaranteed by the fire protection officers and fire wardens appointed for this purpose. The fire authorities conduct regular inspections of the buildings, especially with a view to the functioning of the fire alarm system, emergency exit lighting and safety lighting.
All themes relating to the protection of employees are summarized on a separate intranet page and are easily accessible to all employees. The information provided includes simple instructions and e-learning units on ergonomic screen work, what to do in case of fire, emergency exits and escape routes, bank robberies, work accidents and instructions for workplace exercises for the eyes.
For the employees of the sales units, there are one-day seminars on correct behaviour in the event of a robbery. Oberbank, of course, also provides extensive psychological support after an incident. Two to three times a year, all of these themes are discussed by the Work Safety Committee, which includes employer and employee representatives. The committee passes resolutions and reports to the Management Board.
In the past two years, there were only seven work accidents at Oberbank, five of which occurred on the way to or from work.
In the past two years, there were no bank robberies and no fires.
The sick leave ratio in 2017 was 2.87%, a level that has been constantly low over the past years.

Expenses for training activities
Oberbank invested EUR 1.7 million in 2017 to help its employees stay abreast of all banking, legal, specialist and general themes by organizing training and further education courses. Thus, it is a matter of course for Oberbank to help its staff deal with the latest amendments under the Austrian Mortgage and Real-Estate Loan Act (HIKrG) or MiFID II. Employee know-how is thus being kept always up to date.
Including e-learning, more than 10,800 training days were recorded in 2017. In total, 459 internal and 285 external seminars were attended by employees. On average, employees invested five days per year in training and further education.

The HR department is in constant communication with external authorities such as OeNB (audit of HR risk management), the Federal Social Welfare Office (re-integration), regional health insurance organizations, tax authorities (charges and tax issues) and fit2work (re-integration part-time work).

Privileged equity investments

A key instrument for securing employee loyalty is the offer of privileged equity investments. Employees are the fifth-largest shareholders of the Bank. In 2018, Oberbank will set up an Employee Participation Foundation, its purpose is to strengthen employees as stable and key core shareholders, and to enable them to participate to a greater extent in the success of the company.

Respectful and sustainable HR policy

Oberbank is committed to a respectful and sustainable HR policy for all life phases. Oberbank relies on long-term relationships with employees just as with customers: the average number of years with the company is over 13. For this to succeed, a professional, multi-tiered and also more efficient computer-aided recruiting process is crucial for attracting the right employees. Apart from classical recruiting, HR also relies on active sourcing, and additionally, work is under way to build up the “Employees Recruit Talents” system.

Management staff from the Bank’s ranks.

A key factor for the Bank’s success is its management staff. They are the first personnel developers on site, act as role models for clearly defined values and performance standards, and in this manner provide essential guidance to employees. Oberbank relies on personnel development from within the company. The best example is the Management Board, which is a 100% example of “Made by Oberbank”. It is only in its growth markets (Vienna, Germany, Czech Republic, Hungary) that Oberbank relies on recruiting outside the Bank, due to the requirements of regional expansion and the acquisition of new markets.

The management staff and employees receive central support from HR to be able to meet their responsibilities. A key element here is Oberbank’s Management Academy – it is based on Oberbank’s values and the performance standards defined for its management staff. Oberbank has been working together on this scheme with the LIMAK Austrian Business School for the past ten years, organising training series for the continuous further development of leadership qualities.

Management of high potentials

Continuous development is something that is demanded, supported and practiced at Oberbank: 80% of management positions that become vacant are filled internally. The development of personnel for positions requiring higher qualifications without involving a management function is also part of the high potentials management programme.

High potentials are identified within the scope of the MbO talks. The subject of high potentials is discussed regularly with HR management. Measures and a rough timetable for further development are defined. Among other things, Oberbank also offers its future management staff a one-year development programme (POP).

Generation management

The findings gained from high potentials management are also used in systematic succession planning. Based on changes in demographics and internal analyses, it is clear that, on the one hand, employees are getting older and working longer, and on the other, that as of 2020 a major generational change will take place at Oberbank, lasting for about ten years. Around 40% of management staff will be affected by the wave of retirements.

Oberbank addresses this theme proactively to enable smooth transitions. Key positions, and potential successors, are defined and are reviewed and updated at regular intervals.

Employees being “50 plus” is not viewed as a threat at Oberbank, but rather as an opportunity and a calling. After all, these employees will remain with Oberbank for around one-third of their remaining working life, and this time should be put to good use. After careful analysis, four core themes were defined in the “Generation Management” project:

- Maintaining the capacity to work;
- Knowledge management;
- Development of potentials and succession planning;
- Leadership.

These bullet points refer to concrete measures that will be implemented step by step. Oberbank believes that this will enable it to maintain the capacity and willingness to perform of its “50+” employees at a high level also in future.

Change and coping with change have been constants for all employees at Oberbank. Oberbank has never had to make staff redundant in the past for economic reasons: there is an unwritten social contract with the employee representatives. But this is only possible with a strong focus on economic viability, as confirmed by a low cost-to-income ratio.
Should personnel measures become necessary, Oberbank strives, wherever possible, to find a solution that is fair and socially acceptable for all parties concerned.

With respect to leadership and personnel development, Oberbank has for years been relying on the MbO method - management by objectives defined to meet the needs of Oberbank and its employees.

Diversity on the Management and Governing Bodies

Governing body	Number of women	Number of men	Minority ratio
Management Board	0	3	0%
Supervisory Board (shareholder representatives)	3	9	25%
Supervisory Board (employee representatives)1)	2	4	33%

1) From 1 Jan. 2018, there are three female and three male employee representatives, so the ratio is 50%.

The Management Board of Oberbank currently consists of three male Austrian citizens.
Two Management Board members are in charge of sales and share responsibility for the regional sales units in the bank's five country markets. Sales units report to these Management Board members in line with those members' main remits, i.e. Corporates and Business Banking and Personal Banking respectively.
The third member of the Management Board is responsible for all back office matters and for the departments that deal with these matters.

The Supervisory Board consists of three female shareholder representatives and nine male shareholder representatives. All are specialists in their fields, with the board exhibiting a broad diversification (banks, insurance, industry, academia).
In accordance with the strategic goal of preserving the independence of Oberbank, there is no political influence on the Supervisory Board.

With respect to the age of the members of the Supervisory Board, we would like to state that the Supervisory Board members have many years of professional experience under their belt which is highly appreciated and that this guarantees good supervision. However, in the past years there have been several elections and appointments of shareholder representatives and employee representatives which brought younger members onto the Supervisory Board without detracting from quality. Nonetheless, bearing in mind the responsibility to be assumed, the Works Council will not delegate young and unexperienced colleagues.

The majority of the shareholders representatives hold university degrees, with the qualifications ranging from business and law to technical specialties. The other members of the Supervisory Board also have sufficient experience, especially in the area of banking.

In accordance with the one-third parity rule, six employee representatives are on the Supervisory Board of the Bank, these being three women and three men from various areas of the bank, from a Central Works Council member exempted from work to representatives from sales and internal audit.

As regards compliance with the statutory ratio requiring at least 30% women and at least 30% men on the Supervisory Board, the shareholder representatives and employee representatives agreed at the AGM meeting of 25 Sept. 2017 to meet the ratio together and also waived any objections in this respect for five years.

With five female Supervisory Board members in total, Oberbank met the statutory ratio mandated as of 31 Dec. 2017 (30% of 18 = 5.4; rounding to 5 permitted), and in 2018 it is six women or 33% due to the delegation of a female employee representative instead of a male.

Target ratios and implementation strategy

Members of the Management Board

At present, the three members of the Management Board (governing body) are all male. In the past few years, recruiting from the ranks of higher management has been very successful. Therefore, it must be the aim of the bank to ensure, already at the second management level, that the share of women in management positions increases continuously.

To this end, the “Zukunft Frau 2020” (Future Women 2020) project was initiated in 2011, to raise the share of women in management positions at the bank from 20% at the time to double that level. In a bid to gradually approach this target, a rule was imposed that a minimum quota of 40% of women must be promoted every year when new management positions or vacancies below Board level are filled.

Given the age structure of the three Management Board Members, who are only four years apart, it is clear that a generation change lies ahead.

Over the long term, the measures under the “Zukunft Frau 2020” project are intended to bring a woman onto the Management Board, based on a wider selection of female managers.

The goal envisaged by the Nominations Committee is 25% (for a 4-person Board) or 33% (if the 3-person Board is retained).

With a view to in-house management grooming for Management Board positions, but also for any new Board members coming from outside, the Nominations Committee has prepared job descriptions and applicant profiles for the Board members responsible for both sales and the back office matters; in the event of potential being developed from the bank’s own ranks can also serve as a guideline for development.

Supervisory Board / shareholder representatives

When filling expiring mandates, the Chair of the Supervisory Board and the Nominations Committee of Oberbank always endeavour to find qualified women to take on Supervisory Board mandates.

Since the target quota of 25% was defined in 2013 - at the time there was one woman on the board as a shareholder representative - this figure has tripled, with the chair being in the hands of a woman.

Given the statutory rules stipulating a share of at least 30% of female members on the Supervisory Board, it is, of course, our goal to meet the quota for the long term also among the shareholder representatives, notwithstanding the consensus currently in place under which Works Council representatives are included in the count.

Supervisory Board / employee representatives

As of 2018, the members of the Supervisory Board delegated by the Works Council are 50% women and 50% men.

Share capital, share denomination and authorised capital

As of 31 December 2016, Oberbank AG's share capital was EUR 105,921,900 and was divided into 32,307,300 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, at a later time.

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 of the share capital for securities trading purposes and for the purpose of passing them on to employees of the Oberbank Group as well as up to 10% of the share capital for no defined purpose. We also have the corresponding approval of the supervisory authority in accordance with the provisions of the new Capital Requirements Regulation (CRR).

Syndicate agreement and shares vested with special rights of control

There is a syndicate agreement between Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. to secure 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. A large part of the voting shares owned by Oberbank employees are held by the syndicate OBK-Mitarbeiterbildungs- und Erholungsförderung registrierte Genossenschaft mit beschränkter Haftung. Furthermore, BOB Mitarbeiterbeteiligungsgenossenschaft e.Gen. exercises voting rights on a proxy basis for a special group of employee shareholders of Oberbank AG and acts in accordance with instructions.

Shareholder structure and employee stock ownership

The largest single shareholder of Oberbank on 31 December 2016 was CABO Beteiligungsgesellschaft m.b.H. with a stake of 23.76%. Bank für Tirol und Vorarlberg Aktiengesellschaft held 16.15% and BKS Bank AG 14.21%. Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. held 4.50%, Generali 3 Banken Holding AG 1.76% and Oberbank employees 3.61%.

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, 2 March 2018
The Management Board

CEO and Chairman	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer
Remit	Remit	Remit
Corporate and Business Banking	Personal Banking	Overall Banking Risk Management

Segment Report

Segmentation and Overview
Segment Corporate and Business Banking
Segment Personal Banking
Segment Financial Markets
Segment Other

The breakdown of operating activities of Oberbank 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, businesses and the self-employed. Oberbank has positioned itself as a bank that serves industrial and medium-sized enterprises with a high degree of foreign trade activities. The Leasing sub-group is also included in this segment.

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

The Financial Markets segment covers earnings from equity investments and trading activities as well as net interest income from spread transactions and structural earnings.

The segment "Other" includes income and expense items – notably overheads recognised 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 by IFRS.

Segment overview 2017 in €m	**Corporate and Business Banking**	**Personal Banking**	**Financial Markets**	**Other**	**Consolidated income statement for 2017**
Operating interest income	237.6	57.1	20.5		315.3
Equity method			72.2		72.2
Net interest income	237.6	57.1	92.7		387.5
Charges for losses on loans and advances	-20.7	-8.0	0.3		-28.4
Net fee and commission income	75.0	65.7	0		140.6
Net trading income	-0.3		10.3		9.9
Administrative expenses	-133.2	-86.2	-7.5	-39.4	-266.2
Other operating income	-23.5	3.9	21.6	-6.5	-4.5
Extraordinary profit/loss					
Profit for the period before tax	134.9	32.4	117.4	-45.9	238.9
Return on equity before tax (RoE)	10.2%	13.5%	14.5%		10.1%
Cost/income ratio	46.1%	68.1%	6.0%		49.9%

As a regional bank, Oberbank has a geographically limited catchment area. Consequently, because it would be immaterial, there is no segmentation by geographical region.
As of the financial year 2016, equity bears interest computed on the average ten-year SWAP rate of the last 120 months. The equity allocated was measured as at 31 December 2017 based on an interest rate of 2.31% (31/12/2016: 2.67%) and recognised in net interest income as income from equity investments.

Segment Corporate and Business Banking

Corporate and Business in €m	2017	2016	Change
Net interest income	237.6	225.2	5.5%
Charges for losses on loans and advances	-20.7	-17.2	20.4%
Net fee and commission income	75.0	71.2	5.3%
Net trading income	-0.3	0	
Administrative expenses	-133.2	-134.6	-1.0%
Other operating income	-23.5	-6.5	> 100.0%
Extraordinary profit/loss			
Profit for the period before tax	134.9	138.1	-2.3%
Profit for the period before tax	56.5%	63.0%	-6.5% ppt
Average credit and market risk equivalent (Banking Act)	8,974.1	8,570.6	4.7%
Segment assets	11,412.8	10,549.8	8.2%
Segment liabilities	7,966.0	7,564.0	5.3%
Average allocated equity	1,324.5	1,126.4	17.6%
Return on equity before tax (RoE)	10.2%	12.3%	-2.1% ppt
Cost/income ratio	46.1%	46.4 %	-0.3% ppt

Overview of business performance in 2017

Net profit decreased by 2.3% to EUR 134.9 million in Corporate and Business Banking in 2017.

Net interest income rose by 5.5% to EUR 237.6 million and net fee and commission income rose by 5.3% to EUR 75.0 million.

Charges for losses on loans and advances increased by 20.4% to EUR 20.7 million.

Administrative expenses declined by 1.0% to EUR 133.2 million and other operating income showed a negative balance of EUR 23.5 million.

RoE decreased to 10.2% and the cost/income ratio remained almost unchanged at 46.1%.

At the end of 2017, Oberbank served a total of approximately 50,000 businesses; 6,300 of these were newly acquired customers.

Corporate and business loans

The bond purchasing programme of the ECB created a very good liquidity situation among European banks in 2017. This has triggered some fierce competition among banks with respect to financing.

In this competitive environment, Oberbank succeeded in raising commercial lending volumes substantially by 7.4% to EUR 11,711.1 million in 2017.

Investment finance

For the first time, Oberbank recorded over 1,000 applications for subsidised loans for investment and innovation in Austria and Germany, which is an increase of around 2% versus 2016.

In ERP business promotion loans, Oberbank ranks clearly at the top in Austria in subsidised lending, both to industry and SMEs: Oberbank's applications for its customers account for over 20% of all approved ERP loans.

Structured finance

In 2017, Oberbank once again showed that it is a key partner for corporates when it comes to the structuring of complex financial transactions. The main areas were real estate and tourism financing, as in the years before, but the financing of changes in shareholders has become a new focus area. Here, Oberbank scored with its expertise and solid market knowledge.

In 2017, a total volume of structured finance loans of almost EUR 500 million was newly granted, thus improving performance in this area by 25% year on year.

Private equity and mezzanine capital

The Oberbank Opportunity Fund handled a total of 120 enquiries in 2017, which given the unchanged high quality of the projects is around the same high level of last year.
Seven new projects were successfully finalised last year. Also very gratifying were the successful exit transactions completed with above-average returns in some cases.
Since its inception, the Oberbank Opportunity Fund has approved 64 transactions and nine add-on investments in equity and/or mezzanine capital and thus granted roughly EUR 142 million in loans.
The Oberbank Opportunity Fund concentrates on established companies in the later stages of development. In order to close the gap to early stage financing, Oberbank has invested in the high-tech fund operated by the province of Upper Austria through its Oberbank Opportunity Fund.
In order to broaden the risk diversification of the mezzanine capital portfolio, an investment was made in a mezzanine investment fund operating in Eastern Europe.

Leasing

In the leasing financial year 2016/17, the volume of new business increased again, and at EUR 833.1 million was 11.2% higher year on year. Total leasing receivables stood at EUR 2,188.5 million, which is 8.0% higher than in the financial year 2015/16.
With a major project, the real estate segment was the growth driver in the past financial year. The motor vehicle business posted highly satisfactory growth again, not least due to the successful cooperation with Generali Versicherung in motor vehicle leasing and a strong position in the truck business. In the movables leasing segment, numerous projects also helped to boost growth.
A breakdown by region shows that around 70% of new business still comes from Austria and Germany, while in the growth markets it was especially Hungary that accounted for a substantial increase of 20%.

Foreign business

The Chamber of Commerce anticipates Austrian exports to grow by more than EUR 140 billion in 2017.
Oberbank was able to benefit from these favourable conditions and expanded its foreign business in all areas. The growth rate in export financing was 16.5%, while the market share for all of Austria in export finance under the Export Fund procedure was 11.2% as at 31 Dec. 2017, and in the KRR procedure for corporates, 11.3%.
Growth was achieved mainly on the back of long-term (foreign) investment and trade credit financing. The timely implementation of the new OeKB product “Export- und Auftragsinvest” made it possible to provide services to numerous exporters for the financing of their domestic investments.

Syndicated loans and international lending

The development of business in syndicated loans and international lending (syndicated loans, borrower’s notes) was very pleasing in 2017 despite the difficult environment (more selective approach to financing, sustained pressure on margins), with both the number of transactions and total volume posting growth year on year.
As regards borrower’s notes, Oberbank’s engagement was rather subdued due to the increasing internationalisation of issuers and the continued trend of narrowing margins. Nonetheless, it was possible to place lucrative investments.

The number of financing transactions for which Oberbank was mandated as arranger and syndicate leader developed very positively. Therefore, the number of transactions on the Austrian and German market increased by more than 20% year on year.

Documentary business and guarantees

Demand for documentary letters of credit remained robust in 2017, thus permitting earnings in the documentary business (letters of credit, documentary collections, guarantees) to increase by more than 12% year on year.

The successful concept of export market managers is being expanded to Germany, the Czech Republic, Hungary and Slovakia. The comprehensive one-stop-shop advice offered for foreign business is very popular, exemplifying Oberbank's competence in this area yet again.

Factoring

In mid-2016, Oberbank expanded its product portfolio for Austria and Germany by factoring. It can now offer customers a complete range of services for working capital financing.

2017, the first year to see full operation of this new offering, yielded extremely gratifying results. The majority of the contracts closed and the feedback from customers shows that it was the right decision to offer this product as an alternative financing variant.

Payment services

Given an increase in earnings of 7.1%, the payment services business fared especially well in the year 2017, continuing the solid development of the previous years.

Once again, numerous projects for improving the product portfolio were implemented. The highlights were the further development of the Oberbank customer portal, the enhancement of the Oberbank app in the Czech Republic, Hungary and Slovakia, the introduction of the Oberbank business app, the roll-out of a new multi-cash version and the improved quality of statements of account for all markets.

Additionally, Oberbank started implementing the requirements of the new EU Payment Services Directive that will take effect in 2018 and 2019 and held information events for customers on the topic of "security in payment services" that were received very well.

Segment Personal Banking

Personal Banking segment in €m	2017	2016	Change
Net interest income	57.1	55.6	2.7%
Charges for losses on loans and advances	-8.0	0.2	> -100.0%
Net fee and commission income	65.7	59.7	10.1%
Net trading income			
Administrative expenses	-86.2	-86.2	-
Other operating income	3.9	-3.1	> -100.0%
Extraordinary profit/loss			
Profit for the period before tax	32.4	26.3	23.2%
Share in profit for the period before tax	13.6%	12.0%	1.6% ppt
Average credit and market risk equivalent (Banking Act)	1,630.2	1,508.9	8.0%
Segment assets	2,998.5	2,828.9	6.0%
Segment liabilities	5,471.9	5,305.2	3.1%
Average allocated equity	240.6	198.3	21.3%
Return on equity before tax (RoE)	13.5%	13.3 %	0.2% ppt
Cost/income ratio	68.1%	76.8%	-8.7% ppt

Overview of business performance in 2017

In the Personal Banking segment, profit before tax in 2017 was EUR 32.4 million, which is 23.2% higher year on year.

Net profit before tax rose by 2.7% to EUR 57.1 million and after tax by 10.1% to EUR 65.7 million.

Impairment charges amounted to EUR 8.0 million.

At EUR 86.2 million, administrative expenses did not change year on year.

Return on equity rose in the Personal Banking segment by 0.2%-points to 13.5%, and the cost/income ratio improved by 8.7%-points to 68.1%.

At the end of 2017, Oberbank served approximately 285,000 retail customers, of which some 15,000 had been newly acquired in 2017.

Deposit banking

The savings ratio in Austria decreased slightly again in 2017 and fluctuated at a low level over the full year, thus continuing the trend of the past few years.

In spite of the low savings ratio, the savings deposits, sight deposits and term deposits of Oberbank's customers amounted to EUR 5,158.2 million, 3.1% above the already high level recorded in the preceding year.

Deposits on online savings products increased year on year by 26.3% to EUR 412.6 million.

Personal loans

Personal loans at Oberbank AG developed very well again in 2017. The volume of personal loans outstanding broke the record level of EUR 3 billion and rose versus the preceding year by 6.1% to EUR 3,049.2 million (excluding leasing).

A special focus of the year 2017 was the promotion of consumer lending business in Austria. In this segment, new loans increased year on year by 25%.

Borrowers with foreign currency loans are informed regularly and possible measures to reduce risk are discussed. This approach has helped reduce outstanding loans in Swiss francs by almost 90% since the outbreak of the financial crisis, and at the end of 2017 the balance outstanding was CHF 96.3 million.

Personal accounts

In 2017, the Bank's portfolio of personal accounts increased by 2,378 to a total of 183,658 accounts.
In the personal accounts segment, there are still many customers of competitors who are willing to switch banks. Oberbank has achieved success in this context due to its reputation as a stable and reliable partner offering attractive account options with satisfaction guaranteed.

Card products

As at 31 December 2017, 172,102 Maestro ATM cards, of which 51,347 "ATM GOLD cards", were in circulation in Austria. A share of 27.7% of all Oberbank personal accounts now feature the ATM GOLD card.
All Oberbank ATM cards are equipped with NFC technology. In 2017, 38.5% of all transactions at POS cash registers were paid were contactless payments, thus 16.8% more than in 2016.
The portfolio of credit cards in Austria at the end of 2017 consisted of 55,236 private cards and 5,419 company cards. The contractual partners of Oberbank are the card companies easybank AG (formerly SIX Payment Services Austria GmbH) and card complete Service Bank AG, and additionally, Oberbank issues its own MasterCard under the name "Oberbank MasterCard". Credit cards issued by Diners Club and American Express round off the portfolio of cards.
October 2017 saw the introduction of "ZOIN" (Austrian colloquial term for "to pay"), a secure and easy way for private individuals to send, receive or request money using a smartphone app ("Oberbank Wallet").
In Germany, the PayLife credit cards of easybank AG are issued in addition to the ATM "giro/maestro" ATM card. In the Czech Republic and Slovakia, Maestro and MasterCard ATM cards are issued by the partner bank CSOB, and in Hungary by TakarekBank.

Securities Business

The year 2017 was the best year in the securities business of Oberbank to date. Net commission income rose by 12.7% to EUR 46.4 million, thus reaching a new all-time high.
Three success factors were identified:
"Strategy": The strategy of promoting managed products was continued and the success achieved manifests itself in the substantially higher income from management fees and in the earnings from asset management.
"Sales": The private banking portfolio was completely overhauled, and major investments were made in employee expertise. Moreover, two highly successful fixed maturity investment funds were launched.
"Market": The very friendly stock market environment boosted transactions, especially in equities, and drove up stock prices.
On 31 December 2017, the value of customer custody accounts was EUR 15.9 billion and thus 17.7% or EUR 2.4 billion higher than the previous year's level of EUR 13.5 billion. Apart from performance effects, the inflow of fresh funds also supported the increase. It was the sixth growth year in a row, but never before has the increase exceeded EUR 2 billion.

Implementation of the Securities Supervision Act 2018

Throughout the entire year 2017, intensive work was under way to implement the requirements of the new Securities Supervision Act (SSA 2018). A project at the level of the 3 Banken Group was started and completed on schedule to be able to continue offering customers broad-based and high-quality access to investments in securities.

3-Banken Wohnbaubank AG

The total assets of 3-Banken Wohnbaubank AG rose by 3.8% or EUR 5.3 million to EUR 143.1 million versus year-end 2016.
A bond issue was floated with Oberbank as trustor. The issuing volume was EUR 5.3 million.
At EUR 316.2 million, the overall market posted a marked decline again in 2017 versus the preceding year (EUR 482.0 million). The extremely low level of interest rates has dampened demand. Unlike in 2016, other security investments were again possible in 2017 within the scope of investments that enjoy a tax-free allowance. This contributed significantly to lower demand.
The market share of the Bank for all of Austria was 1.7% in 2017 and thus below the preceding year’s level (3.0%).
The volume broken down by trustor is EUR 88.9 million for Oberbank, EUR 23.7 million for BKS Bank AG, and EUR 19.7 million for BTV AG. The total outstanding volume is thus EUR 132.3 million.

Oberbank Issues

Issuing activity was slightly below expectations due to the low interest rates. In total, EUR 231.3 million was issued, which nearly compensated the high volume of redemptions. The resultant decrease in the line item Securitised liabilities including subordinate capital was 3.3%, down to EUR 1,997.4 million.
The share of issues that Oberbank placed in Czech koruna in the Czech Republic was slightly down due, among other things, to the low interest rates in the Czech Republic. This translates into a volume of EUR 28.6 million. The bandwidth of investors includes a broadly diversified base of retail customers as well as institutional investors. This is a clear signal that the excellent creditworthiness of Oberbank is increasingly being recognised in this market as well.
In Austria and Germany, in addition to unsecured papers, subordinate bonds were also issued. In consideration of the higher risk of these securities, special risk disclosure and information for customers with corresponding documentation was implemented. Additionally, a newsletter on MiFID II sent out to all investment customers at year-end once again drew attention to this topic.

3 Banken-Generali Investment-Gesellschaft

The year 2017 has been the best year for 3 Banken-Generali Investment-Gesellschaft in the 20-year history of the company. Assets under management grew by 12.0% to EUR 9.4 billion, thus surpassing the growth mark of EUR 1 billion for the first time. Growth was achieved primarily due to the net inflow of funds into both the public funds and special funds segments. The relatively high share of equities made it possible to attain considerable performance gains.
The overall domestic investment fund market in 2017 as measured by assets under management increased by 6.7% to EUR 175.4 billion, thus the market share of 3 Banken-Generali Investment-Gesellschaft is 5.4%.
The capital-weighted average performance of all funds of the company was 5.5%, the top performer being the Österreich-Fonds at 41.5%.
The market share of Oberbank within the company is 39.9%, which marks an all-time high.
The “Börsianer” magazine awarded 3 Banken-Generali Investment-Gesellschaft the designation “Best Fund Management Company in Austria” for the second time, in a comparison of all fund management companies operating in Austria.

Asset Management

In total, EUR 552.6 million in assets were managed under individual mandates (available from EUR 500,000 up). This is an increase by 12.4% or EUR 60.8 million versus year-end 2016. The average mandate size is EUR 870,300. Oberbank's asset management, which is managed as a public investment fund, recorded an increase of 53.8% or EUR 76.5 million to EUR 218.7 million.

Therefore, new all-time highs were reached in both variants, with a total volume of EUR 771.3 million.

Being presented with the "Excellent Asset Management" award by nTV and FOCUS MONEY at a gala event in Berlin was another highly pleasing development.

Private Banking

Assets under management (market value of securities custody accounts, savings accounts and sight deposits) of the 7,500 private banking clients grew in 2017 by 17.4% or EUR 1,298.1 million, attaining a new record of EUR 8,748.0 million. The benign market environment and the high-quality advisory services contributed equally to this development.

Private banking services are offered at nine Oberbank locations. In an approach to provide advisory services throughout all markets, all branches are served by these Private Banking Competence Centres.

Brokerage as a special service was used by more than two hundred customers. A highly experienced team of experts (20 years of market experience on average) provided support to customers on the stock market in a very positive investment year.

Savings in Building Society Savings Schemes

At 11,908 new accounts in 2017, Oberbank building society accounts increased by 26.7% year on year. Despite the low interest rates, saving money in subsidised building society schemes continues to feature among Austrians' favourite saving forms. "BONUSbausparen" was another very popular scheme: This savings form, which features a one-time deposit and interest that increases incrementally, but without any bonus, was offered in 2017 with maturities of five, eight or nine years.

Insurance Services

Life insurance In Austria and Germany, output in endowment life insurance policies increased by a total of 19% year on year. In the retail customers segment, fund-oriented and fund-linked life insurance policies were the best sellers, while the most popular products in the corporates and business segment were company pension schemes.

Risk insurance Net insurance premiums increased in risk insurance by over 48% versus 2016.

Accident insurance Output in accident insurance improved by 17.4%.

Property insurance Property and car insurance for retail customers was introduced successfully together with our cooperation partner Generali. Property insurance for companies via the 3 Banken insurance brokers rose by 22.9%.

Segment Financial Markets

Financial Markets in € m	2017	2016	Change
Operating interest income	20.5	27.6	-25.7%
Equity method	72.2	51.3	40.7%
Net interest income	92.7	78.9	17.5%
Charges for losses on loans and advances	0.3	-8.0	> -100.0%
Net fee and commission income	0	0	
Net trading income	10.3	11.4	-9.7%
Administrative expenses	-7.5	-7.7	-2.6%
Other operating income	21.6	16.6	30.1%
Extraordinary profit/loss			
Profit for the period before tax	117.4	91.2	28.7%
Profit for the period before tax	49.2%	41.6%	7.6% ppt
Average credit and market risk equivalent (Banking Act)	5,485.1	5,407.5	1.4%
Segment assets	5,818.8	5,172.7	12.5%
Segment liabilities	6,610.8	5,626.0	17.5%
Average allocated equity	809.6	710.7	13.9%
Return on equity before tax (RoE)	14.5%	12.8%	1.7% ppt
Cost/income ratio	6.0%	7.2%	-1.2% ppt

Overview of business performance in 2017

Net interest income in the Financial Markets segment rose by 17.5% to EUR 92.7 million. Operating net interest income was much lower year on year at EUR 20.5 million, while income from equity investments was 40.7% higher year on year at EUR 72.2 million.

Charges for losses on loans and advances showed a positive balance of EUR 0.3 million due to reversals of prior impairments.

Net trading income decreased by 9.7% to EUR 10.3 million; other operating income improved by 30.1% to EUR 21.6 million.

Profit in Financial Markets thus rose by 28.7% to EUR 117.4 million.

Return on equity rose by 1.7%-points to 14.5%, while the cost/income ratio dropped by 1.2%-points to 6.0%.

Currency risk management

The better-than-expected positive development of the economy in the euro area and the hardly surprising performance of the US economy resulted in a considerable appreciation of the EUR vs. the US dollar in 2017.

As Oberbank's experts had expected, the Czech koruna "decoupled" from the euro in April 2017. The end of this correlation entailed a marked appreciation of the koruna, which peaked in an all-time high of seven percent in November.

Oberbank customers engaged in international business were offered tailor-made hedging options for the event of a potential appreciation of the CZK. Many customers then successfully hedged their transactions against this currency risk.

Direct customer services

The number of direct customers increased again. Many middle-market companies, but also large corporates in Austria and Germany rely on the expertise of Oberbank's currency experts. Customers mainly hedged foreign currencies. Fast response times, competitive prices and tailored hedging strategies to protect earnings from foreign business are benefits highly appreciated by customers.

Primary deposits

The ECB made only minor corrections to its monetary policy strategy in 2017. The outcome was that liquidity on the market continued to be high and interest on short-term investments with maturities of up to one year remained at zero. In some cases, it was even necessary to charge negative interest on very large deposit amounts. Despite this very difficult environment for investors, Oberbank achieved an increase in deposits year on year. The total primary deposit balance rose by EUR 385.8 million or 3.0% to EUR 13,394.7 million.
Customers’ preference for liquidity was also evident in the rising levels of sight deposits and lower levels of term deposits.
The Oberbank Cash Garant product once again performed positively, thus painting a familiar picture. It was a good investment alternative for many customers also in this phase of extremely low interest rates. Three issues were placed in euro and two further issues in Czech koruna (under the name Oberbank Bond Garant).

International network of partner banks and institutions

Despite the sustained difficult overall conditions and the restraint exercised due the crises in politically unstable export destinations, continuing support for export customers remained a high priority for Oberbank. Therefore, it is more important than ever to secure key bank-to-bank agreements worldwide to ensure customer transactions can be carried out also in difficult destinations.
Most customer activities are concentrated in Europe and the US as well as in the Asian region. For this reason, we intensified our bilateral agreements and focused on business opportunities with traditional banking partners in the main Asian markets in 2017. Additional attention was given to the quite substantial markets in the Middle and Near East. Even in high-risk countries, Oberbank’s network of correspondent banks helps it meet customer demands for payment transfers, documentary and guarantee transactions as well as hedging and financing services.
The mandatory measures under the Fourth EU Anti-Money Laundering Directive are in the process of being implemented. To this end, the AML/KYC (anti-money laundering / know your customer) questionnaires sent to all correspondence banks in third countries (outside the EU) are being evaluated on an ongoing basis. If key anti-money laundering qualification criteria are not met, the business relationship is discontinued. This is one of the reasons why Oberbank’s global network of banks now has fewer than 1,300 members.
Not least due to its excellent financial data and many decades of continuous collaboration, Oberbank is viewed as a factor of stability in the global banking network. Therefore, it is still possible for Oberbank to meet the high demands of internationally operating companies by offering a well-functioning banking network.

Segment Other

The "Other" segment encompasses 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.

The loss for the year before tax in 2017 in the Other segment was EUR -45.9 million, after EUR -36.5 million in the preceding year.

Consolidated Financial Statements

Oberbank Consolidated Financial Statements 2017 Prepared in Accordance with International Financial Reporting Standards (IFRS)

Consolidated Financial Statements

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

Statement of comprehensive income for the financial year 2017

Consolidated income statement in €k		**2017**	**2016**	**Change in €k**	**Change in %**
1. Interest and similar income	(3)	415,695	420,940	-5,245	-1.2
2. Interest and similar expenses	(3)	-100,428	-112,619	12,191	-10.8
3. Income from entities recognised using the equity method	(3)	72,209	51,323	20,886	40.7
Income from entities recognised using the equity method	(3)	387,476	359,644	27,832	7.7
4. Charges for losses on loans and advances	(4)	-28,408	-25,026	-3,382	13.5
5. Net commission income	(5)	156,283	146,729	9,554	6.5
6. Net commission expenses	(5)	-15,655	-15,804	149	-0.9
Net commission income	(5)	140,628	130,925	9,703	7.4
7. Net trading income	(6)	9,947	11,395	-1,448	-12.7
8. Administrative expenses	(7)	-266,245	-251,753	-14,492	5.8
9. Other operating income	(8)	-4,520	-6,082	1,562	-25.7
a) Net income from financial assets - FV/PL	(8)	2,429	10,851	-8,422	-77.6
b) Net income from financial assets - AfS	(8)	14,370	11,925	2,445	20.5
c) Net income from financial assets - HtM	(8)	0	0	0	-
d) Other operating income	(8)	-21,319	-28,858	7,539	-26.1
Profit for the period before tax		238,878	219,103	19,775	9.0
10. Income taxes	(9)	-38,355	-37,825	-530	1.4
Consolidated profit for the year after tax		200,523	181,278	19,245	10.6
of which attributable to the owners of the parent company and the owners of additional equity components		200,055	181,064	18,991	10.5
of which attributable to non-controlling interests		468	214	254	> 100.0

Income and expenses recognised directly in equity in €k	2017	2016
Consolidated profit for the year after tax	200,523	181,278
Items not reclassified to profit or loss for the year	**7,996**	**-5,297**
+/- Actuarial gains/losses IAS 19	-3,233	2,986
+/- Deferred taxes on actuarial gains/losses IAS 19	808	-746
+ / - Share from entities recognised using the equity method	10,421	-7,537
Items reclassified to profit or loss for the year	**683**	**38,330**
+ / - Value changes recognised directly in equity IAS 39	-984	49,641
Amounts recognised in equity	13,673	65,868
Reclassification adjustments	-14,657	-16,227
+ / - Deferred tax on items recognised directly in equity under IAS 39	246	-12,411
Amounts recognised in equity	-3,418	-16,468
Reclassification adjustments	3,664	4,057
+ / - Exchange differences	1,150	317
+ / - Share from entities recognised using the equity method	271	783
Total income and expenses recognised directly in equity	8,679	33,033
Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss	209,202	214,311
of which attributable to equity holders of the parent and to the owners of additional equity components	208,734	214,097
of which attributable to non-controlling interests	468	214

Performance indicators	2017	2016
Cost/Income ratio in %	49.90	50.77
Return on equity before tax in %	10.06	10.76
Return on equity after tax in %	8.44	8.91
Risk/earnings ratio in %	7.33	6.96
Earnings per share in €	5.68	5.59

	Balance sheet at 31/12/2017 Assets in €k		31/12/2017	31/12/2016	Change in €k	Change in %
1.	Cash and balances at central banks	(11)	845,105	657,558	187,547	28.5
2.	Loans and advances to credit	(12)	1,253,366	726,110	527,256	72.6
3.	Loans and advances to customers	(13)	14,760,335	13,777,893	982,442	7.1
4.	Loan loss provisions	(14)	-392,706	-452,515	59,809	-13.2
5.	Trading assets	(15)	37,570	62,729	-25,159	-40.1
6.	Financial investments	(16)	3,726,371	3,779,595	-53,224	-1.4
	a) Financial assets - FV/PL	(16)	228,565	236,934	-8,369	-3.5
	b) Financial assets - AfS	(16)	664,796	712,238	-47,442	-6.7
	c) Financial assets - HtM	(16)	2,007,056	2,113,691	-106,635	-5.0
	d) Interest in entities accounted for using the equity method	(16)	825,954	716,732	109,222	15.2
7.	Intangible assets	(17)	929	1,080	-151	-14.0
8.	Property, plant and equipment	(18)	292,955	240,790	52,165	21.7
	a) Investment property Real estate funds	(18)	98,905	96,545	2,360	2.4
	b) Other property, plant and equipment	(18)	194,050	144,245	49,805	34.5
9.	Other assets	(19)	306,681	365,299	-58,618	-16.0
	a) Deferred tax assets	(19)	48,947	37,850	11,097	29.3
	b) Positive fair values of closed out derivatives in the banking book	(19)	124,609	170,047	-45,438	-26.7
	c) Other	(19)	133,125	157,402	-24,277	-15.4
	Total assets		20,830,606	19,158,539	1,672,067	8.7

	Balance sheet at 31/12/2017 Liabilities in €k		31/12/2017	31/12/2016	Change in €k	Change in %
1.	Amounts owed to credit institutions	(20)	4,155,297	3,158,643	996,654	31.6
	a) Refinance allocated for customer loans	(20)	1,793,162	1,425,438	367,724	25.8
	b) Other amounts owed to credit institutions	(20)	2,362,135	1,733,205	628,930	36.3
2.	Amounts owed to customers	(21)	11,397,394	10,944,486	452,908	4.1
3.	Securitised liabilities	(22)	1,368,250	1,403,957	-35,707	-2.5
4.	Provisions for liabilities and charges	(23)	381,030	322,049	58,981	18.3
5.	Other liabilities	(24)	432,743	386,142	46,601	12.1
	a) Trading liabilities	(25)	31,848	44,896	-13,048	-29.1
	b) Tax liabilities	(24)	18,399	6,268	12,131	> 100.0
	ba) Current tax liabilities	(24)	13,948	2,103	11,845	> 100.0
	bb) Deferred tax liabilities	(24)	4,451	4,165	286	6.9
	c) Negative fair values of closed out derivatives in the banking book	(24)	40,475	35,151	5,324	15.1
	c) Other	(24)	342,021	299,827	42,194	14.1
6.	Subordinated debt capital	(26)	629,103	660,499	-31,396	-4.8
7.	Equity	(27)	2,466,789	2,282,763	184,026	8.1
	a) Equity after minorities	(27)	2,410,541	2,227,772	182,769	8.2
	b) Share of non-controlling shareholders	(27)	6,248	4,991	1,257	25.2
	c) Additional equity capital components	(27)	50,000	50,000	0	-
	Total equity and liabilities		20,830,606	19,158,539	1,672,067	8.7

Consolidated statement of changes in equity as at 31/12/2017

in €k	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Gains (losses) rec. in equity acc. to IAS 39	Actuarial gains / losses acc. to IAS 19	Associates	Equity after minorities	Share of non-controlling shareholders	Additional equity capital components	Equity
As at 01/01/2016	**96,431**	**348,291**	**935,787**	**-1,995**	**47,822**	**-21,808**	**466,577**	**1,871,105**	**4,559**	**50,000**	**1,925,664**
Consolidated net profit			152,255	317	37,230	2,240	22,055	214,097	214		214,311
Net annual profit/loss			152,255				28,809	181,064	214		181,278
Other comprehensive income				317	37,230	2,240	-6,754	33,033			33,033
Dividend distribution			-17,692					-17,692			-17,692
Coupon payments on additional equity capital components			-2,925					-2,925			-2,925
Capital increase	9,211	156,396						165,607			165,607
Issuance of additional equity components											0
Repurchased own shares	195	836	-1,555					-524			-524
Other changes not recognised in income			3,684				-5,579	-1,895	218		-1,677
As at 31/12/2016	**105,837**	**505,523**	**1,069,554**	**-1,678**	**85,052**	**-19,568**	**483,053**	**2,227,772**	**4,991**	**50,000**	**2,282,763**
As at 01/01/2017	**105,837**	**505,523**	**1,069,554**	**-1,678**	**85,052**	**-19,568**	**483,053**	**2,227,772**	**4,991**	**50,000**	**2,282,763**
Consolidated net profit			148,220	1,150	-738	-2,425	62,527	208,734	468		209,202
Net annual profit/loss			148,220				51,835	200,055	468		200,523
Other comprehensive income				1,150	-738	-2,425	10,692	8,679			8,679
Dividend distribution			-22,946					-22,946			-22,946
Coupon payments on additional equity capital components			-2,925					-2,925			-2,925
Capital increase								0			0
Issuance of additional equity components											0
Repurchased own shares	25		117					142			142
Other changes not recognised in income			324				-560	-236	789		553
As at 31/12/2017	**105,862**	**505,523**	**1,192,344**	**-528**	**84,314**	**-21,993**	**545,020**	**2,410,541**	**6,248**	**50,000**	**2,466,789**

Changes in equity due to available-for-sale assets	2017	2016
Profit	16,724	51,801
Loss	-6,469	-2,401
Deducted from equity	-10,993	-12,170
Total	-738	37,230

Statement of cash flows in €k	**2017**	**2016**
Consolidated profit for the year	200,523	181,278
Non-cash positions in profit for the year and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-36,271	4,258
Change in provisions for staff benefits and other provisions for liabilities and charges	56,556	-4,887
Change in other non-cash items[1)]	55,513	41,160
Gains and losses on financial investments, property, plant and equipment and intangible assets	-16,224	-16,772
Subtotal	260,097	205,037
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
Loans and advances to credit institutions	-504,319	364,475
Loans and advances to customers	-1,018,429	-982,369
Trading assets	24,407	-7,699
Other current assets	60,113	34,390
Other assets from operating activities	84,519	64,387
Amounts owed to credit institutions	993,257	156,183
Amounts owed to customers	456,231	411,241
Securitised liabilities	-42,631	-51,681
Other liabilities from operating activities	-103,815	-92,638
Cash flow from operating activities	209,429	101,326
Proceeds from the sale of		
Financial investments	348,073	325,931
Property, plant and equipment and intangible assets	-39,678	6,290
Outlay on purchases of		
financial investments	-247,856	-262,935
Property, plant and equipment and intangible assets	-36,009	-24,617
Cash flow from investing activities	24,529	44,669
Capital increase	0	165,607
Dividend distributions	-22,946	-17,692
Coupon payments on additional equity capital components	-2,925	-2,925
Cash from subordinated liabilities and other financing activities		
Issues	46,911	65,053
Other	4,323	3,357
Subordinated liabilities and other financing activities		
Redemptions	-71,306	-55,122
Other	-468	-738
Cash flow from financing activities[1)]	-46,411	157,540
Cash and cash equivalents at the end of previous period	657,558	354,023
Cash flow from operating activities	209,429	101,326
Cash flow from investing activities	24,529	44,669
Cash flow from financing activities	-46,411	157,540
Effects of changes in the consolidation scope and revaluation	0	0
Effects of foreign exchange rate changes	0	0
Cash and cash equivalents at the end of the period	845,105	657,558
Interest received	415,763	423,747
Dividends received	31,096	33,379
Interest paid	-96,623	-116,457

Coupon payments on additional equity capital components	-2,925	-2,925
Income tax paid	-35,074	-21,784

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

1) Due to the higher degree of detail in the presentation of the cash flows from finance activities, the figures for the preceding year were also adjusted.

Breakdown of interest, dividends and income tax payments

		Cash flow from			
in €k		**operating activities**	**investing activities**	**finance activities**	**Total**
Interest received	2017	366,008	49,755	0	415,763
	2016	367,251	56,496	0	423,747
Dividends received	2017	961	30,134	0	31,095
	2016	1,051	32,328	0	33,379
Interest paid	2017	-75,957	0	-20,666	-96,623
	2016	-97,219	0	-19,238	-116,457
Dividends received	2017	0	0	-22,946	-22,946
	2016	0	0	-17,692	-17,692
Coupon payments on additional equity capital components	2017	0	0	-2,925	-2,925
	2016	0	0	-2,925	-2,925
Income tax paid	2017	-27,802	-12,439	5,167	-35,074
	2016	-12,469	-14,124	4,810	-21,784

Notes to the Consolidated Financial Statements

Introduction

Oberbank AG is Austria's oldest remaining independent *Aktienbank* (joint stock bank). It is fully privately owned (no state shareholders) and is listed on the Vienna Stock Exchange. 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 Oberbank offers all the classical banking services of a universal bank. Oberbank offers all the classical banking services of a universal bank. Oberbank does not engage in any proprietary foreign business, which is not related to its customers, but aims to assist and support customers with international operations.
The financial statements for the financial year 2017 were approved and released for publication on 20 March 2018.

1) Group of consolidated companies of Oberbank

Besides Oberbank AG, the group of consolidated companies in 2017 included 35 domestic and 18 foreign subsidiaries.
Compared to 31 December 2016, the group of consolidated companies changed as follows:

- Foundation of Oberbank FSS Immobilienleasing GmbH, Linz (this entailed an increase by €k 1 in Other liabilities and no changes to Loans and advanced to customers or to Other assets);
- Acquisition of Donaulände Holding GmbH, Linz (this did not entail any changes to Other liabilities, but increased the item Property, plant and equipment by €k 18,000; there were no changes to Other assets);
- Acquisition of Donaulände Invest GmbH, Linz (this increased Other liabilities by €k 67 and Property, plant and equipment by €k 34,355; there was a change to Other assets by €k 54);
- Acquisition of Donaulände Garage GmbH, Linz (this did not entail any changes to Other liabilities, but increased the item Property, plant and equipment by €k 5,620 and reduced Other assets by €k -8).

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was recognised in the consolidated financial statements by proportionate consolidation in accordance with IFRS 11.
Apart from Drei Banken Versicherungsagentur GmbH (formerly Drei-Banken Versicherungs AG), BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft also voestalpine AG recognised in the consolidated financial statements using the equity method.
Not included in the group of consolidated companies were 24 subsidiaries and 18 associated companies, which have no significant influence on the group's assets and its financial and earnings position.
The reporting date for the consolidated financial statements is 31 December. Sub-group financial statements for the leasing companies accounted for in the consolidated financial statements were prepared for the period ended on 30 September to facilitate the timely preparation of the annual financial statements. Material transactions and changes to the composition of the Leasing sub-group in the fourth quarter were taken into account.

2) Summary of accounting policies

Application of IAS and IFRS

The consolidated financial statements of Oberbank AG for the financial year 2017 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 § 59a of the Banking Act and § 245a of the Business Code regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. The going concern assumption was applied. There were no events of material significance after the close 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
Amendment to IAS 7	Disclosure Initiative - Amendment to IAS 7	1 Jan. 2017	Yes
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses - Amendment to IAS 12	1 Jan. 2017	Yes

The next table shows standards and interpretations published and amended as at the balance sheet date that have fully entered into effect under the IASB or partly under the EU endorsement procedure, but are not yet mandatory. These were not applied in these consolidated financial statements. Premature application is not planned.

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
Annual improvements (2014–2016)	Diverse	1/1/2018 and 1/1/2017	No
IFRS 15	Revenue from contracts with customers	1/1/2018	No
Amend. to IFRS 15	Revenue from contracts with customers – clarifications	1/1/2018	Yes
Amend. to IFRS 4	Application of IFRS 9 with IFRS 4 insurance contracts	1/1/2018	Yes
Amend. to IFRS 2	Share-based payment	1/1/2018	No
Amend. to IAS 40	Classification of property under construction	1/1/2018	No
IFRIC 22	Foreign currency transactions and advance payments	1/1/2018	No
IFRS 9	Financial instruments	1/1/2018	Yes
Amend. to IFRS 9	Prepayment features with negative compensation	1/1/2019	No
IFRS 16	Leasing	1/1/2019	Yes
Amendments to IAS 28	Investments in Associates and Joint Ventures	1/1/2019	No
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/2019	No
IFRS 17	Insurance Contracts	1/1/2021	No

The amendments to IAS 7 (disclosure initiative) stipulate that companies disclose information so as to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Liabilities from financing activities are liabilities for which cash flows were, or will be, classified in the statement of cash flows as cash flows from financing activities. No material effects are expected on the consolidated statements.

The amendments to IAS 12 (recognition of deferred tax assets for unrealised losses) concern the diversity in practice regarding the recognition of deferred tax assets resulting from assets measured at fair value that are mainly attributable to uncertainty about the application of some of the principles in IAS 12. Therefore, the amendments consist of some clarifying paragraphs. No material effects are expected on the consolidated statements.

The amendments to IFRS 2 (share-based payment) concern the clarification of the classification and measurement of share-based payment transactions. No material effects are expected on future consolidated statements.

The amendments to IFRS 4 (application of IFRS 9 with IFRS 4 insurance contracts) introduce two approaches – the overlay approach and the temporary exemption – to meet the challenge of lack of alignment of the initial application of IFRS 9 and the standard that succeeds IFRS 4. This amendment is not relevant
for Oberbank as a credit institution.

The amendments to IAS 40 (classification of property under construction) clarify transfers to, or from, the portfolio of investment properties held as financial assets. Specifically, the issue is was whether a property under construction or development that was previously classified as inventory can be transferred to the category of investment property when there was an evident change in its use. No material effects are expected on future consolidated statements.

IFRIC 22 clarifies accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. No material effects are expected on future consolidated statements.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard provides a single, principle-based five-step model applicable to all contracts with customers. According to IFRS 15, revenues must be recognised when the customer acquires power over the agreed goods and services and is able to exploit these. No material effects are expected on future consolidated statements.

IFRS 16 specifies how leases are recognised in financial statements. In this context, there is a major change to how operating leases are recognised compared to IAS 17, because the finance transactions under such leases must be recognised by the lessee in its accounts. For lessors, the accounting rules remain largely unchanged especially with respect to the continued requirement on how to classify leases. Furthermore, the information required in the notes under IFRS 16 will be much more comprehensive than up to now in IAS 17. The analyses currently being conducted do not lead us to expect any major effects on future consolidated statements.

The amendments to IAS 28 (Investments in Associates and Joint Ventures) clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. No material effects are expected on future consolidated statements.

IFRIC 23 is an interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation is based on the rules governing entities where there are uncertainties over income tax treatment, the assumptions for taxation authorities’ examinations, the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates as well as the effects of changes to the facts or circumstances. No material effects are expected on future consolidated statements.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts as well as the information in the Appendix for insurance contracts and will replace IFRS 4 Insurance Contracts as of 1 January 2021. This change is not expected to have any effects Oberbank

The Effects of IFRS 9 on the Oberbank Group

The final version of IFRS 9 was published in July 2014 and entered into force on 1 January 2018.

Already in the year 2015, Oberbank AG set up a project group to examine the requirements of the new IFRS standards. The outcome of the work of the project group includes comprehensive expert concepts and a specific definition of the mode of procedure to be followed in the future especially in lending operations. Among other things, extensive IT requirements have been defined for IT implementation project to follow.

At the end of 2016, the implementation project IFRS 9 was started at Oberbank with an external software provider. Within the course of the implementation project, models were developed, with the usual market standards and published manuals and guidelines being taken into consideration. The expert concepts were continuously developed. As of the reporting date, all models and processes had been implemented, with extensive parallel calculations being conducted for the cut-off dates 31 Dec. 2016, 30 Sept. 2017, 31 Oct. 2017 and 31 Dec. 2017.

It is current state, the implementation project makes it possible to produce quantitative estimates of financial repercussions for both classification and measurement and also based on the new impairment model. Nonetheless, these estimates are still subject to critical internal reviews. Possible outcomes from the parallel runs for the reporting date 31 Dec. 2017 may result in small adjustments being made in the reporting period. In the light of this circumstance, this annual report for the period ended 31 Dec. 2017 does not contain details quantitative information.

Essentially, IRFS 9 entails the following changes of relevance for the Oberbank Group:

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are held as well as the characteristics of its cash flows.

Business Model
Based on the business model, the financial assets are analysed with respect to the business strategy and potential divestment. The business model hold-to-collect includes the lending operations and also the "held-to-maturity-portfolio" as designated in IAS 39. The clear intention to hold the assets is derived from the corporate strategy and from the fact that divestments were minor in the past.
The business model hold-and-sell includes securities to be sold to yield a contribution to profit. These refer to the available-for-sale assets of IAS 39.
The business model sell contains the securities held for trading.

Cash Flow Conditions
The analysis of the cash flow conditions (SPPI criteria) examines the contractual provisions regarding interest that stipulate fixed payments of principal and interest solely on the outstanding principal. Within the course of the implementation project, mainly loans were identified with negative SPPI interest clauses which feature asymmetric interest components or represent mixed interest rates. However, the cash flow analysis did not reveal any significant difference to standard loan contracts, and therefore, these loans are to be measured at amortised cost in the future as well. Only a small share of the loan portfolio (approx. EUR 30 million) were reclassified at fair value due to negative SPPI interest clauses. Therefore, the majority of the loan portfolio does not contain any contractual clauses with negative effects from SPPI.

Valuation Categories
IFRS 9 includes three important classification categories for financial assets: recognition at amortised cost, at fair value through the profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). If financial instruments are held in a business model with the goal of retaining the assets, and if these financial instruments represent claims to interest and principal payments on agreed dates (SPPI criteria), these are to be measured at amortised costs.

Under certain conditions, a designation at fair value valuation is possible.
This occurs at Oberbank AG when collateral is deposited for an underlying transaction with derivatives, because otherwise asymmetric valuations would result for the two financial instruments in the financial reporting.

All other financial instruments are to be measured at fair value. Changes in the value of these assets must be recognised in the income statement or in Other income (depending on the business model). For certain equity instruments, it is optional to recognize changes in value under Other income. Only dividend claims on these assets must be recognised in the income statement. The standard eliminates the current categories of IAS 39: held-to-maturity, loans and receivables and available-for-sale assets.

Under IFRS 9, derivatives that are embedded in contracts for which the underlying is a financial asset to which the standard applies are never accounted for separately. Instead, the hybrid financial instrument is assessed in its entirety for the classification.

The debt capital financial instruments currently measured at amortised costs (portfolio of HtM securities) will probably also be measured at amortised costs pursuant to IFRS 9. Loans and receivables will probably also be measured by applying IFRS 9 at amortised costs, because these financial instrument meet the SPPI criteria that apply to this type of measurement. There will not be any major changes to equity instruments recognised directly in equity, because Oberbank will probably also recognise equity instruments directly in equity also under IFRS 9. In the future, P/L volatility from the measurement of funds and structured bonds is expected. However, these account for only an insignificant portion of the overall portfolio.

On the whole, Oberbank AG does not expect any major effects for the balance sheet or income statement from the new rules for classification and measurement. The reclassification of proprietary securities does not result in any relevant changes to results. Likewise, the analysis of the business models and contract clauses of the loan portfolio conducted within the scope of the implementation project did not result in any significant reclassification of loans in the fair value portfolio. The larger part of the loan portfolio will thus continue to be measured at amortised cost. In the loan portfolio held at fair value, there is no major divergence between fair value and the amortised cost due to the low volume and the variable interest applied throughout in SPPI transactions with a negative effect.

Impairment – financial assets and contract assets

IFRS 9 replaces the IAS 39 incurred loss model by a forward-looking expected loss impairment model. This calls for substantial discretionary decisions regarding the extent to which expected loss impairment is influenced by changes in economic factors. This measurement is done on the basis of weighted probabilities.

The new impairment model applies to financial assets recognised at amortised costs or at FVOCI – with the exception of dividend securities held as financial assets – and contract assets.
Under IFRS 9, impairments are measured on one of the following:

- 12-month expected credit losses: These are expected credit losses due to potential default events within 12 months of the reporting date.
- Full lifetime expected credit losses: These are expected credit losses due to potential default events over the expected life of a financial instrument.

Segmentation
Oberbank AG's loan portfolio is grouped into the following five segments in the impairment model pursuant to IFRS 9: sovereigns, banks, corporates, SME and retail. The reason for the segmentation is use of different estimates in the relevant credit risk parameters. The grouping into the different segments is done on the basis of the rating method selected.

Stage Model
The expected loss pursuant to IFRS 9 is computed using a dual approach that results in either an impairment in the amount of the 12- month expected credit loss or the lifetime expected credit loss. Decisive for determining the relevant credit loss is the approach based on the stage model. On every reporting date, for a financial instruments recognised at amortised cost

- an impairment is recognised in the amount of the lifetime expected credit loss if the credit risk has increased significantly since initial recognition or if the borrower has defaulted;
- an impairment is recognised in the amount of the 12-month expected credit loss if the credit risk has not increased significantly since initial recognition or is very low on the reporting date.

The three stages of the impairment model differ in the following respects:

- Stage 1: Allocation of risk provisions in the amount of the 12-month credit loss and calculation of the interest income based on the gross carrying amount applying the effective interest rate method;
- Stage 2: Allocation of risk provisions in the amount of the expected losses with respect to the remaining time to maturity of the financial instrument (lifetime ECL) and calculation of the interest income based on the gross carrying amount applying the effective interest rate method;
- Stage 3: Allocation of risk provisions in the amount of the lifetime ECL loss and calculation of the interest income based on the net carrying amount applying the effective interest rate method;

The main characteristic for determining the credit risk of a financial instrument is the internal rating of the borrower. A borrower's rating is always based on a default ratio per rating category. This default ratio is derived from the Bank's internal master rating scale for the low-default portfolio (sovereigns and banks). For the key customer segments of Corporates, Retail and SME, the default ratio is derived from the ratio of actual defaults of the respective migration matrix.

The transfer criterion at Oberbank is based mainly on an analysis of the lifetime PDs (cumulated default probabilities). Collateral and other factors that influence the ECL are not taken into consideration. At the time of initial recognition on the balance sheet, every instrument is assigned to stage 1 at first. An exception is made for assets that are already impaired at the time of recognition (so-called POCI assets) and leasing contracts. In the case of leasing contracts, use is made of an IFRS 9 option and impairment is always recognised in the amount of the lifetime expected credit loss. Therefore, these transactions are automatically assigned to stage 2.
On subsequent reporting dates, the transition to stage 2 occurs when there is a significant increase in credit risk. Apart from quantitative criteria, qualitative criteria are also applied. Thus, a 30-day default on payment is in any case a characteristic indicated a significant increase in credit risk.

In order to assess the significance of an increase in credit risk, a comparison is made of the default probability on initial recognition and the default probability on the valuation date. In this context, the lifetime PD over the remaining time to maturity is to be used. The criterion for allocation to stage 1 and stage 2 is thus based on a relative criterion and not on an absolute credit risk estimate at every point in time of an assessment. A significant increase in credit risk is thus reached when the lifetime PD increases by more than 100% in comparison or the lifetime PD ratio exceeds a factor of 2.

All financial instruments for which on the balance sheet date an absolute low credit risk was defined may be assigned to stage 1 as an exemption to the relative approach (low credit risk exemption). Oberbank uses this exemption clause only for receivables with an internal investment grade rating (corresponds to the S&P rating equivalent of at least BBB-) of the segment of sovereigns and banks.

Stage 3 contains those financial instruments to which a default criterion pursuant to Basel III applies (Regulation 575/2013 (EU) – CRR).

The return to a higher stage is done when the criteria which were the cause of the downgrade no longer apply. Thus, upgrades and downgrades are treated symmetrically. The return to stage 2 is carried out, for example, as soon as there is no longer any significant increase in the default risk. The measure used in a comparison of default risk at initial recognition with the default risk on the relevant balance sheet date.

The impairment model of Oberbank AG always refers to individual transactions when calculating risk provisions and also when assessing a stage transition. This means that the relevant credit risk parameter PD (default probability), LGD (loss given default) and EAD (exposure at default) always refers to the individual borrower and is derived from an individual transaction.

Calculating ECL
Expected credit loss at Oberbank is a probability-weighted estimate of the loss over the expected remaining time to maturity of the financial instrument. On other words, it is the present value of the difference between
- the contractually-agreed cash flows and
- expected cash flows.

Where the calculation of the expected loss includes
- an amount in line with expectations and the probability-weighting that is determined on the basis of several possible scenarios;
- The time value of money;
- Information on past events, current conditions and forecasts of future economic conditions.

The maximum time period for which the expected credit loss is determined is the life of the contract over which Oberbank is exposed to the credit risk from the financial instrument. Only in the case of revolving lines of credit is the expected credit loss determined for a period which under certain conditions may be longer than the life of the contract.

The expected loss breaks down into three components:

PD	probability of default
LGD	loss given default in % of EAD
EAD	exposure at default / open amount at time of default of the loan

The expected credit loss pursuant to IFRS 9 is a discounted value here. To this end, the respective EL per period is multiplied by the discounting factor per period. The discounting factor considers the effective interest rate on the loan. In the case of revolving loans as well as finance guarantees and overdraft facilities not fully used, market interest rates are applied when discounting to the ECL. These market interest rates are risk-free market interest rates that reflect the time value of money.

As the calculation of the ECL should also consider forward-looking information, the default probabilities are values adjusted for the point in time.

The point-in-time adjustment of these default probabilities take into consideration, among other things, statistical relations between actual default rates and macroeconomic variables. This leads to a scalable adjustment of the default probability depending the further development expected of the economy.

With respect to impairments pursuant to IFRS 9, Oberbank AG expects a decline in impairment charges for incurred-but-not-reported-losses versus the preceding year. The deviation results mainly from the calculation rules that are much more precise than the standard in place up to now and which substantially restrict the scope for discretion in the calculation.

Moreover, in Oberbank's opinion, the impairment expenses for assets to which the impairment loss model of IFRS 9 applies will probably be more volatile.

Classification – Financial assets

IFRS 9 largely retains the current requirements of IAS 39 for the classification of financial liabilities.

However, pursuant to IAS 39 all changes to liabilities designated to be recognised in the income statement at fair value, are reported in the income statement, while under IFRS 9 these changes to fair value must generally be recognised as follows:

- The change in the fair value due to changes in the credit risk of the liability is reported under Other income.
- The remaining change to fair value is reported in the income statement.

A preliminary assessment by the Group does not reveal any major effects of the application of the requirements of IFRS 9 with respect to the classification of financial liabilities as of 31 December 2017.

Hedge accounting

When IFRS 9 is applied for the first time, an entity has the choice of continuing to apply the accounting rules of IAS 39 for hedging transactions instead of the requirements of IFRS 9.

According to IFRS 9, the Group must ensure that the accounting of hedging transactions is in line with the objectives and strategy of the Group's risk management, and that the approach selected has a bias toward a more qualitative and forward-looking approach when assessing the effectiveness of hedging transactions. IFRS 9 furthermore introduced new requirements with respect to the new weighting of hedging contracts and does not permit the voluntary termination of accounting for hedging transactions. According to the new model it is possible that more risk management strategies will meet the criteria for hedge accounting, especially strategies that contain a risk hedging component (with the exception of foreign currency risk) of a non-financial item. The Group currently does not hedge any such risk components.

The changes to hedge accounting are not of relevance for the Oberbank Group, as currently we have no hedge accounting.

Notes

IFRS 9 involves extensive new tasks, especially with respect to hedge accounting transactions, credit risk and expected credit losses. The preliminary assessment by the Group contains an analysis to identify if there are gaps in the data versus the current method used; the Group intends to implement changes to the system and control methods that are necessary in its opinion to capture the required data.

The expectation is that the structure of the annual financial statements will be adjusted. These adjustments result mainly from reporting obligations and the notes pursuant to IFRS 7, which are triggered by IFRS 9.

Transitions

Changes to the accounting methods based on the application of IFRS 9 will generally be applied retroactively, except in the following cases:

- Oberbank has the intention of making use of the exemption permitting it to omit adjustments to information for comparison with preceding periods with respect to changes to the classification and measurement (including impairment). The differences between the carrying values of the financial assets and financial liabilities based on the application of IFRS 9 will generally be recognised in retained earnings and other provisions as of 1 January 2018.
- The assessments set out below must be based on the facts and circumstances given at the time of initial application:
  - Determination of the business model in which a financial asset is held;
  - Determination and revocation of former rules with respect to certain financial assets and financial liabilities that are measured at fair value through profit or loss (FVTPL);
  - Determination of specific dividend securities held as financial assets but not for trading purposes and measured at fair value through other comprehensive income (FVOCI).

On the whole, the Group expects to see a positive effect on equity from the changeover from IAS 39 to IFRS 9 including consideration of deferred taxes, with the effect estimated to be within the bandwidth of 4.0% and 6.5%.

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; other financial instruments were recognised on delivery day. Financial assets were measured 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 either to generate a profit from short-term fluctuations in prices or trader's margin.
- Financial investments held to maturity are assets with fixed payments and fixed maturities that the Bank has the 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 the 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.
- 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 amortised cost; these amounts correspond to the fair value of consideration given (when financial assets are acquired) or received (when financial liabilities are acquired). Subsequently, financial liabilities carried 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 refers to 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. Therefore, 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 share 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 amortised over their expected useful lives. If a useful life can be ascertained for an asset, ordinary amortisation is applied over the assets' 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 30 June 2017, 100% of the shares of Donaulände Holding GmbH were acquired. The acquisition involved purchase costs in the amount of EUR k 19.412; equity held at the time of acquisition amounted to EUR k 374. At the time, the company had fixed assets in the amount of EUR k 359, accounts receivable in the amount of EUR k 15 and liabilities and provisions amounting to EUR k 0.
The company contributed to the Group’s net profit with EUR k -239. Company assets taken into account in the consolidated financial statements of Oberbank amounted to EUR k 18.800.
As at 30 June 2017, 100% of the shares of Donaulände Invest GmbH were acquired. The acquisition involved purchase costs in the amount of EUR k 778; equity held at the time of acquisition amounted to EUR k 235. At the same date, the company had fixed assets in the amount of EUR k 34,210, accounts receivable in the amount of EUR k 8,204 and liabilities and provisions amounting to EUR k 44,057.
The company contributed to the Group’s net profit with EUR k 167. Company assets taken into account in the consolidated financial statements of Oberbank amounted to EUR k 34,409.
At the same time, 100% of the shares of Donaulände Garagen GmbH were acquired. The acquisition involved purchase costs in the amount of EUR k 18; equity held at the time of acquisition amounted to EUR k 2. At the time, the company had fixed assets in the amount of EUR k 5,686, accounts receivable in the amount of EUR k 132 and liabilities and provisions amounting to EUR k 5,816.
The company contributed to the Group’s net profit with EUR k 6. Company assets taken into account in the consolidated financial statements of Oberbank amounted to EUR k 5,612.
The assets acquired with these companies do not constitute business operations and therefore IFRS 3 does not apply.

Discretionary Decisions, Assumptions and Estimates

These consolidated financial statements contain values whose amounts were arrived at based on 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 these consolidated financial statements basically relate to the following items.

Loan loss provisions

The calculation of impairment provisions depends, 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. Losses incurred but not reported are accounted for by setting up portfolio impairment allowances in accordance with IAS 39. These are based on the probability of default in the individual rating categories.

For further details, see note 41 (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).

Interest in entities accounted for using the equity method

If there is objective evidence for impairment of an investment accounted for using the equity method, a value in use is calculated on the basis of the estimated future cash flows.

For details regarding the book values of interests held in companies recognised at equity, 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 amortised cost 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 amortised cost 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 life of fixed assets

The plant, property, plant and equipment and intangible assets are amortised over their expected useful lives. For details regarding carrying values, please refer to Note 17 (Intangible fixed assets) and Note 18 (Property, plant and equipment).

Deferred taxes

The calculation for each taxed entity is carried out applying the tax rates that, under the applicable legislation, must be applied in the tax period in which a temporary difference is 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.

Provisions for liabilities and charges

Measuring the necessity to set aside provisions for liabilities and charges requires estimates regarding the size and due dates of future payment flows. Further details are given 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 valid on the balance sheet date. Outstanding forward transactions were translated applying the forward rates valid on the balance sheet date. The annual financial statements of foreign subsidiaries prepared in foreign currencies were translated applying the middle foreign exchange rates valid 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

These items consist of cash and balances with the central bank.

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, market reference 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

Loans and advances to credit institutions and customers These were recognised at amortised cost with the exception of hedged items for which the fair value option was used. 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 in which mismatches are avoided by the use of the fair value option.

Leasing

Oberbank offers customers both finance leases and operating leases.

Pursuant 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 present 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 amortisation 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.

Charges for losses on loans and advances

The calculation of charges on losses on loans and advances depends mainly 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 impairment allowance balance is disclosed as a deduction on the assets side of the balance sheet (impairment account). 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. All assets and liabilities to which the fair value option within the meaning of IAS 39 was applied were measured at fair value. 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 taken directly to equity. Participating interests and shares in affiliated undertakings, with a volume of EUR 97.0 million (previous year: EUR 95.2 million), which are not intended to be sold and for which there is no active market, are measured at cost. For the purpose of determining the necessity 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 is objective evidence for impairment of an investment accounted for using the equity method, a value in use is calculated on the basis of the estimated future cash flows that are to be expected from the associate. The present value is calculated on the basis of the discounted cash flow model. No impairment loss was recognised as at 31 December 2017.

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 future cash flows from the equity instrument that can be reliably estimated (IAS 39.59) or if there is a risk that the outlay cannot be recovered for the equity instrument (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 2017.

Intangible assets and property, plant and equipment

Intangible assets consist 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 amortisation and write-offs. The assets are amortised on a straight-line basis over their expected useful lives. The useful life of intangible assets held by Oberbank is from three to 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 is expected to be permanent, extraordinary depreciation (write-off) was recognised. The assets are amortised on a straight-line basis over their expected useful lives.
The following average useful lives are applied at Oberbank: buildings used for banking operations: ten to 50 years; business equipment and furnishings: four to 20 years; standard software: four years.
Furthermore, as at the balance sheet date, these items are tested for impairment. Oberbank uses this impairment test to determine the recovery value of the asset. This value corresponds to the higher of the utility value or the net sales value. If the fair market value is below the carrying value of the asset, impairment losses in the amount of the difference are recognised in income.

Deferred Tax

The reporting and calculation of income tax is done in accordance with IAS 12. The calculation for each taxed entity is carried out applying the tax rates that, under the applicable legislation, are to be applied in the tax period in which a temporary difference is 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

Loans and advances to credit institutions and customers These were recognised at amortised cost with the exception of hedged items for which the fair value option was used.

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 reliable and 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 1.75% (previous year: 2.00%)
- Annual salary increases of 2.93% (pr. yr.: 2.97%) and increases in post-employment benefits of 1.52% (pr. yr.: 1.53%);
- In accordance with the transitional provisions of the Austrian pension reform, the individually determined retirement age for men is between 65 years and for women between 59 and 65 years.

Actuarial gains or losses were recognised outside profit or loss in Other comprehensive income in the reporting year.

b) Other provisions for liabilities and charges

Other provisions were created if there was a reliable and 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

In accordance with 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. 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. By 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 has the purpose 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.

To date, no use has been made of this authorisation.

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.
The Management Board made use of this authorisation by resolution of 23 May 2015 to issue 1,918,875 Oberbank ordinary no-par-value shares (capital increase 2015, No. 1). The offer price was EUR 47.43 per share. The capital increase carried out through cash contributions and without excluding subscription rights raised the share capital to EUR 92,106,000.00 and the appropriated capital reserves to EUR 280,001,715.06.

The 135th Annual General Meeting of Oberbank AG held on 19 May 2015, retracted the resolution passed at the 132nd Annual General Meeting of 8 May 2012 to the extent not yet used and authorised the management board to increase the share capital by up to EUR 10,500,000.00 by issuing up to 3,500,000 ordinary no-par value 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.
The management board made use of this authorisation by resolution of 8 September 2015 to issue 1,535,100 Oberbank ordinary no-par-value shares (capital increase 2015, No. 2). The offer price was EUR 48.03 per share. The capital increase raised the share capital to EUR 96,711,300.00 and the appropriated capital reserves to EUR 349,127,268.06.

The 136th Annual General Meeting of Oberbank AG held on 18 May 2016 retracted the resolution passed at the 135th Annual General Meeting of 19 May 2015 to the extent not yet used and authorised the management board to increase the share capital by up to EUR 10,500,000.00 by issuing up to 3,500,000 ordinary no-par value 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.
The management board made use of this authorisation by resolution of 26 September 2016 to issue 3,070,200 Oberbank ordinary no-par-value shares. The offer price was EUR 53.94 per share.
The capital increase carried out through cash contributions and without excluding subscription rights raised the share capital by EUR 9,210,600.00 to EUR 105,921,900.00 and the appropriated capital reserves by EUR 156,395,988.00 to EUR 505,523,256.06.

The share capital is divided into 32,307,300 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 recommend to the Annual General Meeting that a dividend of EUR 0.90 per share be distributed out of the net profit of Oberbank AG for the financial year 2017 (corresponding to a payout of EUR 31,776,570.00). On the reporting date, 11,713,769 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 reinvested 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.

Additional equity capital components

To date, Oberbank AG has carried out two issues of Additional Tier 1 bonds with a total volume of EUR 50 million.

These issues are subordinate to Tier 2 instruments (supplementary capital, subordinate capital) and senior bonds. These are all equivalent to each other and to Additional Tier 1 instruments as well as to liabilities from existing hybrid capital instruments. They have preference status over shares and other CET1 capital instruments.

Interest payments are based on the nominal amount and are fixed until the first possible premature repayment date. Subsequently, it is switched to variable interest rates.

Interest is only permitted to be paid from eligible items.

The issuer has the right to waive interest payments at its discretion. It is not permitted for interest previously waived to be paid out.

The bonds have unlimited maturities, but can be called by Oberbank AG at the fixed first premature repayment date, and afterwards, every five years on the coupon dates. The issuer has special call rights if the regulatory classification or the tax treatment of the concerned bonds changes.

Every premature call requires the prior consent of the competent supervisory authority.

The bond holder does not have the right to call the bond.

If the CET 1 capital of the issuer or of Oberbank Group of 5.125% , the nominal value of the bond is impaired to the amount necessary. Under certain conditions, the nominal value can be written up again.

Net interest income

Interest income and interest expenses are 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 these do not constitute income from securities requiring designation as trading assets. Income from equity investments and investments in subsidiaries (those which were not consolidated because they were immaterial) are also reported in this line item. Income from entities accounted for using the equity method was reported in a separate line item.

Both interest income and interest expenses contain negative interest.

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 the service business net of expenses relating to 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 and income from entities recognised using the equity method	2017	2016
Interest income from		
credit and money market business	343,042	340,545
Shares and other variable-yield securities	5,902	3,994
Other equity investments	4,319	4,131
Subsidiaries	836	2,390
Fixed-interest securities and bonds	61,596	69,880
Interest and similar income	415,695	420,940
Interest expenses for		
Deposits	-60,600	-69,654
Securitised liabilities	-19,260	-23,824
Subordinated liabilities	-20,568	-19,141
Interest and similar expenses	-100,428	-112,619
Income from entities recognised using the equity method	72,209	51,323
Net interest income and income from entities recognised using the equity method	387,476	359,644

Net interest income from financial assets not measured through profit or loss at fair value came to €k 413,465 (previous year: €k 418,105). The corresponding interest expenses on financial liabilities amounted to €k 60,281 (previous year €k 71,206).

Net interest income includes income in the amount of €k 893 and the interest expenses include negative interest of €k 840.

4) Charges for losses on loans and advances	2017	2016
Allocated to charges for losses on loans and advances	-133,020	-94,824
Direct write-offs	-1,154	-1,635
Reversals of loan loss provisions	102,997	68,555
Recoveries of written-off receivables	2,769	2,878
Charges for losses on loans and advances	-28,408	-25,026

5) Net commission income	2017	2016
Payment services	49,727	46,850
Securities business	46,409	41,191
Foreign exchange, foreign bank notes and precious metals business	14,236	13,178
Credit operations	26,067	25,794
Other service and advisory business	4,189	3,912
Net commission income	140,628	130,925

This item includes income in the amount of €k 3,304 from asset management for the account of third parties.

6) Net trading income	2017	2016
Gains/losses on interest rate contracts	1,277	2,024
Gains/losses on foreign exchange, foreign bank note and numismatic business	10,374	3,874
Gains/losses on derivatives	-1,704	5,497
Net trading income	9,947	11,395

7) Administrative expenses	2017	2016
Staff costs	164,411	153,964
Other administrative expenses	89,565	86,163
Write-offs and valuation allowances	12,269	11,626
Administrative expenses	266,245	251,753

Pension fund contributions were €k 3,321 (previous year: €k 3,247).

8) Other operating income	2017	2016
a) Net income from financial assets - FV/PL	2,429	10,851
b) Net income from financial assets - AfS	14,370	11,925
c) Net income from financial assets - HtM	0	0
d) Other operating income	-21,319	-28,858
Thereof stability tax	-3,414	-38,164
Thereof operational risks	-26,571	-12,211
Thereof operational risks	3,885	16,131
Thereof gains from the sale of land and buildings	1,984	814
Thereof from operating leases	-18,356	-16,239
Thereof from operating leases	18,621	18,792
Other	2,532	2,019
Other operating income net of other operating expenses	-4,520	-6,082

This item includes impairments in the amount of € 0.2 million for financial investments. The corresponding carrying values amount to € 14.2 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.

	2017	2016
Current income tax expense	48,180	33,974
Deferred income tax expenses (income)	-9,825	3,851
Income taxes	**38,355**	**37,825**

Reconciliation: Relation between computational and reported income taxes:

	2017	2016
Current income tax expense	48,180	33,974
Deferred income tax expenses (income)	-9,825	3,851
Income taxes	38,355	37,825
Profit for the period before tax	238,878	219,104
Computed tax expense 25%	59,720	54,776
Tax savings arising due to tax-exempt income from equity investments	-2,448	-2,372
Tax savings arising due to profits accounted for using the equity method	-18,052	-12,831
Tax expenses (income) relating to prior years	-1,049	111
Tax savings arising from other tax-exempt income	-477	531
Tax incurred as a result of non-allowable expenses	1,157	-931
Tax savings arising due to used loss carry-forwards	9	-231
Tax effects from differing tax rates	-503	-1,228
Deferred income tax expenses (income)	38,355	37,825
Effective tax rate	16.26	17.50

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

	2017			2016		
	Net profit before tax	Income taxes	Net income	Net profit before tax	Income taxes	Net income
Actuarial gains/losses under IAS 19	-3,233	808	-2,425	2,986	-746	2,240
Items reclassified to profit or loss of the year under IAS 39	-984	246	-738	49,641	-12,411	37,230
Exchange differences	1,150		1,150	317	0	317
Share of income/loss from entities accounted for using the equity method	10,692	0	10,692	-6,754	0	-6,754
Total	**7,625**	**1,054**	**8,679**	**46,190**	**-13,157**	**33,032**

10) Earnings per share in €	2017	2016
Number of shares as at 31/12	35,307,300	35,307,300
Average number of shares in issue	35,295,644	32,444,640
Profit for the year after tax	200,523	181,278
Earnings per share in €	5.68	5.59

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	2017	2016
Cash in hand	85,543	76,711
Credit balances with central banks of issue	759,562	580,847
Cash and balances at central banks	845,105	657,558

12) Loans and advances to credit institutions	2017	2016
Loans and advances to Austrian credit institutions	190,105	287,094
Loans and advances to foreign credit institutions	1,063,261	439,016
Loans and advances to credit institutions	1,253,366	726,110
Loans and receivables to credit institutions, by maturity		
On demand	247,322	226,946
Up to 3 months	822,748	307,898
3 months to 1 year	145,602	108,428
1 to 5 years	23,669	52,701
Over 5 years	14,025	30,137
Loans and advances to credit institutions	1,253,366	726,110

13) Loans and advances to customers	2017	2016
Loans and advances to Austrian customers	9,093,104	8,350,890
Loans and advances to foreign customers	5,667,231	5,427,003
Loans and advances to customers	14,760,335	13,777,893
Loans and advances to customers, by maturity		
On demand	2,114,878	1,999,686
Up to 3 months	1,338,643	1,039,195
3 months to 1 year	1,599,422	1,190,174
1 to 5 years	5,713,216	4,627,004
Over 5 years	3,994,176	4,921,834
Loans and advances to customers	14,760,335	13,777,893
Leasing business (finance leasing), gross investment value		
Up to 3 months	59,339	49,340
3 months to 1 year	263,711	235,131
1 to 5 years	872,516	785,710
Over 5 years	261,835	255,071
Total	1,457,391	1,325,252
Unrealised financial income		
Up to 3 months	6,340	5,977
3 months to 1 year	16,263	15,409
1 to 5 years	41,330	36,938
Over 5 years	12,089	12,298
Total	76,022	70,622
Net investment value		
Up to 3 months	52,999	43,363
3 months to 1 year	247,448	219,722
1 to 5 years	831,186	748,772
Over 5 years	249,746	242,773
Total	1,381,379	1,254,630
Cumulated impairment allowances	9,711	16,566

14) Impairment provisions	see note 41 “Credit risk”

15) Trading assets	2017	2016
Bonds and other fixed-interest securities		
Listed	1,383	10,620
Shares and other variable-yield securities		
Listed	228	813
Positive fair values of derivative financial instruments		
Currency contracts	531	2,870
Interest rate contracts	35,428	48,426
Other contracts	0	0
Trading assets	37,570	62,729

16) Financial investments	2017	2016
Bonds and other fixed-interest securities		
Listed	2,254,660	2,416,248
Listed	97,329	99,941
Shares and other variable-yield securities		
Listed	122,854	144,790
Listed	203,886	197,713
Equity investments/shares		
in subsidiaries	83,294	84,700
in entities accounted for using the equity method		
Banks	358,924	325,585
Non-banks	467,030	391,147
Other equity investments		
Banks	13,221	13,051
Non-banks	125,173	106,420
Financial investments	3,726,371	3,779,595
a) Financial assets - FV/PL	228,565	236,934
b) Financial assets - AfS	664,796	712,238
c) Financial assets - HtM	2,007,056	2,113,691
d) Interest in entities accounted for using the equity method	825,954	716,732
Financial investments	3,726,371	3,779,595

17) Intangible assets	2017	2016
Other intangible assets	454	568
Customer base	475	512
Intangible assets	929	1,080

18) Property, plant and equipment	2017	2016
Investment property	98,905	96,545
Land and buildings	101,456	51,464
Business equipment and furnishings	71,385	77,054
Other property, plant and equipment	21,209	15,727
Property, plant and equipment	292,955	240,790

The Group owned land and buildings used by others with a carrying value of €k 98,905 (previous year €k 96,545); these properties had a fair value of €k 112,120 (previous year €k 106,584). The fair value is assignable to level 3 and is calculated using internal models. Rental income during the reporting year came to €k 4,503; the associated expenses (including depreciation) amounted to €k 3,001. The disposability of these properties is restricted by purchase option rights contractually granted to the lessees.
The non-guaranteed residual values attributable to the leasing business amount to €k 54,335.

Leasing (operating leases): future minimum lease instalments	2017	2016
Up to 3 months	4,941	4,640
3 months to 1 year	13,802	12,490
1 to 5 years	45,424	39,800
Over 5 years	32,899	30,017
Total	97,066	86,947

19) Other assets	2017	2016
Deferred tax assets	48,947	37,850
Other items	128,862	153,187
Positive fair values of closed out derivatives in the banking book	124,609	170,047
Deferred items	4,263	4,215
Other assets	306,681	365,299

Deferred tax assets/liabilities in €k

	Deferred taxes 2017		Deferred taxes 2016	
	Assets	Equity, liabilities	Assets	Equity, liabilities
Loans and advances to credit institutions	0	0	0	-7
Loans and advances to customers	156	-15,294	79	-11,166
Loan loss provisions	50,157	-36	49,746	0
Trading assets	0	-8,704	0	-12,515
Financial investments	6	-28,698	0	-34,233
Financial assets - FV/PL	0	-11,072	0	-10,983
Financial assets - AfS	0	-17,561	0	-23,013
Financial assets - HtM	6	-65	0	-237
Intangible assets	0	-120	0	-131
Property, plant and equipment	6	-53	11	-109
Other assets	4	-20,723	5	-27,068
	50,329	-73,628	49,842	-85,229
Amounts owed to credit institutions	834	-22	1,602	0
Amounts owed to customers	14,344	0	17,504	0
Securitised liabilities	4,873	0	5,881	0
Provisions for liabilities and charges	21,772	0	21,235	0
Other provisions	10,873	0	6,371	0
Other liabilities	7,666	-1,178	6,261	-780
Subordinated debt capital	8,025	0	10,156	0
Untaxed reserves/valuation reserves	0	-314	0	-414
	68,388	-1,515	69,010	-1,194
Capitalisable tax loss carry-forwards	1,031	0	1,256	0
Deferred tax assets/liabilities	119,748	-75,143	120,108	-86,423
Valuation allowance	0	0	0	0
Balance of deferred tax assets/liabilities attributable to the same fiscal authority	-70,801	70,692	-82,258	82,258
Balance of deferred tax assets/liabilities	48,947	-4,451	37,850	-4,165

No deferred tax assets were recognised for loss carry-forwards from the Leasing subgroup in the amount of Euro 1,578 as at 31 Dec. 2017 (pr.yr.: €k 2,640), because their consumption within the foreseeable future does not appear feasible from today's perspective.
No deferred tax liabilities were recognised in accordance with IAS 12.39 on the temporary differences from interests in subsidiaries, joint ventures and associated companies held by Group companies of €k 643,464 (pr. yr.: €k 553,675), because the temporary differences are not expected to reverse in the foreseeable future.

20) Amounts owed to credit institutions	**2017**	**2016**
Amounts owed to Austrian banks	2,436,798	1,777,551
Amounts owed to foreign banks	1,718,499	1,381,092
Amounts owed to credit institutions	4,155,297	3,158,643
Amounts owed to credit institutions, by maturity		
On demand	1,070,665	973,604
Up to 3 months	748,620	449,105
3 months to 1 year	47,666	197,325
1 to 5 years	1,356,882	823,549
Over 5 years	931,464	715,060
Amounts owed to credit institutions	4,155,297	3,158,643

21) Amounts owed to customers	**2017**	**2016**
Savings deposits	2,719,041	2,794,166
Other	8,678,353	8,150,320
Amounts owed to customers	11,397,394	10,944,486
Amounts owed to customers, by maturity		
On demand	8,516,005	7,321,079
Up to 3 months	893,102	1,098,158
3 months to 1 year	989,761	1,441,592
1 to 5 years	572,663	549,413
Over 5 years	425,863	534,244
Amounts owed to customers	11,397,394	10,944,486

22) Securitised liabilities	**2017**	**2016**
Bonds issued	1,365,548	1,391,143
Other securitised liabilities	2,702	12,814
Securitised liabilities	1,368,250	1,403,957
Securitised liabilities, by maturity		
Up to 3 months	126,145	63,249
3 months to 1 year	132,500	92,114
1 to 5 years	863,941	1,042,724
Over 5 years	245,664	205,870
Securitised liabilities	1,368,250	1,403,957

23) Provisions for liabilities and charges	2017	2016
Provisions for benefits and pensions	172,931	173,370
Other provisions	208,099	148,679
Provisions for liabilities and charges	381,030	322,049
Provisions for anniversary bonuses	11,801	11,688
Loan loss provisions	141,461	98,109
Other provisions	54,837	38,882
Other provisions	208,099	148,679

Movement in provisions for termination benefits and pensions	2017	2016
Provisions balance as at 1/1	173,370	178,698
Allocated to/reversed from provisions for termination benefits	1,410	-122
Allocated to/reversed from provisions for pensions	-1,849	-5,206
Provisions balance as at 31/12	172,931	173,370

Presentation of obligations under defined benefit plans pursuant to IAS 19	2017	2016
Plan assets	0	0
Provisions for termination benefits	44,496	43,087
Provisions for pensions	128,435	130,283
Provisions for anniversary bonuses	11,801	11,688
Total obligations under defined benefit plans	184,732	185,058

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 the Austrian Salaried Employees Act (AngG, § 23) as well as the valid collective agreement for the banking sector (§ 32). Pursuant to §32 of the collective 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 2017, 887 employees were included in the "Severance Pay OLD" system (95.3% of the entire volume of provisions) and 983 employees were carried in the "Severance Pay NEW" system.

The legal basis for the provisions for pensions is 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 2017, provisions for pensions within the Oberbank Group included 485 pension beneficiaries (74.5% of the total volume of provisions) and 381 employees in active service (25.5% of total provisions).

380 active staff members 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 17.6% 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 is applicable, meaning 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. One disability pension was granted in 2017.

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 were no such cases in 2017.

The legal basis for the provisions for anniversary bonuses is the company agreement with the Works Council. Entitlements are staggered as follows: three monthly salaries after 25 years' service; four monthly salaries after 40 years' service.
As at 31 December 2017, provisions for anniversary bonuses covered the entitlements of 1,463 persons. No provisions have been set up for 325 persons (63 have already received their anniversary bonuses; 262 persons will reach retirement age prior to the entitlement date for the anniversary bonus).

Movements in provisions for termination benefits, pensions and similar obligations	**2017**	**2016**
Present value of defined benefit provisions as at 01/01	**185,058**	**190,317**
Recognised in the income statement		
+ Service cost	3,640	3,743
+ Interest cost	3,613	4,180
Subtotal	**192,311**	**198,240**
Revaluation effects		
Recognised directly in Other comprehensive income		
-/+ Actuarial gain/loss	2,974	-2,986
- financial assumptions	5,159	-1,150
- demographic assumptions	0	0
- experience-based assumptions	-2,185	-1,836
-/+ Gains / losses on plan assets	0	0
-/+ Gains / losses from exchange rate movements	0	0
Recognised in the income statement	-170	-304
Subtotal	**2,804**	**-3,290**
Other		
Payments for plan settlements	0	0
- Payments during the reporting year	-10,383	-9,892
- Other changes	0	0
Subtotal	**-10,383**	**-9,892**
Provisions recognised as at 31/12	**184,732**	**185,058**

Actuarial gains / losses attributable to pension and severance obligations were recognised in the reporting year directly in Other comprehensive income (OCI). The amounts will not be reclassified subsequently; a transfer within equity, however, is permitted. Revaluation gains and losses on this line item are recognised in the income statement in net trading income.

Important actuarial assumptions for calculating the present values of defined benefit obligations	**2017**	**2016**
Interest rate applied	1.75%	2.00%
Increase under collective agreements	2.93%	2.97%
Pension increase	1.52%	1.53%
Fluctuation	none	none
Retirement age women	59–65 years	59–65 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 EUR 2.7 million in the financial year 2018. The present value of post-retirement benefit obligations was €k 215,703 for the financial year 2010, €k 216,216 for the financial year 2011, €k 218,727 for the financial year 2012, €k 217,880 for the financial year 2013, €k 246,475 for the financial year 2014, and €k 190,317 for the financial year 2015.

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%	39,681	113,078	-
Interest rate applied - 1%	49,112	147,669	-
Collective agreement increase + 0.5%	46,403	129,701	-
Collective agreement increase - 0.5%	41,765	127,227	-
Pension increase + 0.5%	-	135,678	-
Pension increase - 0.5%	-	121,776	-

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 to 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
2018	1,768	7,019	-
2019	2,330	6,745	-
2020	2,942	6,473	-
2021	3,514	6,270	-
2022	3,831	6,095	-
Total of anticipated disbursements of benefits in the next five years	14,385	32,602	-

Maturity

The following table shows the weighted average term to maturity of defined benefit obligations as at 31 Dec. 2017:

In years	Termination benefits	Pensions	Anniversary bonuses
Maturity	9.87	13.96	-

Movements in other provisions for liabilities and charges	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
At 1 January	11,688	98,109	38,882
Allocated	113	69,677	26,192
Used / exchange differences / effect proportionate consolidation / reclassification	0	767	-4,093
Reversed	0	-27,092	-6,144
Balance as at 31/12	11,801	141,461	54,837

These are primarily short-term provisions

24) Other liabilities	2017	2016
Trading liabilities	31,848	44,896
Tax liabilities	18,399	6,268
Current tax liabilities	13,948	2,103
Deferred tax liabilities	4,451	4,165
Other liabilities	267,263	227,218
Negative fair values of closed out derivatives in the banking book	40,475	35,151
Deferred items	74,758	72,609
Other liabilities	432,743	386,142

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

25) Other liabilities (trading liabilities)	2017	2016
Currency contracts	525	2,870
Interest rate contracts	31,323	42,026
Other contracts	0	0
Trading liabilities	31,848	44,896

26) Subordinated debt capital	2017	2016
Subordinated bonds issued incl. tier 2 capital	570,003	601,391
Hybrid capital	59,100	59,108
Subordinated debt capital	629,103	660,499
Subordinated debt capital, by maturity		
Up to 3 months	51,014	10,372
3 months to 1 year	42,190	72,010
1 to 5 years	286,318	398,576
Over 5 years	249,581	179,541
Subordinated debt capital	629,103	660,499
Development subordinated debt capital		
As at 01/01	660,499	
Changes to cash on hand resulting in payments	-24,395	
thereof payments from issues	46,911	
thereof repurchase/repayment	-71,306	
Changes in non-cash positions	-7,001	
thereof changes in the fair value	-8,523	
thereof other changes	1,522	
As at 31/12	629,103	

27) Equity	2017	2016
Subscribed capital	105,862	105,837
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	1,797,284	1,614,540
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Shares of non-controlling shareholders	6,248	4,991
Equity	2,466,789	2,282,763
Development of shares in issue (units)		
Shares in issue as at 01/01	35,278,887	32,209,010
New shares issued	0	3,070,200
Treasury shares purchased	-230,068	-637,058
Treasury shares sold	238,355	636,735
Shares in issue as at 31/12	35,287,174	35,278,887
Plus own shares held by the Group	20,126	28,413
Shares in issue as at 31/12	35,307,300	35,307,300

The carrying value of own shares held was EUR 1.5 million (previous year: EUR 1.6 million) on the balance sheet date.

28) Non-current assets statement

Movements in intangible assets and property, plant and equipment	Intangible assets	Property, plant and equipment	thereof investment property
Cost of purchase/conversion as at	19,172	480,262	115,865
Currency exchange differences	4	433	0
Transfers	0	0	0
Additions	368	95,272	5,359
Disposals	159	40,882	0
Cumulated depreciation	18,456	242,130	22,319
Carrying value 31/12/2017	929	292,955	98,905
Carrying value 31/12/2016	1,080	240,790	96,545
Depreciation during the reporting year	381	25,155	2,998

Of total depreciation of property, plant and equipment in the reporting year, €k 13,266 assignable to operating leases are shown in the line item Other operating income.

Of the additions to real estate held as financial investment, €k 0 are attributable to purchased property and €k 5,359 to subsequent expenditures.

Development of investments in subsidiaries and equity investments	Investments in subsidiaries	Equity investments
Cost of purchase/conversion as at 01/01/2017	104,293	856,998
Additions	2,812	4,062
Change in investments in associates	0	109,223
Write-ups	0	16,616
Disposals	3,717	1,331
Cumulated depreciation	20,094	21,220
Carrying value as at 31/12/2017	83,294	964,348
Carrying value as at 31/12/2016	84,700	836,203
Depreciation during the reporting year	500	412

The Company realised proceeds of €k 0 in the reporting year from 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 and €k 0 in net income.

29) Fair value of financial instruments as at 31/12/2017	HtM	FV/PL	HFT	AfS	L&R/liabilities	Other	Total
Cash and balances at central banks						845,105	845,105
						845,105	845,105
Loans and advances to credit institutions					1,253,366		1,253,366
					1,253,944		1,253,944
Loans and advances to customers	48,007	51,748		84,305	14,576,275		14,760,335
	48,813	51,748		84,305	14,618,170		14,803,036
Loan loss provisions					-392,706		-392,706
					-392,706		-392,706
Trading assets			37,570				37,570
			37,570				37,570
Financial investments	2,007,056	228,565		567,794		922,956 1)	3,726,371
	2,137,072	228,565		567,794			
Intangible assets						929	929
Property, plant and equipment						292,955	292,955
Other assets			124,609			182,072	306,681
			124,609				
of which closed out derivatives positions in the banking book			124,609				124,609
			124,609				124,609
Total assets	**2,055,063**	**280,313**	**162,179**	**652,099**	**15,436,935**	**2,244,017**	**20,830,606**
	2,185,885	**280,313**	**162,179**	**652,099**	**15,479,408**		
Amounts owed to banks		56,325			4,098,972		4,155,297
		56,325			4,093,852		4,150,177
Amounts owed to customers		418,269			10,979,125		11,397,394
		418,269			10,993,097		11,411,366
Securitised liabilities		419,608			948,642		1,368,250
		419,608			958,841		1,378,449
Provisions for liabilities and charges						381,030	381,030
Other liabilities			72,323			360,420	432,743
			72,323				
of which closed out derivatives positions in the banking book			40,475				40,475
			40,475				40,475
Subordinated debt capital		396,229			232,874		629,103
		396,229			228,009		624,238
Capital						2,466,789	2,466,789
Total equity and liabilities	**-**	**1,290,431**	**72,323**	**-**	**16,259,613**	**3,208,239**	**20,830,606**
	-	**1,290,431**	**72,323**	**-**	**16,273,799**		

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

1) Euro 97.0 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 31/12/2016	HtM	FV/PL	HFT	AfS	L&R/liabilities	Other	Total
Cash and balances at central banks						657,558 657,558	657,558 657,558
Loans and advances to credit institutions					726,110 729,645		726,110 729,645
Loans and advances to customers	54,227 54,358	62,588 62,588		96,780 96,780	13,564,298 13,645,678		13,777,893 13,859,404
Loan loss provisions					-452,515 -452,515		-452,515 -452,515
Trading assets			62,729 62,729				62,729 62,729
Financial investments	2,113,691 2,285,559	236,934 236,934		617,008 617,008		811,962[1)]	3,779,595
Intangible assets						1,080	1,080
Property, plant and equipment						240,790	240,790
Other assets			170,047 170,047			195,252	365,299
of which closed out derivatives positions in the banking book			170,047 170,047				170,047 170,047
Total assets	**2,167,918** **2,339,917**	**299,522** **299,522**	**232,776** **232,776**	**713,788** **713,788**	**13,837,893** **13,922,808**	**1,906,642**	**19,158,539**
Amounts owed to credit institutions		66,794 66,794			3,091,849 3,109,607		3,158,643 3,176,401
Amounts owed to customers		424,261 424,261			10,520,225 10,539,673		10,944,486 10,963,934
Securitised liabilities		392,576 392,576			1,011,381 1,020,084		1,403,957 1,412,660
Provisions for liabilities and charges						322,049	322,049
Other liabilities			80,047 80,047			306,095	386,142
of which closed out derivatives positions in the banking book			35,151 35,151				35,151 35,151
Subordinated debt capital		407,702 407,702			252,797 256,082		660,499 663,784
Capital						2,282,763	2,282,763
Total equity and liabilities	**-** **-**	**1,291,333** **1,291,333**	**80,047** **80,047**	**-** **-**	**14,876,252** **14,925,446**	**2,910,907**	**19,158,539**

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

1) Euro 95.2 million in this item relate to equity interests and non-consolidated interests in associated companies shown at cost in the balance sheet.

Presentation of the fair value hierarchy for financial instruments carried at fair value				**Book value**					**Fair value**	
as at 31/12/2017 in €k	HtM	FV/PL	HFT	AfS	L&R / liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial instruments carried at fair value										
Loans and advances to customers	0	51,748	0	84,305	0	0	**136,053**	0	84,305	51,748
Trading assets	0	0	37,570	0	0	0	**37,570**	1,439	36,131	0
Financial assets - FV/PL	0	228,565	0	0	0	0	**228,565**	40,125	188,440	0
Financial assets - AfS	0	0	0	567,794	0	0	**567,794**	428,538	51,072	88,184[1)]
Other assets	0	0	124,609	0	0	0	**124,609**	0	124,609	0
of which closed out derivatives positions in the banking book	0	0	124,609	0	0	0	**124,609**	0	124,609	0
Financial assets not carried at fair value										
Loans and advances to credit	0	0	0	0	1,253,366	0	**1,253,366**	0	0	1,253,944
Loans and advances to customers	48,007	0	0	0	14,576,275	0	**14,624,282**	0	48,813	14,618,170
Financial assets - HtM	2,007,056	0	0	0	0	0	**2,007,056**	2,053,455	83,617	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	56,325	0	0	0	0	**56,325**	0	3,049	53,276
Amounts owed to customers	0	418,269	0	0	0	0	**418,269**	0	418,269	0
Securitised liabilities	0	419,608	0	0	0	0	**419,608**	0	419,608	0
Other liabilities	0	0	72,323	0	0	0	**72,323**	0	72,323	0
of which closed out derivatives positions in the banking book	0	0	40,475	0	0	0	**40,475**	0	40,475	0
subordinated debt capital	0	396,229	0	0	0	0	**396,229**	0	396,229	0
Financial liabilities not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	4,098,972	0	**4,098,972**	0	57,278	4,036,574
Amounts owed to customers	0	0	0	0	10,979,125	0	**10,979,125**	0	79,275	10,913,822
Securitised liabilities	0	0	0	0	948,642	0	**948,642**	0	958,841	0
Other liabilities	0	0	0	0	0	0	**0**	0	0	0
subordinated debt capital	0	0	0	0	232,874	0	**232,874**	0	228,009	0

[1)]This item is made up of equity investments whose market value 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	Book value							Fair value		
as at 31/12/2016 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	62,588	0	96,780	0	0	**159,368**	0	96,780	62,588
Trading assets	0	0	62,729	0	0	0	**62,729**	11,154	51,575	0
Financial assets - FV/PL	0	236,934	0	0	0	0	**236,934**	53,804	183,130	0
Financial assets - AfS	0	0	0	617,008	0	0	**617,008**	490,924	51,468	74,616[1)]
Other assets	0	0	170,047	0	0	0	**170,047**	0	170,047	0
of which closed out derivatives positions in the banking book	0	0	170,047	0	0	0	**170,047**	0	170,047	0
Financial assets not carried at fair value										
Loans and advances to credit	0	0	0	0	726,110	0	**726,110**	0	0	729,645
Loans and advances to customers	54,227	0	0	0	13,564,298	0	**13,618,525**	0	54,358	13,645,678
Financial assets - HtM	2,113,691	0	0	0	0	0	**2,113,691**	2,199,982	85,577	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	66,794	0	0	0	0	**66,794**	0	12,054	54,740
Amounts owed to customers	0	424,261	0	0	0	0	**424,261**	0	424,261	0
Securitised liabilities	0	392,576	0	0	0	0	**392,576**	0	392,576	0
Other liabilities	0	0	80,047	0	0	0	**80,047**	0	80,047	0
of which closed out derivatives positions in the banking book	0	0	35,151	0	0	0	**35,151**	0	35,151	0
subordinated debt capital	0	407,702	0	0	0	0	**407,702**	0	407,702	0
Financial liabilities not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	3,091,849	0	**3,091,849**	0	57,367	3,052,240
Amounts owed to customers	0	0	0	0	10,520,225	0	**10,520,225**	0	81,163	10,458,510
Securitised liabilities	0	0	0	0	1,011,381	0	**1,011,381**	0	1,020,084	0
Other liabilities	0	0	0	0	0	0	**0**	0	0	0
subordinated debt capital	0	0	0	0	252,797	0	**252,797**	0	256,082	0

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

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, these prices are used for the measurement (level 1). Where no such market prices are available, the fair value is determined using valuation models based on parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).

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

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

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

Input factors for the fair value measurement
The measurement of the fair value of financial instruments in level 1 is based on prices quoted on active markets. These instruments include listed securities and derivative instruments.

If direct measurement based on prices quoted on securities exchanges is not possible, the present value in level 2 is estimated using model values derived from current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are obtained from the Reuters Market Data System.
Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes options pricing model). Structured products are measured on the basis of price information obtained from third parties. The exchange rates used are the reference rates published by the ECB.
All derivative instruments are measured on a counterparty-risk-free basis in a first step. In a second step, a credit risk markdown is determined (credit valuation adjustment, CVA) based on the internal default probabilities of an expected loss.

The fair values of non-listed securities are obtained from the Geos system. The fair value of investment fund units is obtained from the fund management companies.
The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities and subordinated capital and borrower's note loans; the cash flows of own issues are calculated using the contractual interest rate.
The interest rates used for discounting are derived from the discount curve applicable for the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue.

The fair value of level 3 assets is measured using generally-accepted valuation models. In level 3, the discounted cash flow method is used to calculate the fair values of receivables and liabilities.
Discounted cash flows are calculated on the basis of future payment flows and the reference interest rate applicable on the respective closing date. The interest rates used for discounting are derived from the discount curve applicable to the respective currency. The exchange rates used are the reference rates published by the ECB.
For these financial instruments, no risk premiums commensurate with credit ratings are observable on the market.
If measurements based on risk premiums were to increase by 50 bp, loans and advances to customers valued at fair value would decline by EUR 0.9 million (pr. yr.: EUR 1.2 million), while amounts owed to credit institutions valued at fair value would increase by EUR 0.8 million (pr. yr.: Charges for losses on loans and advances cut by half to EUR 1.1 million

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

Financial assets in the AfS portfolio (participating interests and shares in affiliated companies) in the amount of €k 97,002 are recognised at cost. There is no active market for these instruments. Oberbank does not intend to sell these.
The following table shows the development of participating interests AfS measured at fair value and assigned to level 3. The fair value of these assets is measured using the discounted cash-flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method).

Movements in €k	**2017**	**2016**
Carrying value as at 01/01	74,616	80,424
Additions (purchases)	0	0
Disposals (sales)	0	-2,501
Value changes recognised in equity	13,568	-187
Value changes recognised in income	0	-3,120
Carrying value as at 31/12	**88,184**	**74,616**

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

	2017	**2016**
Realised gains	0	0
Value changes recognised in income	0	-3,120
	0	**-3,120**

The item Other comprehensive income from this type of instrument decreased by €k 10,176.

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
Equity investments available for	Discounting rate 5.40% - 8.47% (pr.yr. 5.25% - 8.52%), weighted average 5.81% (pr.yr. 5.59%)	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 possible change that may reasonably be expected in one of the key non-observable input factors, while leaving the other input factors unchanged, would have the following effects on other comprehensive income after taxes:

	31/12/2017		31/12/2016	
in €k	**Increase**	**Reduction**	**Increase**	**Reduction**
Discounting rate (0.25% change)	-2,169	1,503	-4,249	4,996

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

Movement in 2017 in €k	Loans and advances to customers	Amounts owed to credit institutions
Carrying value as at 01/01	62,588	54,740
Additions	0	0
Disposals (repayments)	-9,502	0
Changes in fair value	-1,338	-1,464
of which disposals	-123	0
of which portfolio instruments	-1,215	-1,464
Carrying value as at 31/12	**51,748**	**53,276**

Movement in 2016 in €k	Loans and advances to customers	Amounts owed to credit institutions
Carrying value as at 01/01	67,811	55,112
Additions	0	0
Disposals (repayments)	-5,023	0
Changes in fair value	-200	-372
of which disposals	-25	0
of which portfolio instruments	-175	-372
Carrying value as at 31/12	**62,588**	**54,740**

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

The result includes impairments of €k 52,480 (pr. yr.: €k 57,853) on loans and advances to customers. An amount of €k 51,327 (pr. yr: €k 56,218) thereof was added to specific valuation allowances, and direct write-offs amounted to €k 1,153 (pr. yr.: €k 1,635). The difference between the book value and the lower repayment values of financial liabilities recognised at fair value through profit or loss came to €k 112,298 (pr. yr.: €k 140,461). The company acquired no pledged properties intended for immediate resale in the reporting year. The non-interest-related cumulated change in the fair value of financial liabilities amounted to €k -11,393 (pr. yr.: €k -5,965), that of financial receivables to €k 171 (previous year €k 145). The periodic change of non-interest-related of financial liabilities amounts to €k -5,428, that of financial assets to €k 26. In this context, the change in fair value resulting from creditworthiness is determined as the change 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 assets gross	Gross amounts offset	Net amounts recognised	Amounts not recognised: Effects of netting arrangements	Amounts not recognised: Financial instruments pledged	Net
Assets as at 31/12/2017						
Loans and advances to customers	15,062,034	-301,699	14,760,335			14,760,335
Derivatives	159,426		159,426	-48,612	-64,670	46,144
Total	**15,221,460**	**-301,699**	**14,919,761**	**-48,612**	**-64,670**	**14,806,479**
Liabilities as at 31/12/2017						
Amounts owed to customers	11,699,093	-301,699	11,397,394			11,397,394
Central bank funds purchased and securities sold under repurchase agreements	1,799,597		1,799,597		-1,799,597	0
Derivatives	71,208		71,208	-48,612	-1,839	20,757
Total	**13,569,898**	**-301,699**	**13,268,199**	**-48,612**	**-1,801,436**	**11,418,151**
Assets as at 31/12/2016						
Loans and advances to customers	14,264,229	-486,336	13,777,893			13,777,893
Derivatives	220,106		220,106	-57,357	-84,181	78,568
Total	**14,484,335**	**-486,336**	**13,997,999**	**-57,357**	**-84,181**	**13,856,461**
Liabilities as at 31/12/2016						
Amounts owed to customers	11,430,822	-486,336	10,944,486			10,944,486
Central bank funds purchased and securities sold under repurchase agreements	777,119		777,119		-777,119	0
Derivatives	78,789		78,789	-57,357	-2,325	19,107
Total	**12,286,730**	**-486,336**	**11,800,394**	**-57,357**	**-779,444**	**10,963,593**

The column "Gross amounts offset" shows amounts for which offsetting is permitted pursuant to 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. Furthermore, standardised agreements such as ISDA contracts are entered into 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 settled net, while 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 agreements (Credit Support Annex) 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

Total remuneration to the Management Board recognised in the consolidated financial statements amounted €k 1,811.9 (pr. yr.: € 1,708.7). The variable component therein was €k 348 (prev. year €k 338).

Payments to former members of the Management Board and their surviving dependents amounted to € 1,235.1 (pr. yr.: € 1,226.0). Expenses (+) / income (-) 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 2,238.6 (pr. yr.: €k 1,084.2). These amounts include 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 EUR 150,000. The fixed basic salaries depend on the specific 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 additional quantitative and qualitative 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 of 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 be easily planned. For the remuneration paid out in 2016 for the year 2015, the amount was €k 350, and for the remuneration paid out in 2017 for 2016, the amount was €k 350.
Remuneration to be paid out in 2018 for 2017 is €k 370 and is recognised in the balance sheet as at 31/12/2017.
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 135 in 2016 and to €k 139 for 2017. 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 are additional personnel expenses.
The members of the Supervisory Board receive, besides the reimbursement of cash expenses incurred in connection with their function, a fee of EUR 150 per meeting and an annual emolument.

The amount of these emoluments was approved by the Annual General Meeting 2017 for the financial year 2017 and subsequent years until further notice as follows: EUR 24,000 for the chairperson, EUR 20,000 for each deputy and EUR 18,000 for the other board members.
The Annual General Meeting of 2017 set the annual emoluments for the members of the committees in remuneration for the work rendered by each committee member at EUR 6,000 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.
Remuneration of the Supervisory Board for the reporting year as recognised in the consolidated financial statements came to €k 281.3 (previous year: €k 220.7).

Loans were granted and guarantees were in place on behalf of the Supervisory Board of Oberbank AG in an amount of €k 1,168.5 (pr. yr.: €k 1,155.1). Loans in an amount of €k 202.2 (pr. yr.: €k 242.1) were granted to the members of the Management Board of Oberbank AG. These were subject to the customary terms and conditions.

Framework conditions of the 2017 employee stock option plan
Offer period: 22 May to 12 June 2017;
placing of orders until 12 June 2017;
Number of shares limited to 70,000 ordinary non-par value shares available for purchase and up to 17,500 ordinary non-par value shares allocated free of charge ("bonus shares").
Subscription price: exchange price as at 13 June 2017;
Maximum number of shares available for purchase: 152 shares;
Bonus share: one ordinary share was allotted free of charge as a bonus share per four ordinary shares purchased (model 4 + 1).

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. In the reporting year, the number of shares obtained by employees within this offering was 63,300 ordinary non-par value shares for purchase and 15,825 ordinary non-par value ordinary shares free of charge ("bonus shares"). The 15,825 preference shares acquired through the 2017 buyback programme for the purpose of issuing these to the eligible group of persons at no cost entailed expenses in an amount of €k 1,231.

2017 buyback programme
The share buyback programme for ordinary and preference shares was closed on 16 June 2017.
Within the buyback programme for ordinary shares, Oberbank, through the stock exchange and over the counter, repurchased a total of 80,456 ordinary non-par value shares between 6 June 2017 and 16 June 2017 which correspond to 0.2279% of the share capital. The weighted average price per ordinary share amounted to EUR 77.80; the highest price paid per ordinary share was EUR 77.80; the lowest price paid per ordinary share was EUR 77.80. The value of repurchased shares amounted to EUR 6,259,476.80.
On 19 June 2017, the Management Board of the Company decided to sell or assign 80,456 of the 80,456 shares, specifically 79,125 shares to employees (incl. Management Board) within the scope of the employee stock option plan of 2017 of which 63,300 shares were purchased by employees and 15,825 shares were bonus shares free of charge (model 4-1) and 1,331 shares went to the Management Board as the share-based remuneration of the Management Board pursuant to Article 39b Banking Act in compliance with the proposal submitted by the meeting of the Remuneration Committee of the Supervisory Board of Oberbank AG on 27 March 2017.
This decision as well as the sale of own shares are herewith published pursuant to § 65 para. 1a Joint Stock Companies Act in conjunction with § 82 paras. 8 and 9 Stock Exchange Act and pursuant to §§ 4 and 5 of the Disclosure Regulation 2002 and are available on the website of Oberbank AG at:
http://www.oberbank.at/OBK_webp/OBK/oberbank_at/Investor_Relations/ Oberbank_Aktien/
Aktienrueckkaufprogramm/index.jsp

Shares held by employees and the Management Board

As at 31 December 2017, employees (including retirees) and the Management Board held the following shares:

	Ordinary shares	Preference shares
Employees	1,214,037	61,453
thereof Management Board	20,116	1,119
Gasselsberger	11,155	886
Weißl	6,520	163
Hagenauer	2,441	70

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 2017, business transactions with related companies and persons were as follows:

in €k	Associates	Consolidated companies	Other related companies and persons[1)]
Business transactions			
Loans	1,084	0	45,457
Guarantees/collateral	766	438	0
Outstanding balances			
Receivables	124,484	28,081	48,416
Loans and advances to customers	132,097	30,747	14,450
Securities	33,723	0	0
Securities in preceding year	28,057	0	0
Payables	47,612	33,736	66,470
Payables	20,193	23,638	30,794
Guarantees/collateral	28,148	0	6,247
Guarantees/collateral in preceding year	39,916	0	12,280
Provisions for doubtful receivables	1,028	0	0
Provisions for doubtful receivables in previous year	402	0	0
Income items			
Interest	2,036	18	221
Commissions	318	1	513
Expenses			
Interest	2	0	26
Commissions	1	0	0
Allowances for doubtful receivables	867	0	0
Administrative expenses	0	0	0

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.

Guarantees/collateral comprise all types of collateral as are usual in the banking business. This item include liens, mortgages, guarantees as well as sureties and commitments to assume liability.

Loans comprise all loans granted to customers as are usual in the banking business (making liquid funds available). These include loans, credit lines and similar.

31) Segment Reporting

The basis for segment reporting is the Bank's internal segment 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 competence was 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 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 individual segment).
The equity allocated to the segments has been measured since the financial year 2016 on the basis of the average 10-year Swap rate calculated for the last 120 months and recognised in net interest income as income from equity investments. The distribution of the equity capital allocated is done in line with regulatory capital requirements for the segments.

Segment reporting Core business segments in €k	Personal	Corporate	Fin. Markets	Other	Total
Operating interest income	57,131	237,617	20,519		315,266
Equity method			72,210		72,210
Net interest income	57,131	237,617	92,729		387,476
Charges for losses on loans and advances	-8,030	-20,727	349		-28,408
Net commission income	65,665	74,997	-34		140,628
Net trading income		-307	10,254		9,947
Administrative expenses	-86,231	-133,178	-7,461	-39,375	-266,245
Other operating income	3,898	-23,542	21,613	-6,488	-4,520
Extraordinary profit/loss					
Profit for the period before tax	32,432	134,860	117,449	-45,863	238,878
Average risk-weighted assets	1,630,155	8,974,086	5,485,142		16,089,382
Average allocated equity	240,594	1,324,482	809,550		2,374,626
Return on equity before tax	13.5%	10.2%	14.5%		10.1%
Cost/income ratio	68.1%	46.1%	6.0%		49.9%
Cash and balances at central banks			845,105		845,105
Loans and advances to credit institutions			1,253,366		1,253,366
Loans and advances to customers	3,049,237	11,711,098			14,760,335
Loan loss provisions	-50,762	-298,323	-43,621		-392,706
Trading assets			37,570		37,570
Financial investments			3,726,371		3,726,371
of which Interest in entities accounted for using the equity method			825,954		825,954
Other assets				600,565	600,565
Segment assets	2,998,475	11,412,775	5,818,791	600,565	20,830,606
Amounts owed to credit institutions			4,155,297		4,155,297
Amounts owed to customers	5,158,203	6,239,191			11,397,394
Securitised liabilities			1,368,250		1,368,250
Trading liabilities			31,848		31,848
Equity and subordinated debt capital	313,672	1,726,778	1,055,442		3,095,892
Other liabilities				781,926	781,926
Segment liabilities	5,471,875	7,965,969	6,610,836	781,926	20,830,606
Depreciation/amortisation	4,031	5,846	116	2,276	12,270

As a regional bank, Oberbank has a geographically limited catchment area. Consequently, because it would be immaterial, there is no segmentation by region.

As of the financial year 2016, equity bears interest computed on the average ten-year SWAP rate of the last 120 months. The equity allocated was measured as at 31 December 2017 based on an interest rate of 2.31% (31/12/2016: 2.67%) and recognised in net interest income as income from equity investments.

32) Non-performing loans see note 41 "Credit risk"

33) Assets pledged as collateral	2017	2016
Cover pool for trust money in savings deposits	29,896	29,909
Cover pool for covered bank bonds	40,743	129,179
Cover pool for mortgage-backed covered bank bonds	819,053	724,926
Margin cover and collateral deposits for securities transactions and derivatives	106,998	35,997
Collateral for credit line with Euroclear	7,507	7,527
Collateral for EIB global loan facility	106,143	109,857
Securities and receivables for refinancing operations with OeNB	1,225,219	777,119
Securities held as collateral for the refinancing programme with the Hungarian National Bank	41,158	42,293
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	453,955	314,603
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Germany	884,714	596,148
Other assets furnished as collateral to CCP Austria GmbH as the clearing agent for stock market transactions	736	367
Assets pledged as collateral	3,716,122	2,767,926

Collateral was furnished in accordance with standard commercial practice and/or legal provisions.

34) Subordinated assets	2017	2016
Loans and advances to credit institutions	0	12,000
Loans and advances to customers	44,255	35,847
Bonds and other fixed-interest securities	30,640	32,080
Shares and other variable-yield securities	17,278	17,283
Other items	92,173	97,210

35) Foreign currency balances	2017	2016
Assets	2,797,776	2,321,785
Equity and liabilities	2,303,756	2,082,476

36) Fiduciary assets	2017	2016
Fiduciary loans	424,063	378,669
Fiduciary investments	0	0
Fiduciary assets	424,063	378,669

37) Genuine repurchase agreements	2017	2016
Securities underlying genuine repo agreements had a book value of	0	0

38) Contingent liabilities and commitments	2017	2016
Other contingent liabilities (guarantees and letters of credit)	1,441,004	1,383,567
Contingent liabilities	1,441,004	1,383,567
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,028,144	3,828,322
Credit risks	4,028,144	3,828,322

39) Group of consolidated companies

The following list presents the group of consolidated companies within the Oberbank Group as at 31 Dec. 2017.

Group parent
Oberbank AG, Linz

Consolidated entities	Percentage in %
3-Banken Wohnbaubank AG, Linz	80.00
3-Banken Wohnbaubank AG, Linz	80.00
Donaulände Garage GmbH, Linz	100.00
Donaulände Holding GmbH, Linz	100.00
Donaulände Invest GmbH, Linz	100.00
Ober Finanz Leasing gAG, Budapest	100.00
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	100.00
Oberbank airplane 2 Leasing GmbH, Linz	100.00
Oberbank Reder Immobilienleasing GmbH (formerly Oberbank Arsenal Immobilienleasing GmbH), Linz	100.00
Oberbank Bergbahnen Leasing GmbH, Linz (formerly Oberbank Airplane Leasing GmbH)	100.00
Oberbank Eugendorf Immobilienleasing GmbH, Linz	100.00
Oberbank FSS 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 KB Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Kfz-Leasing GmbH, 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 GmbH Bayern, Neuötting	100.00
Oberbank Leasing JAF Holz, s.r.o., Prag	95.00
Oberbank Leasing Palamon s.r.o., Prag	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., Prag	100.00
Oberbank LIV Immobilienleasing GmbH, Linz	100.00
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 TREI Immobilienleasing GmbH, Linz	100.00

Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100.00
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen (formerly Oberbank Leasing Bauhaus)	100.00
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	100.00
Oberbank Wiener Neustadt Immobilienleasing GmbH, 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, Wien	100.00

Entities accounted for by proportionate consolidation	Share in %
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	50.00

Associated companies accounted for using the equity method	Share in %
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	13.22
BKS Bank AG, Klagenfurt	18.52
Drei Banken Versicherungsagentur GmbH, Linz (formerly Drei-Banken Versicherungs-AG)	40.00
voestalpine AG, Linz	8.14

Non-consolidated entities	Share in %
A. SUBSIDIARIES	
„AM" Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
Banken DL Servicegesellschaft m.b.H., Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
DPI S.A., Luxemburg (formerly: Duktus S.A., Luxemburg)	57.50
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxemburg	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 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 Vertriebsservice GmbH, Linz	100.00
Oberbank V-Investholding GmbH, Linz	100.00
Samson České Budějovice spol. s r.o., Budweis	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
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	40.00
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	49.00
Buy-Out Central Europe II Beteiligungs-Invest AG i. A., Vienna	24.85
NIELMOS Beteiligungs GmbH, Wien (fomerly Cycleenergy Beteiligungs GmbH)	26.28
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz[1)]	40.00
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxemburg	33.11
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	30.20
Herold NZ Verwaltung GmbH, Mödling	24.90
LHL Immobilien Beteiligungs-GmbH in Liquidation, Linz	50.00
MY Fünf Handels GmbH, Vienna	50.00
OÖ HightechFonds GmbH, Linz	24.70
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50
Nutzfahrzeuge Beteiligung GmbH, Vienna	36.94
Umlauft Textilservice GmbH	23.82

1) Die DREI-BANKEN-EDV Gesellschaft m.b.H. was renamed 3 Banken IT GmbH in January 2018.

Information on subsidiaries

As regards accounting methods see item 2) in the Notes to the consolidated financial statements, section Summary accounting policies.
The table below presents a list of the key subsidiaries of the Oberbank Group in 2017 and 2016.

Name	**Country of main activity**	**Equity interest in %**	
		2017	**2016**
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	100.00
Oberbank Leobendorf Immobilien Leasing GmbH	Austria	100.00	100.00
3 Banken Kfz-Leasing GmbH	Austria	80.00	80.00
Oberbank Leasing GmbH	Austria	100.00	100.00
Oberbank Leasing GmbH Bayern	Germany	100.00	100.00
Oberbank Leasing spol.s.r.o.	Czech Rep.	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
Oberbank Hybrid 2 GmbH	Austria	100.00	100.00
Donauländе Invest GmbH	Austria	100.00	100.00

As at 31 Dec. 2017, 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 statements, section Summary accounting policies.

The Oberbank Group has four associated companies accounted for by 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% vs. 18.52%	13.22% vs. 13.22%	8.14% vs. 7.64%
Fair value of ownership share (if listed)	€k 130,664 (2016: €k 123,156)	€k 93,450 (2016: €k 76,341)	€k 715,733 (2016 €k 498,164)

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 information is based on the respective group financial statements compiled in accordance with IFRS.

	Credit institutions		Other	
in €k	**2017**	**2016**	**2017**	**2016**
Revenues	467,836	498,182	12,189,000	10,689,800
Profit/loss from continuing operations	135,791	104,229	682,200	415,200
Profit/loss after taxes from discontinued operations	0	0	0	0
Other comprehensive income	31,933	-1,347	68,600	-85,000
Total income	167,724	102,882	750,800	330,200
short-term assets	1,214,565	1,304,332	6,631,000	5,505,200
long-term assets	16,791,288	15,797,924	8,505,400	8,569,600
short-term debts	2,206,796	2,130,674	4,089,800	3,683,900
long-term debts	13,407,857	12,875,628	4,862,800	4,780,400
Group's share in the net assets of associated companies at the beginning of the year	325,584	306,425	385,198	374,079
Profit/loss attributable to parent company	26,259	10,975	56,940	25,146
Dividends received in the reporting year	2,779	2,626	15,795	14,027
Additions in the reporting year	9,861	10,810	37,394	0
Group's share in the net assets of associated companies at the end of the year	358,925	325,584	463,737	385,198

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 included mainly because of the sustained strategic substance of its shareholder structure and the associated possibility of exerting a significant influence. 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.
The effects, if given, of significant transactions between the reporting date and the date of the consolidated financial statements were taken into account.
Bank für Tirol und Vorarlberg Aktiengesellschaft carried out a capital increase in the second quarter of 2017, which, however, had no impact on the percentage of the holding in the company.
Furthermore, one associated company which is not of material importance in terms of the above disclosures was recognised applying the equity method. The profit/loss from continuing operations attributable to this company amounted to €k -2,143 (pr. yr.: €k 7,175).

The associates not included in the consolidated financial statements reported the following figures as at the balance sheet date (Austrian Business Code):

in €k	2017	2016
Assets	239,629	250,641
Liabilities	141,531	143,970
Revenues	151,668	140,749
Profit/loss for the period	8,497	4,654

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

Disclosures regarding jointly controlled operations
As regards accounting methods see item 2) in the Notes to the consolidated financial statements, section Summary accounting policies.
The Oberbank Group holds a 50% 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 providing a guarantee for large loan exposures of the company 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 non-consolidated structured entities

Nature, purpose and extent of the Group's interest in non-consolidated 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. Some 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. These relate to business activities with investment fund units in which the Oberbank Group has invested. They serve 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, contracts, 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 from changes in the value of the securities held. Dividends are reported 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 deposited 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 non-consolidated 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.

Finance support
During the financial year, the Oberbank Group provided no support to non-consolidated structured entities other than that those 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	2017	2016
Financial assets - FA/PL		
Financial assets - FV/PL	22,190	22,833
Consolidated net profit		
Other operating income	4,042	4,397
Net income from financial assets - FV/PL	-637	-1,093
Other operating income	4,679	5,490
Maximum exposure to loss	**22,190**	**22,833**

Risk Report

40) Overall risk management

Risk strategy

Knowingly assuming risks is a key element of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term.
Responsibility for defining the Group's central risk management strategy, the risk management and the risk controlling throughout the Oberbank Group lies with Oberbank AG.
The basis for the risk strategy of Oberbank is the Bank's positioning 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, 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.

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 Strategic Risk Management unit of the Bank is responsible for integrating the individual risk types into the overall bank risk as the steering basis for the Asset/Liability Management (ALM) Committee. The Management Board member responsible for risk management is the chair of the Committee and is has a veto right in the decision-making process relating to risk exposure. 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 stipulated by the Banking Act (§ 39 (5)) is the responsibility of the Strategic Risk Management department. This unit has a complete overview of the existing risk types and their magnitude as well as of the risk situation of the Bank; it measures, analyses and monitors and reports on all material risks of Oberbank. The reporting line is to the Supervisory Board, the Management Board, the ALM Committee as well as to the respective department heads and employees. The Strategic Risk Management department is also involved in preparing the risk strategy.

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 and bodies 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 twice a year.

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 of the Bank and the pertinent control measures are consistently documented. Responsibilities and functions relating to the ICS are clearly defined. Internal control activities are reported regularly in a multi-layered process regarding efficacy and maturity. Control activities are documented and reviewed and ICS-relevant risks are regularly evaluated and adjusted. This ongoing optimisation process contributes to quality assurance. The Internal Audit department of Oberbank AG serves as an independent monitoring 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 work instructions.

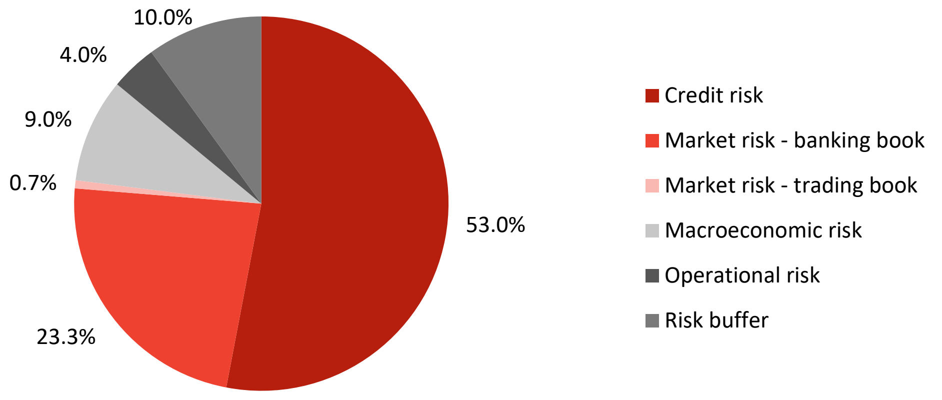
Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

Oberbank has chosen the Internet as the publicly accessible medium for disclosures required pursuant to Part 8 CRR. Disclosures are available at the Oberbank websitewww.oberbank.at (under “Investor Relations”).

Overall risk management process

At Oberbank AG, compliance with the regulatory requirements for qualitative risk management resulting from the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) is ensured by the calculation of the risk-bearing capacity as well as by a system of reports and limits for liquidity management. The basis for the assessment of the Bank's risk-bearing capacity is a quantification of all material banking risks and the economic capital allocated to each of them. Within the framework of the risk-bearing capacity 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. 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-bearing capacity 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.

Share of assigned risk limits in total available capital



On 31 Dec. 2017, limit utilisation stood at 52.2% (31/12/2016: 54.3%). The credit risk limit was utilised to 56.4% (31/12/2016: 55.1%), the limit for market risk in the banking book to 47.8% (31/12/2016: 62.7%), the market risk limit in the trading book to 47.2% (31.12.2016: 16.8%), the limit for the macro-economic risks to 36.1% (31/12/2016: 31.2%) and the limit for operational risk to 60.1% (31/12/2016: 60.7%).

Effects of stress scenarios

Oberbank complements the risk-bearing capacity 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 of GDP growth, increase in unemployment and business failures, dropping prices on stock markets and real estate markets, etc.). In the crisis scenario, Oberbank simulates the heightened default probability for loans, declines in stock prices and declines in the value of real estate.

The overall bank limit was not exceeded in any of the scenarios as at 31 December 2017. The overall limit utilisation in the crisis scenario of Oberbank was 65.0% (31/12/2016: 63.1%).

Responsibility for the Group's risk management by risk category

Credit risk: The management of credit risk is the responsibility of the Credit Management department. 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 as a whole is 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: Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned 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: A special committee with responsibility for the management of operational risk 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. The management of operational risks is performed 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.

Liquidity risk: The 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 concentration

Risk concentrations constitute a concentration risk with a potential to cause losses large enough to threaten the stability of a financial institution 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 calculation of the risk-bearing capacity.
- 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 a crucial factor especially in 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 in credit risk is taken into account within the framework of the risk-bearing capacity 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-interest bearing securities amounted to 18.22% (pr. yr.: 13.93%). Around 88% of the 18.22% are for receivables from the public sector of which around half from the federal government.
Concentration broken down by sovereign and sector reflects the risk and business strategy as a regional universal bank and is presented in the tables in note 41 – as well as further quantitative information on concentration risk.
The volume of each large-loan exposures was far below the regulatory cap in the reporting period.

41) Credit risk

Credit risk is understood to mean the risk of a borrower's full or partial failure to fulfil the contractually-agreed payment obligations. 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 credit management encompasses credit risks, country risks and counterparty risks, foreign currency risk as well as transfer and concentration risk. Oberbank has no business in the field of securitisation in its portfolio.

Credit risk strategy

The Bank's credit risk strategy is based on the regionality principle (i.e. domicile of lending customers are in the regions covered by the branch network) taking into consideration the specific risk (limits) allocated to the credit risk.
In Austria and in the German business areas, the principal focus is on lending to industry and small and medium-sized enterprises. In the Czech Republic, Hungary and Slovakia, Oberbank lends mainly to small- and medium-sized businesses. Operational risk targets are defined jointly by the Management Board together 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. The volume of foreign currency loans is limited to 5% of the total volume of loans to customers and to 7% of the volume of personal loans. Effective January 2013, new foreign currency loans to consumers became 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 defined and standardised work processes are in place to avoid redundancies, which creates 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 and 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 is a central prerequisite for effective credit risk management with the aim of fair and risk-adequate pricing in the lending business of a bank. In fact, Oberbank considers its credit rating process as one of the Bank's core competences. In the corporate banking business, these assessments are performed using credit rating processes developed with statistical methods. The same is true for the rating of existing business in the personal banking segment as well as for application ratings in the personal banking business in Austria and Germany.

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.). It additionally takes into account warning signals and account data to arrive at the final rating. The scoring procedures for new individual customers include an application scoring (negative information, income and structural data) and for existing customers of an automated follow-up scoring (account behaviour, income and structural data). All rating and scoring procedures serve to establish the estimated probability of default per customer. This default probability is mapped out on a master scale. 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 procedures are validated annually. The resultant findings are used as a basis for the ongoing further development and optimisation of the rating system.

Credit ratings of credit institutions and sovereigns 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 authority to approve 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 terms).

Risk management and controlling

The operational management of the credit portfolio is based primarily 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 the soft facts taken into account in the rating process. The frequency of these talks is increased in years of crisis. This enables the Bank to adjust customers' credit ratings to their actual business situations very quickly in critical years.

Drafting of the listing prospectus

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.

in €k	Exposure as at 31/12/2017	Exposure as at 31/12/2016
Loans and receivables	16,410,328	14,800,314
Fixed-income securities	2,464,683	2,639,454
Credit risks from derivatives and contingent liabilities	5,618,490	5,470,523
Exposure	**24,493,501**	**22,190,290**

Distribution by credit rating

The rating category "very strong" includes 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. The 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 stable-value collateral, non-performing loan exposures included EUR 29.7 million (previous year: EUR 48,3 million) in non-impaired receivables in the reporting year.

Rating category as at 31/12/2017 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Very strong	7,715,753	2,313,681	3,004,230	13,033,665
Strong	7,925,880	141,001	2,449,470	10,516,351
Weak	358,558	10,001	107,167	475,726
Non-performing	410,137		57,623	467,760
Total exposure	**16,410,328**	**2,464,683**	**5,618,490**	**24,493,501**

Rating category as at 31/12/2016 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Very strong	6,412,863	2,386,180	3,239,764	12,038,806
Strong	7,507,884	243,109	2,092,144	9,843,136
Weak	389,908	9,991	89,894	489,793
Non-performing	489,659	174	48,721	538,555
Total exposure	**14,800,314**	**2,639,454**	**5,470,523**	**22,910,290**

Distribution 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. 2017 and 31 Dec. 2016 by Oberbank markets and other regions.

Geographic distribution as at 31/12/2017 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Austria	10,083,197	1,040,002	4,291,171	15,414,371
Germany	2,855,829	293,848	869,624	4,019,301
Eastern Europe (CZ, HU, SK)	3,055,821	121,009	302,695	3,479,526
Western Europe (ex Germany)	210,667	269,084	99,272	579,023
PIGS countries	22,365	68,110	34,198	124,673
Other countries	182,448	672,630	21,529	876,607
Total exposure	**16,410,328**	**2,464,683**	**5,618,490**	**24,493,501**

Geographic distribution as at 31/12/2016 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Austria	9,043,146	1,113,280	4,218,156	14,374,582
Germany	2,762,852	353,809	877,884	3,994,545
Eastern Europe (CZ, HU, SK)	2,383,004	107,252	230,369	2,720,624
Western Europe (ex Germany)	326,987	335,484	88,108	750,579
PIGS countries	16,212	101,844	38,502	156,558
Other countries	268,113	627,785	17,505	913,402
Total exposure	**14,800,314**	**2,639,454**	**5,470,523**	**22,910,290**

The table below shows the PIGS countries in detail:

as at 31/12/2017 in €k	Loans and advances to credit institutions and customers	Loans and receivables to sovereigns	Fixed-income	Credit risk from derivatives and contingent liabilities	Total
Portugal	0	-	0	33,104	33,104
Italy	11,828	-	31,547	726	44,102
Greece	152	-	0	14	166
Spain	10,384	-	36,563	354	47,302
Total exposure	**22,365**	**-**	**68,110**	**334,198**	**124,673**

as at 31/12/2016 in €k	Loans and advances to credit institutions and customers	Loans and receivables to sovereigns	Fixed-income securities	Credit risk from derivatives and contingent liabilities	Total
Portugal	0	-	0	33,590	33,590
Italy	12,476	-	31,830	3,795	48,101
Greece	205	-	0	11	217
Spain	3,531	-	70,014	1,105	74,650
Total exposure	**16,212**	**-**	**101,844**	**38,502**	**156,558**

Distribution by sector

The following tables show the overall credit risk volume as at 31 Dec. 2017 and as at 31 Dec. 2016 broken down by sector.

Sector as at 31/12/2017 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	714,013	935,980	252,181	1,902,175
Public sector	2,295,463	1,327,991	166,725	3,790,180
Raw materials processing	639,945	28,595	320,809	989,350
Metals processing	789,487	47,051	602,279	1,438,817
Goods manufacturing	792,392		476,686	1,269,079
Trade	1,356,790		937,537	2,294,327
Services	2,043,910	50,132	539,520	2,633,561
Construction	631,458	6,096	620,728	1,258,282
Real estate	1,213,806		222,220	1,436,026
Transport	633,310		144,897	778,207
Utilities	147,862	12,520	109,787	270,168
Agriculture and forestry incl. mining	115,737		15,405	131,142
Holding and investment companies	844,376	56,318	415,352	1,316,047
Individuals and self-employed	3,271,107		595,708	3,866,815
Other	920,673		198,655	1,119,328
Total exposure	**16,410,328**	**2,464,683**	**5,618,490**	**24,493,501**

Sector as at 31/12/2016 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	921,407	961,976	321,329	2,204,712
Public sector	1,224,694	1,451,125	203,120	2,878,939
Raw materials processing	532,937	28,536	408,901	970,375
Metals processing	724,444	41,678	555,176	1,321,299
Manufacture of goods	832,925	10,554	377,454	1,220,934
Trade	1,376,386		933,198	2,309,584
Services	1,838,733	20,095	520,518	2,379,345
Construction	569,310	8,601	560,985	1,138,896
Real estate	1,037,565		172,585	1,210,151
Transport	605,724		135,291	741,015

Utilities	188,742	12,846		122,359	323,947
Agriculture and forestry incl. mining	110,707			14,960	125,667
Holding and investment companies	778,912	93,940		366,629	1,239,481
Individuals and self-employed	3,122,203			560,646	3,682,849
Other	935,624	10,104		217,369	1,163,097
Total exposure	**14,800,314**	**2,639,454**		**5,470,523**	**22,910,290**

Collateral assets

Strategies and processes applied in valuating and managing collateral securities

Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the threat of cover shortfalls poses high demands with respect to the 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 exclusively by the respective back-office central credit management groups of the subsidiary BDSG.

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 has 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 management principles have been defined as to guarantee legally sound assignment of credit collateral and to ensure that, if necessary, 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. With respect to personal guarantees, no material correlations between the guarantor and the lender are permitted. 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 entity. An upward adjustment of a valuation is only possible in well-founded exceptional cases and is done by the back office.

The currently applicable valuation principles are derived from estimates based on debt collection and 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 it is up to date; collateral in the form of mortgage collateral 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-date status and legal enforceability as collateral accepted under Basel III.

Property pledged as collateral plays a subordinated role. Reported financial assets include the amount of €k 0 (pr. yr.: €k 759) from the acquisition of real property pledged as collateral. Oberbank only acquires property pledged as collateral when 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. In the reporting period, collateral assets with a volume of EUR 759,000 were liquidated that meet the recognition criteria of IFRS.

Types of collateral

The most important types of collateral are mortgages on residential real estate and commercial property, financial collateral (cash deposits, bonds and shares) as well as personal pledges (sureties, guarantees). The exposure type "Loans and receivables" accounts for the major portion of collateral assets at 87.76% (pr. yr.: 85.85%); the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" with 9.45% (pr. yr.: 9.80%) and "Fixed-rate securities" with 2.79% (pr. yr.: 4.35%).

The table below shows the reported value of eligible collateral to secure corporate exposures established within the framework of ICAAP quantification of credit risks.

Collateralised exposure value in €k	31/12/2017	31/12/2016
Financial collateral	**1,260,894**	**1,171,183**
Cash deposits	1,081,613	987,413
Bonds	69,948	76,924
Shares and other variable-yield securities	109,334	106,847
Real estate collateral	**5,211,129**	**4,739,518**
Residential real estate	2,502,667	2,274,828
Commercial property	2,708,462	2,464,690
Physical collateral	**825,531**	**687,260**

Personal guarantees accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 89.4% (previous year: 80.0%) of the entire volume of personal guarantees, are listed below.

as at 31/12/2017 in €k	Standard & Poor´s rating	Collateralised exposure	in %
Personal collateral		**737,542**	**100%**
of which Austria	AA+	465,402	63.1%
of which province of Upper Austria	AA-	58,329	7.9%
of which Land Nordrhein-Westfalen	AAA	45,837	6.2%
of which Germany	AAA	41,187	5.6%
of which Province of Lower Austria	AA-	35,465	4.8%
of which Belgium	AA	12,925	1.8%

as at 31/12/2016 in €k	Standard & Poor´s rating	Collateralised exposure	in %
Personal collateral		**870,006**	**100%**
of which Austria	AA+	441,344	50.7%
of which province Upper Austria	AA-	64,145	7.4%
of which Germany	AAA	51,590	5.9%
of which of which municipality of Graz		50,000	5.7%
of which Land Nordrhein-Westfalen	AA-	44,657	5.1%
of which Province of Lower Austria	AA	43,899	5.0%

Impairment provisions and non-performing loans

Impairment allowances and 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.

Specific impairment allowances are set aside pursuant to IAS 39.63 using the discounted cash-flow method. For all non-performing loans of minor significance, a lump sum specific impairment allowance is created for the shortfall. The impairment allowance covers 100% of the shortfall for loans already terminated. For the remaining amount, from 20% to 100% of the shortfall is applied as specific impairment allowance.

Losses incurred but not reported are accounted for by setting up portfolio impairment allowances in accordance with IAS 39.64. The latter are calculated by multiplying the non-collateralised customer exposures by the probabilities of default per rating class.

The total impairment allowance balance is disclosed as a deduction on the assets side of the balance sheet (impairment account). 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 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 decreased by EUR 3.4 million to EUR 28.4 million versus the year 2016.

Movements in impairment provisions (income statement view)

in €k	31/12/2017	31/12/2016
Allocated to loan loss provisions	133,020	93,733
Reversals of loan loss provisions	-102,997	-68,555
Direct write-offs of receivables	1,154	1,635
Recoveries of written-off receivables	-2,769	-2,878
Attributable to entities accounted for by proportionate consolidation	0	1,091
Total	**28,408**	**25,026**

Movements in impairment provisions (balance sheet view)

in €k	As at 01/01/2017	+ Additions	Reversed	Used	Other effects[2)]	As at 31/12/2017
Specific impairm. allowances for receivables from credit institutions	2,846	0	-2,745	0	-101	0
Specific impair. allowances for receivables from customers	255,231	60,491	-73,160	-47,396	250	195,416
Portfolio impairment provisions under IAS 39	194,438	2,852	0	0	0	197,290
Loan loss provisions[1)]	**452,515**	**63,343**	**-75,905**	**-47,396**	**149**	**392,706**
Provisions for credit risks	98,109	69,677	-27,092	-726	1,493	141,461
Total impairment provisions	**550,624**	**133,020**	**-102,997**	**-48,122**	**1,642**	**534,167**

1) Loan loss provisions are recognised in line item 4 on the asset side of the balance sheet.
2) Effects of currency fluctuations €k +1,123 and effects from proportionate consolidation €k +519.

The Oberbank Group's maximum default risk arises from the receivables recognised on the balance sheet item Cash and balances at central banks and 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 24,494 million (pr. yr.: EUR 22,910 million). This value contrasts with a total of EUR 8,149.1 million (pr. yr. EUR 7,708.0 million) of which EUR 169.7 million (pr. yr. EUR 194.3 million) for impaired and non-performing loans and advances. Interest and similar income includes an amount of EUR 8.4 (pr. yr.: EUR 10.1) from impaired 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 assets are presented in note 2 “Summary of accounting policies”.

Non-performing loans

Assets are classified as non-performing if a default definition within the meaning of Basel III applies: A material financial obligation is more than 90 days overdue or full repayment is improbable. The following criteria are an indication that a claim is unlikely to be settled:

1. Giving up ongoing interest;
2. A specific impairment provision (specific valuation allowance or provisions for credit risks) has to be set up due to a marked deterioration of the debtor’s credit quality;
3. The credit exposure requires restructuring;
4. Initiation of collection procedures because of inability or unwillingness to pay or fraud or for other reasons
5. Factoring with material losses due to deteriorated credit rating;
6. Insolvency.

Assets that meet these criteria are recognised in the category of non-performing loans and form part of the balance sheet items below. The development of the key indicators "non-performing loans ratio" and "coverage ratio" is shown in the table below.

in €k €[1]	NPL before deduction of specific valuation allowance		NPL after deduction of specific valuation allowance	
Balance sheet item[2]	**31/12/2017**	**31/12/2016**	**31/12/2017**	**31/12/2016**
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	414,775	486,427	219,359	228,350
Non-performing loans ratio gross	2.59%	3.35%	-	-
Non-performing loans ratio net	-	-	1.40%	1.63%

1) The figures given are carrying values.
2) Fixed-income securities are no longer included in the recognition of non-performing loans. The NLP ratio net stated in the preceding year was 1.37% (calculated including fixed-interest securities).

The credit risk volume from non-performing receivables and impairment provisions as well as collateral assets by sector is shown in the table below.

Sector as at 31/12/2017 in €k	Non-performing	Specific impairment provisions	Provisions for credit risks	Collateral
Credit and insurance industry	331	64	0	267
Public sector	112	112	0	0
Raw materials processing	23,261	10,750	6,678	6,260
Metals processing	64,715	17,298	14,979	25,474
Manufacture of goods	23,553	18,814	3,228	3,193
Trade	79,753	29,669	11,704	34,855
Services	100,432	27,245	20,662	41,389
Construction	30,131	17,490	4,756	5,508
Real estate	10,833	7,716	956	2,744
Transportation	7,758	4,475	1,357	1,127
Utilities	11,308	5,390	3,118	2,657
Agriculture and forestry incl. mining	1,878	1,261	120	437
Holding and investment companies	25,458	11,539	3,824	10,405
Individuals and self-employed	75,137	39,266	185	29,640
Other	13,099	4,327	1,927	5,742
Impairment provisions not assignable to a specific sector			67,967	
Total	**467,760**	**195,416**	**141,461**	**169,698**

Sector as at 31/12/2016 in €k	Non-performing	Specific impairment provisions	Provisions for credit risks	Collateral
Credit and insurance industry	2,895	2,885		
Public sector	111	111		
Raw materials processing	16,752	9,487	544	4,836
Metals processing	50,991	19,565	4,177	13,875
Manufacture of goods	72,704	27,255	798	32,572
Trade	116,284	50,168	6,126	46,908
Services	86,634	40,736	9,962	35,122
Construction	32,988	18,624	7,468	9,449
Real estate	11,647	9,814	545	1,355
Transportation	10,237	7,841	828	2,342
Utilities	12,712	9,839	602	1,707

Agriculture and forestry incl. mining	2,861	1,583	41	958
Holding and investment companies	24,071	11,263	1,974	9,314
Individuals and self-employed	81,365	41,338	699	30,843
Other	16,303	7,567	3,762	5,030
Impairment provisions not assignable to a specific sector			60,581	
Total	**538,555**	**258,077**	**98,109**	**194,312**

The table below shows non-performing receivables, impairment provisions and collateral assets by region.

Geographic distribution as at 31/12/2017 in €k	Non-performing	Specific impairment provisions	Loan loss provisions	Collateral
Austria	264,511	84,421	53,090	105,928
Germany	114,228	65,283	18,854	32,712
Eastern Europe (CZ, HU, SK)	80,852	42,335	1,550	26,281
Western Europe (ex Germany)	401	81	0	317
PIGS countries	8	7	0	0
Other countries	7,761	3,289	0	4,459
Impairment provisions not assignable to a specific region			67,967	
Total	**467,760**	**195,416**	**141,461**	**169,698**

Geographic distribution as at 31/12/2016 in €k	Non-performing	Specific impairment provisions	Loan loss provisions	Collateral
Austria	330,994	130,166	27,295	126,560
Germany	108,836	64,257	10,132	39,221
Eastern Europe (CZ, HU, SK)	86,172	51,225	102	28,505
Western Europe (ex Germany)	4,622	4,582		27
PIGS countries	88	8		0
Other countries	7,842	7,839		0
Impairment provisions not assignable to a specific region			60,581	
Total	**538,555**	**258,077**	**98,109**	**194,312**

In addition, in accordance with IAS 39 there is a general impairment allowance for performing categories in a volume of €k 197,290 (pr. yr.: €k 194,438).

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 31/12/2017 in €k[1)]

Overdue for	Loans and receivables	Credit risks from derivatives and contingent liabilities	Total
Less than 30 days	95,579	16,174	111,753
from 30 to 60 days	11,429	178	11,607
from 60 to 90 days	9,565	175	9,740
Total	**116,573**	**16,527**	**133,100**

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.

as at 31/12/2016 in €k[1)]			
Overdue for	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	158,401	23,230	181,630
from 30 to 60 days	23,050	275	23,324
from 60 to 90 days	1,060	352	1,412
Total	**182,511**	**23,856**	**206,367**

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 exposure is examined in advance as to whether it is to be considered in default. If this is the case, the customer is downgraded to non-performing status and a specific impairment provision is set up for the unsecured part of the exposure.
If there is no default and an thorough analysis of the economic situation shows that the chosen solution will ensure that the customer will be able to meet his/her financial obligations in the future, then a deferment or other concession may be granted.

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.

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 deferments being granted or other contractual concessions.

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

Deferment / respite in €k	As at 31/12/2016	No longer categorised as deferment / respite	Decline in volume[1)]	Newly categorised as deferment / respite	As at 31/12/2017	Interest received in the reporting period
Term extension	78,425	2,379	15,941	15,251	75,356	1,842
Deferment	31,434	4,288	11,092	11,236	27,290	747
Waiver of other contractual rights	22,834	107	8,596	9,857	23,988	619
Restructuring	36,782	5,315	17,549	8,008	21,926	556
Other	1,329	725	241	40	403	3
Total	**170,803**	**12,814**	**53,416**	**44,391**	**148,964**	**3,766**

1) Due to repayments, principal repayments

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

as at 31/12/2017 in €k			
Rating category	**Exposure**	**Impairment provisions[1)]**	**Collateralised exposure**
Very strong			
Strong	31,019	271	22,206
Weak	36,993	2,899	25,185
Non-performing	80,952	51,243	19,664
Total	**148,964**	**54,412**	**67,055**

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

as at 31/12/2016 in €k			
Rating category	**Exposure**	**Impairment provisions[1)]**	**Collateralised exposure**
Very strong	8,305	134	5,413
Strong	41,378	487	30,673
Weak	19,529	1,534	16,664
Non-performing	101,591	45,722	31,012
Total	**170,803**	**47,878**	**83,012**

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 AG are the stakes in BKS and BTV with which it forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only when this serves the banking business, i.e. if their activities are a direct extension of banking activities or constitute services ancillary to banking. This segment, among others, includes the following equity investments of Oberbank:

- 3 Banken-Generali Investment-Gesellschaft m.b.H.;
- DREI-BANKEN-EDV Gesellschaft m.b.H. (since 24/1/2018 3 Banken IT GmbH);
- Banken DL Servicegesellschaft 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’ 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.

In the 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.

Where new equity investments are to be made, analyses are performed in order to gain as complete a picture as possible of the entity's earning power, strategic fit and legal position.

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

as at 31/12/2017 in €k	Carrying amounts	
Groups of equity instruments by valuation type	Book value	Fair value
Available for sale		
Exchange-traded	14,312	14,312
Non-exchange traded	185,186	185,186
Fair value through profit and loss		
Non-exchange traded	22,190	22,190
Interests in entities accounted for by the equity method		
Exchange-traded	822,661	939,846
Non-exchange traded	3,293	3,293
Total	**1,047,642**	**1,164,827**

as at 31/12/2016 in €k	Carrying amounts	
Groups of equity instruments by valuation type	Book value	Fair value
Available for sale		
Exchange-traded	11,492	11,492
Non-exchange traded	169,845	169,845
Fair value through profit and loss		
Non-exchange traded	22,833	22,833
Interests in entities accounted for by the equity method		
Exchange-traded	710,782	697,661
Non-exchange traded	5,950	5,950
Total	**920,902**	**907,781**

43) Market risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in prices and interest rates 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

Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries.

Within Oberbank, the management of market risks is split between two competent bodies, 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. Strategic Risk Management is in charge of the daily calculation of value-at-risk, daily limit control and daily reporting of the risk and earnings situation to the Management Board and to the Global Financial Markets department.

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

Value at risk 2017 in €k				
31/12/2016	MAX	MIN	Average	31/12/2017
869	2,918	531	1,554	1,822

Value at risk 2016 in €k				
31/12/2015	MAX	MIN	Average	31/12/2016
1,617	1,767	869	1,153	869

The quality of the statistical model is checked by back-testing, i.e. comparing the estimated 1-day values at risk with the actual results. As shown in the chart below of the back-testing time series for the reporting year, there were no outliers.

Backtesting by VaR model 2017 in €k

Besides value-at-risk limits, measures to limit exposure also include risk-reducing 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 31/12/2017	Volume as at 31/12/2016
AUS	83	-9
CHF	32	1,394
USD	-4,086	-408
GBP	316	305
HUF	-3,629	-871
SEK	85	28
CAD	101	151
CNY	-77	-89
DKK	54	55
RON	-6	14
HKD	25	28
HRK	19	21
NOK	35	-3
PLN	-20	94
RUB	-161	-12
JPY	39	500
TRY	5	29
CZK	-10,638	-3,738
Other currencies long	226	413
Other currencies short	-129	-93
Gold	1,914	1,753

The determination of market risk for which the Global Financial Markets department is responsible for the liquidation approach in the Internal Capital Adequacy Assessment Process (ICAAP) is done using the aforementioned model, but with a uniform confidence level of 99.9% and holding period of 90 days. As at 31 December 2017, the market risk in the area of responsibility of Global Financial Markets was EUR 11.1 million (pr. yr.: EUR 5.5 million).[1)]

[1)] In 2017, the model was changed (uniform confidence level in the ICAAP liquidation approach was 99.9% instead of 99%). This change to the model resulted in a change in the risk value of EUR +5.7 million.

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), for strategic stock and investment fund positions in the banking book as well as the credit spread risk.

Das ALM Committee meets once every month. Members of the Committee are the Management Board members responsible for risk management as well as representatives of the departments Strategic Risk Management, Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Corporate Secretary & Communication, Internal Audit and the Compliance Unit.

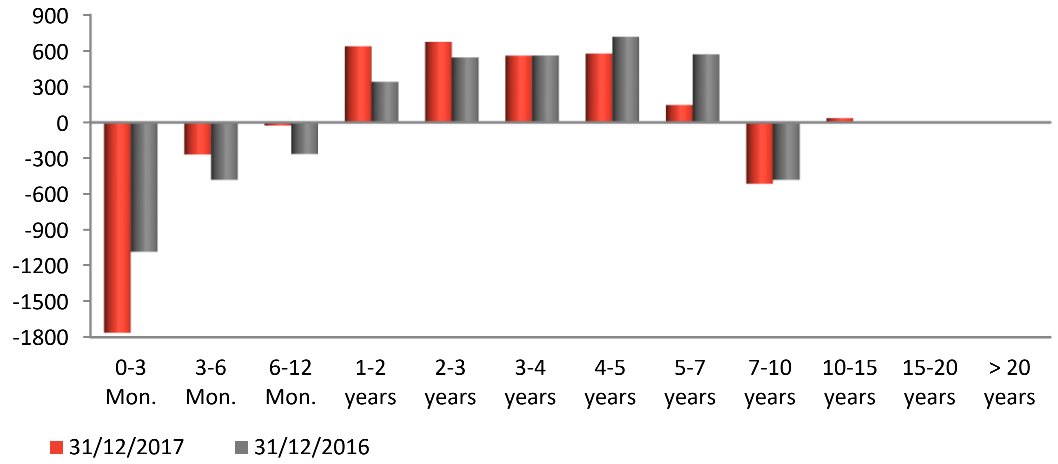
Interest rate risk in the banking book

Accepting interest rate risk, which accounts for the main share of market risk in the banking book, is an integral part of the banking business and an important source of earnings that requires adequate hedging measures within the scope of risk management. The Bank's strategy for interest rate in the banking book aims at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. As means of stabilization of interest income and to earn additional net interest income from maturity transformation, the ongoing investment strategy pursued is one with fixed long-term interest rates.

The interest rate risk in the banking book is measured using classical methods of interest rate fixing analysis (interest-rate gap analysis and interest-rate sensitivity analysis) for the purpose of internal risk management pursuant to EBA Guidelines 2015/08. The magnitude of the interest rate risk is analysed on the changes to the present value of the positions in the banking book, using as basis the various interest rate scenarios. In this context, equity and non-interest-bearing positions are taken into account with a 10-year rolling fixed interest.

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 (comparing 31/12/2017 with 31/12/2016) in €m



The determination of the interest rate risk in the liquidity approach in the ICAAP is done on the basis of the regulatory model for calculating the present value loss, but in a 100 bp scenario with a confidence interval of 99.9% and a holding period of one year. Non-interest-bearing positions are not taken into account. As at 31 December 2017, the interest rate risk in the banking book came to EUR 131.5 million (pr. yr.: EUR 230.9 million).[1)]

[1)] In 2017, the model was changed (uniform confidence level in the ICAAP liquidation approach was 99.9% instead of 99% and with a 100 bp scenario instead of 200 bp). This change to the model resulted in a change in the risk value of EUR -+60.4 million.

Stock price risk in the banking book

The stock price risk in the banking book (equity and investment fund positions) is measured using a value-at-risk approach with a confidence level of 99.9% and a holding period of 90 days. The risk computed for these positions was EUR 226.1 million on 31/12/2017 (pr. yr.: EUR 152.0 million).[1)] The higher VaR is due mainly to the rise in the underlying prices.

[1)] In 2017, the model was changed (uniform confidence level in the ICAAP liquidation approach was 99.9% instead of 99%). This change to the model resulted in a change in the risk value of EUR +22.9 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. The credit spread risk is measured with a confidence level of 99.9% and a holding period of one year. On 31 December 2017, the risk thus established amounted to EUR 15.7 million (pr. yr.: EUR 47.0 million).[1)] The decrease is due to the substantially lower volatilities in the credit spreads.

[1)] In 2017, the model was changed (uniform confidence level in the ICAAP liquidation approach was 99.9% instead of 99%). This change to the model resulted in a change in the risk value of EUR +3.9 million.

44) Macroeconomic risks

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 stocks and in real estate prices, 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 2017, the macroeconomic risk thus estimated was EUR 108.9 million (pr. yr.: EUR 99.8 million).[1)]

[1)] In 2017, the model was changed (uniform confidence level in the ICAAP liquidation approach was 99.9% instead of 99%). This change to the model resulted in a change in the risk value of EUR +3.2 million.

45) Operational risk

Operational risks are an inseparable part of banking operations. This term refers to the risks that affect the operations of the bank. Oberbank defines operational risks as the risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or 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 into the following categories: internal fraud, external fraud, employment practice and job safety, customers, products and customary business practices, business interruptions and system outages, execution, delivery and process management, and damage to property.

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.

The management of operational risks is performed 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. The electronic logging process supports the recording of information regarding nascent operational risks.

Systematic risk analyses form the basis for the steering and further development of operational risk management. These are conducted in the form of risk assessments that comprise regular surveys and the quantification of potential operational risks and by monitoring the key risk indicators as well as by the evaluation of damage incidences in a database of such events.
Qualitative analyses in the form of a risk assessment are done at least every two years by using structured questionnaires. An assessment is made of the incidence frequency and the amount of the potential damage.
The Strategic Risk Management unit prepares a quarterly Operational Risk Report which is sent to the Management Board and to the unit responsible for the management of operational risk. This report contains information on the development of the key risk indicators and incidents of damage for the current financial year. The report groups the damage incidents by business area and damage category.

Concrete measures have been taken to hedge against any major risks identified by the risk analyses (e.g. insurance policies, IT contingency plans, backup computing centre).

The economic capital for the operational risk is calculated within the framework of the risk-bearing capacity calculation in accordance with the standardised approach pursuant to Part 3, Title III, Chapter 3 CRR. As at 31 December 2017, the risk was EUR 80.7 million (pr. yr.: EUR 77.7 million).

On the average of the past five years, the ratio of the result in the income statement from operational risk incidents compared with total ICAAP risk capital was 14.3%.

46) Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank being unable to meet its present and future payment obligations fully and on schedule or having to raise additional capital at increased cost.

The liquidity risk comprises insolvency risk and 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 lines) 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 diminish 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 adhered to the financing principle of ensuring that the Bank's entire customer loan volume can be refinanced from primary deposits by customers and funds from Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle continues to be valid. The loan/deposit ratio was 97.2% (pr. yr.: 95.5%) on 31 December 2017.

Furthermore, Oberbank holds appropriate 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.

A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.

Responsibility for liquidity risk management

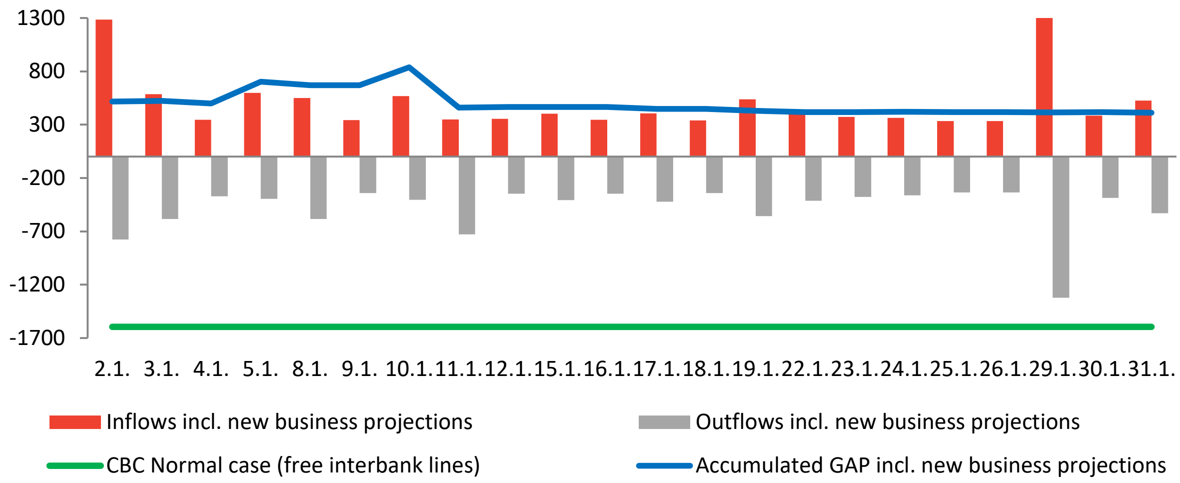
Strategic Risk Management is responsible for the operational risk reporting and for defining and monitoring the relevant risk limits. It is likewise responsible for the further development and maintenance of the risk management models used, for the parameters for liquidity der liquidity gap analysis and for back-testing the models.

Short-term liquidity management

Global Financial Markets is responsible for the short-term, daily management of liquidity in all currencies. Strategic Risk Management calculates a 30 and 90-day forward liquidity gap analysis for day-to-day liquidity management.

Furthermore, a forward liquidity gap analysis is prepared daily including assumptions for new business for the next 30 days that represent the net cash inflows and outflows as well as the accumulated forward liquidity gap of the Bank. The free unappropriated inter-bank credit lines (uncommitted inter-bank lines less actual and/or planned utilisation) are presented as limit lines and constitute the counterbalancing capacity.

Accumulated 30-days forward liquidity gap analysis incl. assumptions for new business as at 31/12/2017 in €m

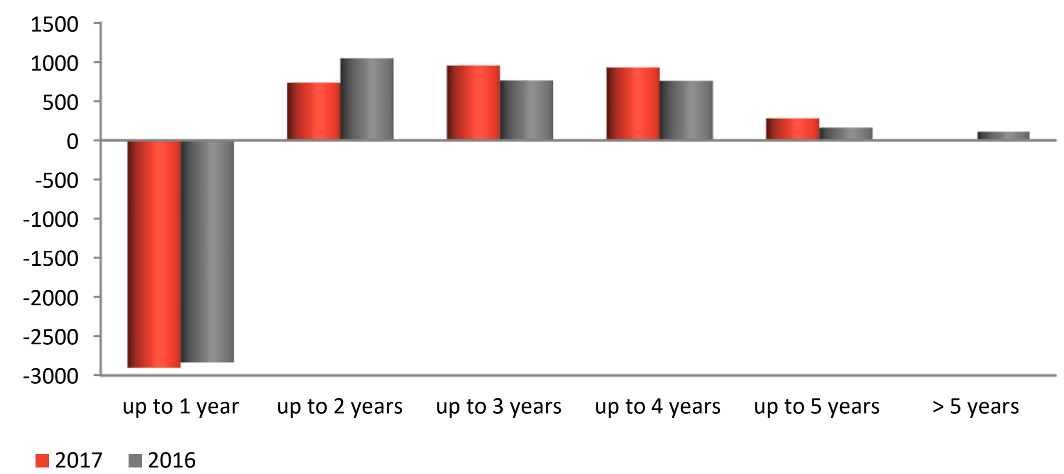


Long-term and strategic liquidity management

Oberbank's long-term and strategic liquidity is the responsibility of the Management Board and the ALM Committee. The Strategic Risk Management 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.

To manage the liquidity risk in each of the currencies, the liquidity gaps for the major currencies are reported (EUR, USD, CZK and HUF).

Medium to long-term liquidity gap analysis as at 31/12/2017 and 31/12/2016 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 2.9 billion (pr. yr.: EUR 2.8 billion) as at the end of the first year. This corresponds to a funding ratio of 73.6% (pr. yr.: 72.3%) and is hence much 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 per 31/12/2017	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	108,968	175,532	1,698,787	544,149

in €k per 31/12/2016	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	70,099	226,402	1,899,884	477,331

Additionally, as at 31 Dec. 2017 Oberbank had collateral assets with a cover value of EUR 714.8 million from reverse repos with CNB at its disposal that may be deposited with the CNB at any time to obtain liquidity.

The calculation of liquidity gaps is based on contractual cash flows. 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. A contingency plan is in place for the eventuality of extreme market conditions.

The following table presents contractual cash flows of financial liabilities in accordance with IFRS 7/39 a and b:

as at 31/12/2017 in €k	Book value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	4,155,297	4,230,141	1,774,088	120,824	1,484,255	850,974
of which deposits for subsidised loans	1,793,162	1,871,322	330,557	85,036	611,125	844,604
Amounts owed to customers	11,397,394	11,483,671	9,591,027	828,670	610,776	453,197
Securitised liabilities	1,368,250	1,496,378	34,056	248,910	957,705	255,707
Subordinated liabilities	629,103	655,074	12,807	156,626	289,837	195,805
Derivative liabilities IRS	38,949	35,214	2,458	6,964	18,147	7,646

as at 31/12/2016 in €k	Book value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	3,158,643	3,220,355	1,540,762	121,430	870,831	687,332
of which deposits for subsidised loans	1,483,432	1,491,664	324,664	101,274	453,789	611,936
Amounts owed to customers	10,944,486	11,065,886	8,341,528	1,570,989	596,288	557,081
Securitised liabilities	1,403,957	1,521,344	11,854	311,837	1,033,544	164,108
Subordinated liabilities	660,499	699,331	11,119	128,001	331,501	228,709
Derivative liabilities IRS	48,304	50,205	4,606	9,559	26,768	9,272

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 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 in earnings or result in 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 cutting expenses to the same extent, 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 constantly monitoring the market and competitive conditions as well as by rolling strategic planning with continual adjustments for the market environment.
- Oberbank measures the *risk of incurring excessive debts* by calculating the debt ratio (leverage 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. The leverage ratio was 9.97% on 31 December 2017.

48) Risk report - summary

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 competencies as well as the 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 table below. 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 at the website of Oberbank (www.oberbank.at [HYPERLINK: http://www.oberbank.at]). At Oberbank, financial derivatives are used mainly for hedging market risk in business with customers and for managing the banking book.

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.

	Nominal amounts			2017			2016		
	Remaining time to maturity			Nominal	Fair values		Nominal	Fair values	
in €k	**up to 1**	**1 - 5 yrs**	**> 5 yrs**	**Total**	**Positive**	**Negative**	**Total**	**Positive**	**Negative**
Interest rate contracts									
Interest rate options									
Call	18,111	741,542	2,780	762,433	3,752		719,977	6,013	
Put	18,651	72,120	4,130	94,901		-250	112,583		-381
Swaptions									
Call		27,600		27,600	355		27,600	572	
Put		27,600		27,600		-355	27,600		-572
Interest rate swaps									
Call	20,949	225,699	314,369	561,017	1,028	-32,603	531,725	346	-45,639
Put	68,310	748,219	896,453	1,712,982	132,186	-2,756	1,624,986	176,503	-1,407
Bond options									
Call									
Put									
Currency contracts									
Currency options									
Call	41,365			41,365	1,631		74,614	4,597	
Put	41,290			41,290		-1,624	74,614		-4,597
Currency forwards									
Call	1,955,710	64,998	103	2,020,811	20,374		1,705,052	32,075	
Put	1,966,042	64,778	112	2,030,932		-31,144	1,698,536		-26,193
Cross Currency Swaps									
Call									
Put		109,503	25,070	134,573	100	-2,476			
Security-linked contracts									
Stock options									
Call									
Put									

Measurements are based on generally-accepted valuation 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 exchange rates used are the reference rates published by the ECB. The fair values of asymmetrical products were calculated using the Black-Scholes option pricing model. Options were valued using implicit volatilities.

50) Letters of comfort on behalf of subsidiaries

Oberbank AG has an interest in following companies being 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
	OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz

Disclosures required by Austrian law

51) Equity

Consolidated equity was made up of the paid-in capital of Oberbank AG (share capital plus capital reserves) and earned capital (the Group's retained earnings plus consolidated net profit for the year). Oberbank AG's equity was EUR 1,837.8 million (pr. yr.: EUR 1,733.3 million) of which share capital EUR 105.9 million (pr. yr.: EUR 105.9 million). As Oberbank AG distributes dividends on the basis of Austrian law, only part of the equity measured in accordance with the Austrian Business Code/Banking Act was distributable, namely net profit, non-appropriated retained earnings and the non-appropriated capital reserve. For 2017, a maximum amount of EUR 960.9 million would be distributable. The net distributable profit is EUR 31.9 million.

52) Human resources

Averaged over the year, the Oberbank Group had the following human resources in 2017:

Full-time equivalents, without the Management Board / managing directors	**2017**	**2016**
Salaried employees	2,050	2,049
Blue-collar	15	13
Total resources	2,065	2,062

53) Breakdown of securities holdings pursuant to the Banking Act in €k

	Unlisted	Listed	Valued as AV	Other valuation method	Total
Bonds and other fixed-interest securities	228,481	2,341,106	2,054,808	514,779	2,569,587
Stocks and other variable-yield securities	164,147	62,805	53,495	173,457	226,952
Equity investments	124,514	281,144	405,658	0	405,658
Investments in subsidiaries	153,663	0	153,663	0	153,663
	670,805	**2,685,055**	**2,667,624**	**688,236**	**3,355,860**

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 own fund components disclosed are also used for purposes of internal capital management.

Regulatory capital pursuant to Part 2 of Reg.(EU) No 575/2013	2017	2016	Change absolute	Change in %
Subscribed capital	101,422	102,322	-900	0.9
Capital reserves	505,523	505,523	-	-
Retained earnings[1)]	1,728,837	1,557,113	171,724	11.0
Minority interests	0	0	-	-
Accumulated other comprehensive income	38,961	35,670	3,291	9.2
Regulatory adjustment items	-8,925	-39,124	30,199	-77.2
Deductions from common equity tier 1 capital items	-162,694	-152,121	-10,573	7.0
COMMON EQUITY TIER 1 CAPITAL	**2,203,124**	**2,009,383**	**193,741**	**9.6**
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments purs. to national implementation rules	29,500	35,400	-5,900	-16.7
Deductions from AT1 capital items	-8,807	-8,827	20	-0.2
Additional Tier 1 capital	**70,693**	**76,573**	**-5,880**	**-7.7**
TIER 1 CAPITAL	**2,273,817**	**2,085,956**	**187,861**	**9.0**
Qualifying supplementary capital instruments	308,656	337,264	-28,608	-8.5
Nominal capital preference shares purs. to transition rules	4,500	3,600	900	25.0
AT1 capital instruments purs. to transition rules	29,500	23,600	5,900	25.0
Supplementary capital (tier 2) items purs. to national impl. rules	28,782	45,688	-16,906	-37.0
General credit risk adjustments	0	0	-	-
Deductions from tier 2 capital items	-22,359	-13,892	-8,467	61.0
Supplementary capital (tier 2)	**349,079**	**396,260**	**-47,181**	**-11.9**
OWN FUNDS	**2,622,896**	**2,482,216**	**140,680**	**5.7**
Total risk exposure purs. Art. 92 CRR				
Credit risk	12,308,891	11,799,980	508,911	4.3
Market risk, settlement risk and CVA risk	37,497	50,558	-13,061	-25.8
Operational risk	1,009,236	970,730	38,506	4.0
Total exposure	**13,355,624**	**12,821,268**	**534,356**	**4.2**
Own funds ratio purs. Art. 92 CRR				
Common equity tier 1 capital ratio	16.50%	15.67%	0.83% ppt	
Tier 1 capital ratio	17.03%	16.27%	0.76% ppt	
Total capital ratio	19.64%	19.36%	0.28% ppt	
Regulatory requirement own capital ratios purs. to				
Common equity tier 1 capital ratio	6.577%	5.125%	1.45% ppt	
Tier 1 capital ratio	8.343%	6.625%	1.72% ppt	
Total capital ratio	10.693%	8.625%	2.07% ppt	
Regulatory capital requirements purs. to transition rules				
Common equity tier 1 capital	878,426	657,090	221,336	33.7
Tier 1 capital	1,114,286	849,409	264,877	31.2
Total capital	1,428,144	1,105,834	322,310	29.2
Free capital components				
Common equity tier 1 capital	1,324,698	1,352,293	-27,595	-2.0
Tier 1 capital	1,159,531	1,236,547	-77,016	-6.2
Total capital	1,194,752	1,376,382	-181,630	-13.2

1) Incl. allocation to retained earnings 2017 subject to approval by the Supervisory Board on 20 March 2018.

55) Other disclosures required pursuant to the Banking Act and Business Code

A nominal total of EUR 258.2 million of bonds issued by Oberbank will mature in the financial year 2018. As at 31 December 2017, no subordinated borrowings individually exceeded 10% of aggregate amount of subordinated liabilities. Other subordinated borrowings individually coming to 10% or less of aggregate subordinated liabilities totalled €k 591,570.0 (nominal). They included supplementary capital subject to interest rates of 0.0% to 7.4% and maturities in the years 2018 to 2025 as well as two issues with indefinite maturities. The Company incurred €k 20,665.1 in expenses on subordinated liabilities in the year under review. Applying market prices, the trading book was valued at a total of EUR 63.3 million as at 31 December 2017. This breaks down into securities (fair value) EUR 1.6 million and other financial instruments EUR 61.7 million (fair value). The lease portfolio was worth EUR 1,381.4 million on 31 December 2017.

Expenses for the auditor amounted to €k 968 (incl. VAT and incl. leasing companies and subsidiaries). Of this total, the audit of the annual financial statements accounted for €k 692 and €k 22 for other audit certificate services as well as €k 231 for tax advisory services and €k 23 for other audit services.

Disclosure regarding branch establishments pursuant to § 64 (1) no. 18 Banking Act

Name of establishment (incl. leasing companies)	Regional Division Germany	Regional Division Czech Republic	Regional Division Hungary	Regional Division Slovakia
Business areas	Southern Bavaria Northern Bavaria			
State of registered office	Federal Republic of Germany	Czech Republic	Hungary	Slovakia
Net interest income in €k	34,700	30,633	15,321	6,976
Operating profit in €k	43,875	36,317	20,520	7,736
Number of employees (full-time basis)	219.3	201.3	107.1	47.3
Profit before tax in €k	10,705	14,483	10,181	3,094
Income taxes in €k	-2,179	-3,351	-1,482	-533
Received public subsidies in €k	0	0	0	0

The return on investment pursuant to § 64 para. 1 no. 19 Banking Act (BWG) is 0.96%.

56) List of equity investments required by the Business Code

As at 31 December 2017, the Company held stakes of 20% or more in:	Method of inclusion	Share in capital in %5) direct	total	Equity3)	Profit (loss) in most recent financial year4)	Financial statements	Comment
a) Direct investments							
!AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
“LA“ Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
“SG“ Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1.6
“SP“ Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1.6
“VB“ Gebäudeerrichtungs- und –vermietungs-gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	N	20.57	20.57				6
3-Banken Wohnbaubank AG, Linz	V	80.00	80.00	8,106	112	2017	1
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	3,894	0	2017	
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	N	40.00	40.00				6
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	N	100.00	100.00				1,2,6
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	N	49.00	49.00				6
Buy-Out Central Europe II Beteiligungs-Invest AG i. A., Wien	N	24.85	24.85				6
Drei Banken Versicherungsagentur GmbH (formerly Drei-Banken Versicherungs AG)	(e)	40.00	40.00	8,232	-344	09/2017	
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz	N	40.00	40.00				6.7
Donaulände Holding GmbH	V	100.00	100.00	373	-4	2017	1
DPI S.A., Luxemburg	N	25.10	57.50				1.6
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxemburg	N	33.11	33.11				6
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxemburg	N	58.69	58.69				1.6
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	N	32.62	32.62				6
Ober Finanz Leasing gAG, Budapest	V	1.00	100.00	13,890	3,839	09/2017	1
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	V	1.00	100.00	1,342	153	09/2017	1
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
Oberbank Hybrid 1 GmbH, Linz	V	100.00	100.00	368	36	2017	1
Oberbank Hybrid 2 GmbH, Linz	V	100.00	100.00	333	29	2017	1
Oberbank Hybrid 3 GmbH, Linz	V	100.00	100.00	82	-2	2017	1
Oberbank Hybrid 4 GmbH, Linz	V	100.00	100.00	82	-2	2017	1
Oberbank Hybrid 5 GmbH, Linz	V	100.00	100.00	19	-2	2017	1
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	V	6.00	100.00	2,081	11	09/2017	1
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen (formerly Oberbank Leasing	V	10.00	100.00	2	-1	09/2017	1
OBERBANK LEASING GESELLSCHAFT MBH., Linz	V	100.00	100.00	53,478	17,867	09/2017	1.2

BKS-Leasing s.r.o., Bratislava	V	0.10	100.00	5,174	519	09/2017	1
Oberbank Leasing spol. s.r.o., Prag	V	1.00	100.00	39,700	974	09/2017	1
OBERBANK NUTZOBJEKTE VERMIETUNGSGESELLSCHAFT,m.b.H., Linz	N	100.00	100.00				1,2,6
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
Oberbank PE Holding GmbH, Linz	N	100.00	100.00				1.6
Oberbank Unternehmensbeteiligung GmbH, Linz	N	100.00	100.00				1,2,6
Oberbank V-Investholding GmbH, Linz	N	100.00	100.00				1.6
Oberbank Leasing Prievidza s.r.o., Bratislava	V	15.00	100.00	2	-2	09/2017	1
OÖ HightechFonds GmbH, Linz	N	24.70	24.70				6
Samson České Budějovice spol. s.r.o., Budweis	N	100.00	100.00				1.6
TZ-Vermögensverwaltungs GmbH, Linz	N	100.00	100.00				1.6
Banken DL Servicegesellschaft m. b. H., Linz	N	100.00	100.00				1.6
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	N	40.00	40.00				6
b) Indirect investments							
“ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	N		100.00				1.6
3-Banken Beteiligung Gesellschaft m.b.H., Linz	N		40.00				6
3-Banken Kfz-Leasing GmbH, Linz	V		80.00	16,039	1,004	09/2017	1
NIELMOS Beteiligungs GmbH, Wien (formerly Cycleenergy Beteiligungs GmbH)	N		26.28				6
Donaulände Garage GmbH	V		100.00	8	3	2017	1
Donaulände Invest GmbH	V		100.00	409	78	2017	1
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	N		30.20				6
Herold NZ Verwaltung GmbH, Mödling	N		24.90				6
LHL Immobilien Beteiligungs-GmbH i. A., Linz	N		50.00				6
MY Fünf Handels GmbH i. A., Wien	N		50.00				6
Nutzfahrzeuge Beteiligung GmbH, Wien	N		36.94				6
Oberbank Bergbahnen Leasing GmbH, Linz (formerly Oberbank airplane Leasing	V		100.00	35	47	09/2017	1
Oberbank airplane 2 Leasing GmbH, Linz	V		100.00	35	189	09/2016	1
Oberbank Reder Immobilienleasing GmbH (formerly Oberbank Arsenal Immobilienleasing GmbH), Linz	V		100.00	35	-2	09/2017	1
Oberbank Eugendorf Immobilienleasing GmbH, Linz	V		100.00	35	190	09/2017	1
Oberbank FSS Immobilienleasing GmbH, Linz	V		100.00	35	-7	09/2017	1
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	V		100.00	15	-2	09/2017	1
Oberbank Leobendorf Immobilienleasing GmbH, Linz	V		100.00	35	526	09/2017	1
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	V		100.00	25	138	09/2017	1
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	V		95.00	1,275	43	09/2017	1

Oberbank Immobilien Holding GmbH, Linz	N	100.00				1.6
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	V	100.00	741	2,782	09/2017	1
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	V	6.00	0	1	09/2017	1
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	N	100.00				1.6
Oberbank KB Leasing Gesellschaft m.b.H., Linz	V	100.00	69	385	09/2017	1
Oberbank Kfz-Leasing GmbH, Linz	V	100.00	35	680	09/2017	1
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	V	6.00	597	-6	09/2017	1
Oberbank Leasing GmbH Bayern, Neuötting	V	100.00	6,750	3,651	09/2017	1
Oberbank Leasing JAF HOLZ, s.r.o., Prag	V	95.00	4,417	181	09/2017	1
Oberbank Leasing Palamon s.r.o., Prag	V	100.00	7,045	195	09/2017	1
Oberbank LIV Immobilienleasing GmbH, Linz	V	100.00	5,181	11	09/2017	1
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	V	99.80	35	86	09/2017	1
Oberbank Operating Mobilienleasing GmbH, Linz	V	100.00	35	873	09/2017	1
Oberbank Operating OPR Immobilienleasing GmbH, Linz	V	100.00	35	570	09/2017	1
Oberbank PE Beteiligungen GmbH, Linz	N	100.00				1.6
Oberbank Pernau Immobilienleasing GmbH, Linz	V	100.00	35	410	09/2017	1
Oberbank Riesenhof Immobilienleasing GmbH, Linz	V	100.00	35	171	09/2017	1
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	35	181	09/2017	1
Oberbank TREI Immobilienleasing GmbH, Linz	V	100.00	-213	73	09/2017	1
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	V	100.00	18	79	09/2017	1
Oberbank Vertriebsservice GmbH, Linz	N	100.00				1.6
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	V	100.00	35	105	09/2017	1
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	V	100.00	35	20	09/2017	1
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	168	308	09/2017	1
OBK Ahlten Immobilien Leasing GmbH, Neuötting	V	94.00	1,000	100	09/2017	1
OBK München 1 Immobilien Leasing GmbH, Neuötting	V	100.00	27	-2	09/2017	1
OBK München 2 Immobilien Leasing GmbH, Neuötting	V	100.00	30	4	09/2017	1
OBK München 3 Immobilien Leasing GmbH, Neuötting	V	100.00	30	124	09/2017	1
POWER TOWER GmbH, Linz	V	99.00	70	24	09/2017	1
Techno-Z Braunau Technologiezentrum GmbH, Braunau	N	21.50				6
Tuella Finanzierung GmbH, Wien	V	100.00	263	-32	09/2017	1
Umlauft Textilservice GmbH	N	23.82				6
Wohnwert GmbH, Salzburg	N	100.00				1.6

*) 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; 3) Includes untaxed reserves; 4) Profit (loss) for the year pursuant to § 231 (2) no. 22 Austrian Business Code (UGB); 5) Indirect investments in credit institutions and other financial institutions were measured in accordance with § 30 of the Austrian Banking Act (BWG); indirect investments in other companies pursuant to the Business Code (UGB); 6) Use was made of § 242 (2) Austrian Business Code (UGB); DREI-BANKEN-EDV Gesellschaft m.b.H. was renamed 3 Banken IT GmbH in January 2018.

Closing Remarks by the Management Board of Oberbank AG

The Management Board of Oberbank AG has prepared the consolidated financial statements for the period ended 31 December 2017 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These consolidated financial statements comply with the statutory 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.

Statement pursuant to § 82 para. 4 Stock Exchange Act

Statement by all legal representatives of the Company
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, 2 March 2018
The Management Board

CEO
Franz Gasselsberger
Remit
Corporate and
Business Customers

Management Board Member
Josef Weißl
Remit
Personal Banking

Management Board Member
Florian Hagenauer
Remit
Overall Banking Risk Management

Report on the consolidated financial statements

Report on the audit of the financial statements

We have audited the consolidated financial statements of

Oberbank AG
Linz

and its subsidiaries (Group) consisting of the consolidated financial statements for the year ended on 31 December 2017, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ending on said closing date as well as the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with the legal provisions and present fairly in all material respects the assets and financial position of the Group as at 31 December 2017 as well as the result of operations and cash flows for the financial year ended on this closing date in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of § 245a Business Code and § 59a Banking Act.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and generally accepted Austrian standards for the audit of financial statements. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these rules and standards are described in more detail under "Responsibility of the auditor for the audit of the consolidated financial statements" in our audit certificate. We are independent of the Group as stipulated by Austrian company law and statutory professional standards, and have complied with our other professional duties in accordance with these requirements. We believe that we have obtained sufficient and suitable audit evidence so that our audit provides an adequately reliable basis for our audit opinion.

Key audit matters

Key audit matters are those that in our professional opinion had the greatest significance for our audit of the financial statements for the period being audited. These matters were taken into consideration in the context of our audit of the consolidated financial statements as a whole and when forming our audit opinion, and we do not provide a separate opinion on these matters.

Value of loans and advances to customers and measurement of provisions for credit risks

The risk for the financial statements

Loans and advances to customers in the consolidated balance sheet are €k 14,760,335; charges for losses on loans and advances are €k 392,706 and provisions for credit risks amount to €k 141,461.

In the notes, the Management Board of Oberbank AG describes the procedure for determining charges for losses on loans and advances (see note "Discretionary decisions, assumptions and estimates", "Impairment provisions" and "Charges for losses on loans and advances" and also note "Credit risks").

The identification of the need to recognise impairment losses and the determination of impairment losses as well as the valuation of provisions are subject to substantial assessment uncertainties and room for discretion. The risk for the financial statements arises from the fact that the amount of the impairment recognised depends on the economic situation and development of the respective borrower as well as on the assessment of the credit collateral, and thus, on the amounts and the timing of expected future cash flows.

Our procedure for the audit

- We examined the rating process at Oberbank AG and assessed if it is suitable for identifying impairment losses required in time. We examined the calculation methods for impairment losses for loans and the calculation of the provisions for guarantees and credit lines defined in the guidelines for conformity with the accounting concept. We examined the key controls in this context as to their design and implementation and also took random samples to ascertain their effectiveness.
- Based on individual cases, we examined if the rating was assigned in accordance with the internal guidelines and if impairment events were identified in time. The selection of individual cases was risk-based, with a special weighting being given to rating grades with higher default risks. For impairments determined, it was especially the assessment of the management that was analysed to evaluate the amount of provisions for significant, non-performing borrowers with respect to future payment flows and the assumptions made – taking into account evidentiary material of the economic situation and development of the borrower as well as to assess the credit collateral – to ascertain if the amounts were adequate using external evidence.
- We verified the models and their parameter to determine the provisions for non-significant, non-performing borrowers (lump sum specific valuation allowances) and analysed these for suitability for determining provisions in adequate amounts. We verified the correctness of the calculation of the provisions.
- We audited the calculation model used as basis and the parameter amounts as to their adequacy for computing portfolio impairment provisions. The varying probability of default is a key input parameter and was checked based on the rating validation. We also analysed the database used as to the quality of the data and verified the correct calculation of the valuation allowances.
- Finally, an assessment was made if the information given in the notes on charges for losses on loans and advances is adequate.

Classification and valuation of associated companies

The risk for the financial statements

The Oberbank Group recognises associated companies by applying the equity method. In total, the companies recognised using the equity method on the balance sheet have a book value of €k 825,954. With respect to the classification of an investee as an associated company, there is room for discretion, especially in the case of investments of less than 20% in the equity and/or voting rights. Discretionary decisions may concern, above all, the question of whether there is a material influence on the respective investee.

The Management Board of Oberbank AG describes the procedure for the classification and the valuation of companies using the equity method in the notes to the consolidated financial statements (see Note "Discretionary decisions, assumptions and estimates" and "Financial assets".

The equity method is an accounting method in which equity investments are first recognised at cost, but subsequently adjusted for any changes to the share of the investor in the net assets of the investee. If there are objective grounds for impairment, the recoverable amount is determined. The risk for the financial statements is that these assessments are highly dependent on expected future cash flows and the valuation parameters – especially discounting factors, growth assumptions and corporate projections – and are therefore exposed to assessment uncertainties and room for discretion.

Our procedure for the audit

- We examined the companies measured by the equity method based on the internal documentation and on the available contracts, and thus, their classification as an associated company.
- We employed our own valuation specialists to audit the measurement of the shares in the associated companies. They reviewed the measurement models and the measurement parameters used. Company projections were analysed based on market data and publicly available information to ascertain if the underlying assumptions were within a reasonable bandwidth. We checked to which extent the company was in line with the budget by comparing the previous year's projections with the results of the current year. We assessed the assumptions used for determining if the interest rates used were appropriate by comparing with capital market data; furthermore, we also verified the calculation model applied.
- Finally, an assessment was made if the information given in the notes to the financial statements on the companies measured by the equity method was appropriate.

Financial instruments – fair value measurement

The risk for the financial statements

The Oberbank Group recognised financial instruments at fair value on the asset side in an amount of €k 1,094,591 (of which Level 3 €k 139,932), and on the liabilities side, in an amount of €k 1,362,754 (of which Level 3 €k 53,276).

In the notes, the Management Board of Oberbank AG describes the accounting and valuation policies (see Note "Discretionary decisions, assumptions and estimates" and the note "Fair value of financial instruments".

The financial instruments are assigned to a category pursuant to IAS 39 at the time of initial recognition. The assignment to a category is essential for subsequent valuations and accounting. The risk for the financial statements consists of the fact that the measurement of the fair value of financial instruments on the assets side and liabilities side uses valuation parameters that cannot be observed on the market (Level 3 category) due to the strong dependence on valuation models and parameter estimates, making it a highly discretionary process.

Our procedure for the audit

- We conducted random checks of the categories to which the financial instruments were assigned and investigated if the subsequent valuations corresponded to the respective category assignments.
- We employed specialists for the audit of the financial instruments belonging to Level 3 who analysed the valuation models and assumptions applied. The valuation models were checked to ascertain if these were widely recognised market models and if the parameters were comparable to market data and the derived data was appropriate.
- We verified the random samples of the calculation of the fair values determined by the bank.
- Finally, an assessment was made if the information given in the notes to the consolidated financial statements regarding the categories and the presentation of the measurement methods was complete and appropriate.

The responsibility of the legal representatives and the Audit Committee for the consolidated financial statements

The legal representatives are responsible for the preparation of the Group's consolidated financial statements and must ensure that these are in compliance with the IFRS as applicable within the European Union, and with the additional requirements of § 245a Business Code and § 59a Banking Act and present fairly in all material respects the assets and financial position of the Group and the results of operations of the Group. The legal representatives are moreover responsible for the internal controls they deem necessary to prepare consolidated financial statements that are free from material – intentional or unintentional – misrepresentations.

When drafting the consolidated financial statements, the legal representatives are also responsible for assessing the capacity of the company to continue as a going concern, for stating the matters relating to the going concern – if relevant – and also for applying the accounting policy of going concern unless the legal representatives have the intention of either liquidating the concern or discontinuing operations or have no realistic alternative to these options.

The Audit Committee is responsible for monitoring the accounting process of the Group.

Responsibility of the auditor for the audit of the consolidated financial statements

Our objective is to obtain sufficient certainty with respect to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misrepresentations and to award an audit certificate that states this audit opinion. Sufficient certainty is a high degree of certainty, but not a guarantee that the audit will always reveal material misrepresentations, if any, by auditing the financial statements prepared in accordance with accounting standards applicable in Austria that stipulate the application of ISA. Misrepresentations may result from fraudulent acts or from mistakes and are considered material if it can be reasonably assumed that these, in each case or together, have an influence on the economic decisions users reach on the basis on these consolidated financial statements.

In conducting an audit in accordance with the Austrian principles of proper auditing, which require compliance with the ISA, we exercise due care and diligence and maintain professional scepticism throughout the entire engagement.

The following also applies:

- We identify and assess the risks of material misstatements, whether intentional or unintentional, in the financial statements; plan audit procedures in response to these risks; and perform audits that serve as a sufficient and appropriate basis for our audit opinion. The risk that material misstatements resulting from fraud will not be identified is greater than the failure to reveal misstatements resulting from errors, because fraud may include fraudulent cooperation, counterfeiting, deliberate omissions, misleading representations or the overriding of internal controls.
- We obtain an understanding of the internal control system to the extent that these are of relevance for the audit of the financial statements in order to plan the suitable audit activities under the given circumstances, but not to express an audit opinion on the effectiveness of the company’s internal control system.
- We assess the suitability of the accounting policies used by the legal representatives of the company as well as the reasonableness of the estimated values presented by the company’s legal representatives in the financial statements and the related information.
- We assess the appropriateness of the legal representatives' use of the going concern basis of accounting; we also determine, based on the audit evidence obtained, whether material uncertainty exists in connection with events or circumstances that may cast significant doubt on the Company's capacity to continue as a going concern. Should we reach the conclusion that there is material uncertainty, we are under the obligation to point out the relevant information in the consolidated financial statements in our audit certificate, or, if giving this information is not reasonable, we must modify our audit certificate. We draw our conclusions on the basis of the audit evidence obtained by the date of our audit opinion. However, future events or circumstances may cause the Group to leave the path of a going concern.
- We assess the overall presentation, the structure and the contents of the consolidated financial statements including the data and also whether the consolidated financial statements reflect the underlying transactions and events in such a manner so as to present a true and fair view of the company.
- We obtain sufficient audit evidence on the financial information of the entities or business activities within the Group so as to be able to reach an audit opinion on the consolidated financial statements. We are responsible for the management, monitoring and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinion.
- We exchange views with the Audit Committee regarding, among other things, the planned scope and the planned schedule of the audit of the financial statements as well as regarding major audit findings including any significant deficiencies in the internal control system we have discovered during our audit.
- We also give the Audit Committee a statement declaring that we have complied with the relevant professional code of conduct on the independence of the auditor and discuss with the Audit Committee all relationships or other matters that may reasonably be assumed to have an influence on our independence and – if applicable – on related protection measures.
- We decide which matters from among all those we have discussed with the Audit Committee are in our view the most significant for the audit of the consolidated financial statements in the reporting year and are therefore key audit matters. We describe these matters in our audit certificate, unless the law or other statutory provisions rule out the public disclosure of the matter, or, in very rare cases, we determine that a matter does not need to be disclosed in our audit certificate, because it may reasonably be expected that the negative effects of such a disclosure would outweigh the benefits for the public.

Other statutory and legal requirements

Report 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 it has been drafted in accordance with the requirements of applicable law. With respect to the statement on non-financial factors in the Group management report, it is our responsibility to ascertain if it has been prepared, to read it and give an opinion on whether it is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated.

The company's legal representatives are responsible for preparing the consolidated financial statements in accordance with accounting standards applicable to companies in Austria.

We have conducted our audit in accordance with the principles of professional conduct applicable to the audit of the Group management report.

Audit opinion

In our opinion, the Group management report has been drafted in accordance with the requirements of applicable law in Austria; it contains the correct information pursuant to § 243a Business Code and is consistent with the consolidated financial statements.

Declaration

Based on our findings from the audit of the consolidated financial statements and the understanding gained of the Group and its environment, we did not find any material misstatements in the Group management report.

Other information

The legal representatives of the company are responsible for the other information. Other information refers to information other than the consolidated financial statements, the Group management report and auditor's report thereon.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance in this respect.

In connection with our audit of the consolidated financial statements, our responsibility is to read this other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on this work we have performed, we conclude that there is a material misstatement in the other information, we are under the obligation to report this. We have nothing to report in this regard.

Additional information pursuant to Article 10 EU Regulation

We were appointed as auditors of the financial statements at the Annual General Meeting of 18 May 2016, and on 30 May 2016, we were contracted by the Supervisory Board to conduct an audit of the consolidated financial

statements of Oberbank AG. We have been the auditors of the consolidated financial statements of the company for over 20 years.
We hereby declare that the audit opinion in the section "Report on the audit of the consolidated financial statements" with the additional report to the Audit Committee is in compliance with Article 11 of the EU Regulation.
We hereby declare that we have not provided any prohibited non-audit services (Article 5 (1) EU-RE) and that we retained our independence from the Group company in the conduct of our audit of the financial statements.

Auditor responsible for the audit contract

The auditor responsible for the audit mandate is Martha Kloibmüller.

Linz, 2 March 2018

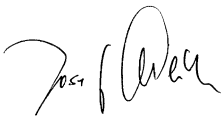
KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Martha Kloibmüller
Certified Public Accountant

Profit Distribution Proposal

Distributable profit is determined on the basis of the single-entity financial statements of the Group parent, Oberbank AG.
Profit for the 2017 financial year of Oberbank AG came to a total of EUR 127.3 million. After the allocation of EUR 95.7 million to reserves and including the profit brought forward of EUR 0.4 million, the profit available for distribution amounted to EUR 31.9 million.
Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 0.90 per eligible share on the share capital of EUR 105.9 million; this dividend is EUR 0.25 higher than in 2016.
Given a total of 32,307,300 ordinary and 3,000,000 preference shares, the distribution is EUR 31,776,570.00. The Management Board proposes to carry the remainder of EUR 172,383.03 forward to the new account.

Linz, 2 March 2018
The Management Board

		
CEO	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer
Remit	Remit	Remit
Corporate and Business Customers	Personal Banking	Overall Banking Risk Management

Supervisory Board Report

Preamble

Oberbank achieved an exceptionally good year also in 2017. This success is was made possible by the work of the Management Board and the staff, but also the Supervisory Board played an important role in defining the strategic orientation of the Group (business and risk strategy) and in monitoring compliance with the guidelines and with legal and statutory requirements.
Apart from my two deputies Ludwig Andorfer and Gerhard Burtscher, who are both reputed banking experts, every member of the 18-person Supervisory Board (including the representatives of the Works Council) contributed their knowledge and experience to the lively discussions.

Mode of operation of the Supervisory Board

The Supervisory Board held four meetings during the financial year 2017. The Supervisory Board reached the decisions it is responsible for under the law and the Articles of Association, and conducted the scrutiny required of it by the provisions of the Austrian Joint Stock Companies Act and regularly communicated with the Management Board regarding the business situation and important business transactions both in writing and orally.
In addition, the Supervisory Board's Working Committee and Credit Committee regularly examined and reached decisions on transactions that require their approval.
As Chairman of the Supervisory Board, I 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 incumbent on by the law and by the Articles of Association in compliance with the Austrian Code of Corporate Governance.
In compliance with the new "fit & proper" criteria of Oberbank, training courses on specific supervisory and banking issues were organised for the members of the Supervisory Board within the framework of the Supervisory Board meetings. Apart from the training courses on overall risk management (ICAAP) and liquidity management (ILAAP), training courses were also held within the framework of the meetings on the new IFRS 9 rules and their effects on the Bank and on the new securities rules pursuant to MiFID II.
At these training courses, not only were external experts invited regularly, but also internal experts from the areas, for example, of risk management or accounting in order to present the concrete implementation within the Bank. The full amount of the budget of EUR 20,000 earmarked for this purpose for 2017 was not used. Nonetheless, for 2018 the budget was increased slightly considering the importance of the topic and the plans for more fit & proper courses.

Committees of the Supervisory Board

The **Working Committee** approved six time-critical resolutions by way of written circular in 2017. 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 43 time-critical loan applications by way of written circular in 2017. 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.


Herta Stockbauer
Chairwoman of the Supervisory Board of Oberbank AG

In accordance with banking law and its function as the Risk and Credit Committee, the Committee held a meeting in the presence of the staff member responsible for independent risk management within Oberbank and the State Commissioner. At this meeting, the Committee dealt in detail with the risk strategy of Oberbank and other issues required by law.
At its next meeting, the full Supervisory Board was informed in detail of the results.

The **Nominations Committee** held one meeting in 2017 also with attendance of the State Commissioner and fulfilled all tasks stipulated by law. At its meeting of 26 March 2017, the Nominations Committee approved the target ratio of 25% defined for women on the management board and on the supervisory board. The target was met on the Supervisory Board at this time, and at a ratio of 33% on the Works Council, it was even exceeded.
As regards compliance with the statutory ratio for the Supervisory Board that requires at least 30% women and at least 30% men on the board, the shareholder representatives and employee representatives agreed at the AGM meeting of 25 Sept. 2017 to work together to fulfil the ratio as stipulated by law as of 1 January 2018, and in this respect also waived any objections for five years.
With five female Supervisory Board members in total, Oberbank met the statutory ratio mandated as of 31 December 2017 and due to the delegation of a further female representative of the Works Council, there are currently six women on the Board which is a share of 33%.
The Nomination Committee plays a key role in the replacement of vacant Supervisory Board mandates and for appointing new members or reappointments to Management Board positions in a timely manner. Thus, in the reporting year the Nominations Committee requested all members of the Management Board and Supervisory Board to submit certified fit & proper statements and checked these. At the meeting of 26 March 2017, all members of the Management Board and of the Supervisory Board were confirmed to meet the fit & proper requirements, especially with respect to candidates for the Supervisory Board to be elected or re-elected by the Annual General Meeting.

At its meeting of 27 March 2017, 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 2016 based on documented long-term goals and, in compliance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors, and decided to pay this component 50% in equity instruments and 50% in cash, with 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 in equal parts of equity instruments and cash.
Applying the Policy governing the internal process for the identification of so-called risk buyers based on the “Delegated Regulation (EU) No 604/2014”, an assessment was conducted of the applicability of the aforesaid remuneration principles to employees below management board level and the variable remuneration to be granted to these employees for the financial year 2016.
Due to the low volume of variable remuneration for employees at the level below the Management Board with an impact on the risk profile of the Bank, the payout methods apply only to the Management Board in accordance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors.

The **Audit Committee** held two meetings in 2017 and fulfilled all tasks stipulated by law. The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.
At its meeting on 28 March 2017, the Audit Committee reviewed the annual financial statements, the management report and the corporate governance report of Oberbank AG and reported thereon to the Supervisory Board. The supervisory board endorsed the findings of the review, agreed with the annual financial statements and

management report as submitted by the management board, including the proposed appropriation of profit and the corporate governance report and approved the financial statements for 2016, which are thus final for the purposes of § 96(4) of the Joint Stock Companies Act.
At its meeting on 20 March 2018, the Audit Committee examined the consolidated financial statements for the financial year 2017 and the Group management report and reported thereon to the Supervisory Board. The Supervisory Board concurred with the findings of the audit.
At the same meeting, the Audit Committee also examined and approved the management board's proposal to pay out a dividend of EUR 0.90 per share out of the net profit for 2017 of EUR 31.9 million and to carry the balance forward to the new account, and reported thereon to the Supervisory Board.

Bank auditor

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the annual financial statements of Oberbank AG for 2017 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 awarded an unqualified opinion. KPMG Austria KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Group management report, prepared in accordance with the provisions of the Austrian Business Code.
The audit did not give rise to any objections and all requirements of the law were satisfied. In the opinion of the bank auditors, the consolidated financial statements present a true and fair view of the assets and financial position of the Group for the year ended on 31 December 2017 as well as of the result of operations and cash flows during the year from 1 January to 31 December 2017.
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

Peter Hofbauer resigned from his mandate on the Supervisory Board effective 30 Sept. 2016 in order to avoid a conflict of interests as Head of the new Audit Oversight Body of Austria. As replacement, the Annual General Meeting of 16 May 2017 elected Gregor Hofstätter-Pobst for the remainder of his period of office. Gregor Hofstätter-Pobst is an excellent banking expert. The mandates of Barbara Steger, Barbara Leitl-Staudinger and Karl Samstag were prolonged to the maximum statutory period of five years until the Annual General Meeting of 2022. The number of capital representatives on the Supervisory Board of Oberbank AG is thus unchanged at 12 members.

The Supervisory Board thanks the Management Board, the management staff and all employees for the work performed and the commitment shown in the reporting year. The Supervisory Board expressed its appreciation of the excellent performance of earnings, which also outperformed the overall market.

Vienna, 20 March 2018
The Supervisory Board

Herta Stockbauer
Chairwoman of the Supervisory Board

Governing Bodies of the Bank as at 31 Dec. 2017

Supervisory Board

Honorary President	Hermann Bell
Chairwoman	Herta Stockbauer
Vice Chairmen	Ludwig Andorfer Gerhard Burtscher
Members	Wolfgang Eder Gregor Hofstätter-Pobst (from 16 May 2017) Barbara Leitl-Staudinger Alfred Leu Peter Mitterbauer Karl Samstag Barbara Steger Herbert Walterskirchen Martin Zahlbruckner
Staff representatives	Wolfgang Pischinger, Chairman of the Central Works Council of Oberbank AG Alexandra Grabner Elfriede Höchtel Stefan Miltenyi Markus Rohrbacher Herbert Skoff
State Commissioners	Angelika Schlögel, State Commissioner appointed as of 1 August 2017 Jutta Raunig, Deputy State Commissioner, appointed as of 1 July 2017
Management Board	Franz Gasselsberger, CEO Josef Weißl Florian Hagenauer

Service Information

Organisational Structure of Oberbank
Structure of the Oberbank Group
Business Areas and Branches
Shareholders of the 3 Banken Group

Organisational Structure of Oberbank

Management Board Members

Chairman of the Management Board and CEO	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer
Phone: +43(0)732/7802 ext. 37204	Phone +43(0)732/7802 ext. 37220	Phone +43(0)732/78 02 ext. 37206
franz.gasselsberger@oberbank.at	josef.weissl@oberbank.at	florian.hagenauer@oberbank.at

Banking departments

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peter.kottbauer@oberbank.at

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Credit Management
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Private Banking & Asset Management
Erich Stadlberger
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Personal Banking
Brigitte Haider
ext. 37271, brigitte.haider@oberbank.at

Compliance Officer, Anti-Money Laundering Officer

Peter Richtsfeld
ext. 37427, peter.richtsfeld@oberbank.at

Service Departments

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Structure of the Oberbank Group

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Business Areas and Branches

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www.oberbank.at

Austria

Main Branch Linz-Donaulände, GB Linz Nord
A-4020 Linz, Untere Donaulände 36
Günther Ott, Phone: +43/(0)732/78 02 ext. 37366, guenther.ott@oberbank.at
Affiliated branches: A-4040 Linz – Dornach, Altenberger Straße 35
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

Main Branch Landstraße, GB Linz Süd
A-4020 Linz, Landstraße 37
Klaus Hofbauer, Phone +43/(0)732/774211 ext. 31322, klaus.hofbauer@oberbank.at
Affiliated branches: A-4020 Linz – Spallerhof-Bindermichl, Einsteinstraße 5
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, Linzer Straße 12
A-4050 Traun – St. Martin, Leondinger Straße 2

Main Branch Salzburg
A-5020 Salzburg, Alpenstraße 98
Petra Fuchs, Phone: +43/(0)662/6384 ext. 201, petra.fuchs@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-5640 Bad Gastein, Böcksteiner Bundesstraße 1
A-5630 Bad Hofgastein, Kurgartenstraße 27
A-5500 Bischofshofen, Bodenlehenstraße 2 – 4
A-5400 Hallein, Robertplatz 4
A-5310 Mondsee, Rainerstraße 14
A-5760 Saalfelden, Leoganger Straße 16
A-5201 Seekirchen, Bahnhofstraße 1

Main Branch Innviertel
A-4910 Ried im Innkreis, Friedrich-Thurner-Straße 9
Erich Brandstätter, Phone: +43/(0)7752/680 ext. 52214, erich.brandstaetter@oberbank.at
Affiliated branches: A-5280 Braunau, Stadtplatz 40
A-4950 Altheim, Stadtplatz 14
A-5230 Mattighofen, Stadtplatz 16
A-4780 Schärding, Silberzeile 12

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A-4600 Wels, Ringstraße 37
Wolfgang Pillichshammer, Phone: +43/(0)7242/481 ext. 200, wolfgang.pillichshammer@oberbank.at
Affiliated branches: A-4600 Wels – Nord, Oberfeldstraße 91
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

Main Branch Salzkammergut, Gmunden
A-4810 Gmunden, Esplanade 24
Thomas Harrer, Phone: +43/(0)7612/62871 ext. 12, thomas.harrer@oberbank.at
Affiliated branches: 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

Business Areas and Branches

Main Branch Lower Austria, St. Pölten

A-3100 St. Pölten, Domplatz 2

Franz Frosch, Phone +43/(0)2742/385 ext. 44, franz.frosch@oberbank.at

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.
A-2700 Wiener Neustadt, Wiener Straße 25
A-3910 Zwettl, Kuenringer Straße 3

Main Branch Vienna

A-1030 Wien, Schwarzenbergplatz 5

Andreas Klingan, Phone: +43/(0)1/53421 ext. 55010, andreas.klingan@oberbank.at

Affiliated branches: A-1090 Wien – Alsergrund, Porzellangasse 25
A-1190 Wien – Döbling, Gatterburggasse 23
A-1220 Wien – Donauspital, Zschokkegasse 140
A-1220 Wien – Donaustadt, Wagramer Straße 124
A-1100 Wien – Favoriten, Sonnwendgasse 13
A-1210 Wien – Floridsdorf, Brünner Straße 42
A-1170 Wien – Hernals, Hernalser Hauptstraße 114
A-1130 Wien – Hietzing, Lainzer Straße 151
A-1080 Wien – Josefstadt, Josefstädter Straße 28
A-1030 Wien – Landstraße, Landstraßer Hauptstraße 114
A-1020 Wien – Leopoldstadt, Taborstraße 11 a
A-1230 Wien – Liesing, Lehmanngasse 9
A-1050 Wien – Margareten, Reinprechtsdorfer Straße 30
A-1070 Wien – Neubau, Neubaugasse 28 – 30
A-1140 Wien – Penzing, Linzer Straße 413
A-1230 Wien – Süd, Laxenburger Straße 244
A-1010 Wien – Schottengasse, Schottengasse 2
A-1180 Wien – Währing, Gersthofer Straße 10
A-1040 Wien – Wieden, Rilkeplatz 8
A-1100 Wien – Wienerberg, Wienerbergstraße 9
A-2500 Baden bei Wien, Beethovengasse 4 – 6
A-3400 Klosterneuburg, Kierlinger Straße 1
A-2100 Korneuburg, Hauptplatz 21
A-2340 Mödling, Hauptstraße 33
A-2380 Perchtoldsdorf, Wiener Gasse 12
A-2320 Schwechat, Wiener Straße 3

Regional Division Germany

Main Branch South Bavaria
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Affiliated branches: D-86150 Augsburg, Maximilianstraße 55
D-84307 Eggenfelden, Fischbrunnenplatz 11
D-85354 Freising, Johannisstraße 2
D-82110 Germering, Therese-Giehse-Platz 2
D-85053 Ingolstadt, Erni-Singerl Straße 2
D-84028 Landshut, Altstadt 391
D-84453 Mühldorf am Inn, Brückenstraße 2
D-85521 Ottobrunn, Rosenheimer Landstraße 39
D-94032 Passau, Bahnhofstraße 10
D-93047 Regensburg, Bahnhofstraße 13
D-83022 Rosenheim, Heilig-Geist-Straße 5
D-94315 Straubing, Stadtgraben 93
D-89073 Ulm, Walfischgasse 12
D-85716 Unterschleißheim, Alleestraße 13
D-82515 Wolfratshausen, Bahnhofstraße 28

Main Branch North Bavaria-Hesse-Thuringia
D-90443 Nürnberg, Zeltnerstraße 1
Thomas Decker, Phone: +49/(0)911/72367 ext. 11, thomas.decker@oberbank.de
Affiliated branches: D-63739 Aschaffenburg, Weißenburger Straße 16
D-96047 Bamberg, Franz-Ludwig-Straße 7 a
D-95444 Bayreuth, Kanalstraße 17
D-64283 Darmstadt, Neckarstraße 12 – 16
D-99084 Erfurt, Krämpferstraße 6
D-91054 Erlangen, Hauptstraße 83
D-07743 Jena, Kirchplatz 6
D-92318 Neumarkt i.d.
D-97421 Schweinfurt, Schultesstraße 5 – 7
D-92637 Weiden, Sedanstraße 6
D-97070 Würzburg, Paradeplatz 4

Regional Division Czech Republic

CZ-12000 Praha 2, nám. I.P.Pavlova 5

Robert Pokorný, Phone: +420/224/1901 ext. 12, robert.pokorny@oberbank.cz

Affiliated branches: CZ-14000 Praha 4 – Nusle, nám. Bratří Synků 11
CZ-15000 Praha 5 – Smíchov, Portheimka Center náměstí 14 října 642/17
CZ-17000 Praha 7 – Holešovice, Dukelských hrdinů č. 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, Soukenné nám. 156
CZ-29301 Mladá Boleslav, Jaselská 1391
CZ-39701 Písek, Budovcova 2530
CZ-30100 Plzeň, Prešovská 20
CZ-11000 Praha 1. Klimentská 1246/1
CZ-77100 Olomouc, Dolni nám. 1
CZ-70200 Ostrava, Stodolní 1
CZ-39001 Tábor, Pražská 211
CZ-40001 Ústí nad Labem, Hrnčířská 4
CZ-76001 Zlín, Osvoboditelů 91

Regional Division Hungary

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H-4026 Debrecen, Bem tér 14
H-9024 Gyõr, Hunyadi u.
H-6000 Kecskemét, Kisfaludy utca 8
H-8800 Nagykanizsa, Erzsébet tér 23
H-3530 Miskolc¸ Mindszent tér 3
H-7612 Pécs, Tímár u.2
H-6720 Szeged, Klauzál tér 2
H-8000 Szekesfehervar, Rakoczi ut 1
H-9700 Szombathely, Berzsenyi Dániel tér 2

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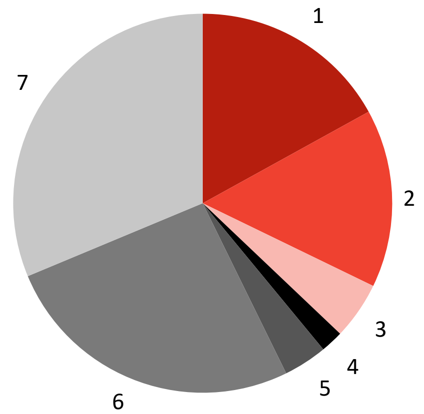
Service Information

Shareholders of Oberbank AG, BKS Bank AG and Bank für Tirol und Vorarlberg AG as at 31 Dec. 2017 by voting shares

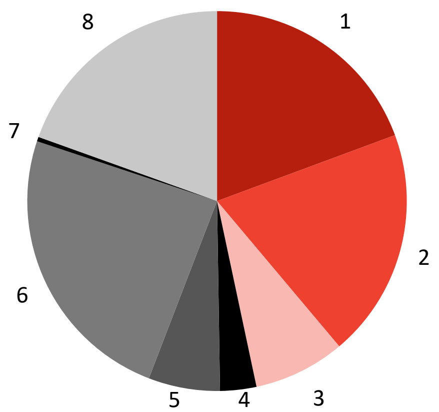
Oberbank

1	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	16.98%
2	BKS Bank AG, Klagenfurt	15.21%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.90%
4	Generali 3 Banken Holding AG, Wien	1.93%
5	Employees	3.76%
6	CABO Beteiligungs-gesellschaft m. b. H., Wien	25.97%
7	Free float	31.25%



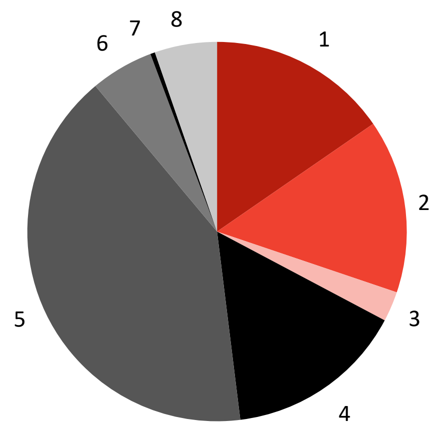
BKS

1	Oberbank AG, Linz	19.36%
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	19.50%
3	Generali 3 Banken Holding AG, Wien	7.80%
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	3.09%
5	UniCredit Bank Austria AG, Wien	6.10%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	24.25%
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	0.45%
8	Free float	19.45%



BTV

1	Oberbank AG, Linz	14.38%
2	BKS Bank AG, Klagenfurt	14.78%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.66%
4	Generali 3 Banken Holding AG, Wien	15.77%
5	CABO Beteiligungs-gesellschaft m. b. H., Wien	40.83%
6	UniCredit Bank Austria AG, Wien	5.96%
7	BTV Privatstiftung, Innsbruck	0.40%
8	Free float	5.22%



There is a syndicate agreement with each of the shareholders shown in shades of red.

Publication Information

Media owner and publisher:

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DVR (data processing code): 0019020
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VAT ID: ATU22852606
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Internet: www.oberbank.at; E-Mail: sek@oberbank.at

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Oberbank abstains from producing a resource-intensive printed version of the Annual Report. With a view to 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 yearly and to avoid the environmentally detrimental effects of the printing process.

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

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 our estimates based on the information at our disposal on the copy deadline date 31 December 2017. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialize, the actual results may vary from those 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 English version of the Annual Report is prepared for the convenience of English-speaking readers.