Annual Report 2019

Oberbank

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Annual Report 2019

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Oberbank at a Glance

Income statement in €m	2019	2018	Change
Net interest income	345.8	345.2	0.2%
Charges for losses on loans and advances	-12.2	-25.6	-52.3%
Net commission income	163.0	159.2	2.4%
Administrative expenses	-288.9	-283.6	1.9 %
Profit for the year before tax	276.2	270.5	2.1%
Profit for the year after tax	216.1	225.6	-4.2%

Balance sheet in € m	2019	2018	Change
Total assets	22,829.0	22,212.6	2.8%
Loans and advances to customers	16,772.2	15,883.0	5.6%
Primary funds	14,166.0	14,244.0	-0.5%
of which savings deposits	2,697.4	2,684.1	0.5%
of which securitised liabilities incl. subordinated debt capital	2,185.4	2,098.3	4.2%
Equity	2,960.5	2,797.9	5.8%
Customer funds under management	30,314.8	28,530.9	6.3%

Regulatory capital in EUR million €	2019	2018	Change
Common equity tier 1 capital	2,659.0	2,517.8	5.6%
Tier 1 capital	2,709.0	2,563.1	5.7 %
Own funds	3,058.1	2,911.8	5.0 %
Common equity tier 1 capital ratio	17.59%	17.46%	0.13 % ppt
Tier 1 capital ratio	17.92%	17.77%	0.15% ppt
Total capital ratio	20.23%	20.19%	0.04% ppt

Performance indicators	2019	2018	Change
Return on equity before tax	9.64%	10.18%	-0.54% ppt
Return on equity after tax	7.54%	8.49%	-0.95% ppt
Cost/income ratio	50.04%	48.92%	1.12% ppt
Risk/earnings ratio (credit risk/net interest)	3.53%	7.42%	-3.89% ppt

Resources	2019	2018	Change
Average number of staff (weighted)	2,150	2,101	49
Number of branches	177	170	7

Oberbank Share	2019	2018	2017
Number of ordinary no-par bearer shares	32,307,300	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	96.20/93.00	89.80/88.50	81.95/71.40
Low (ordinary/preference share) in €	89.80/83.00	82.00/72.50	60.36/52.00
Close (ordinary/preference share) in €	95.80/89.50	89.80/83.00	81.95/71.40
Market capitalization in €m	3,363.5	3,150.2	2,861.8
IFRS earnings per share in €	6.13	6.39	5.68
Dividend per share in €	1.15	1.10	0.90
P/E ratio, ordinary shares	15.6	14.1	14.4
P/E ratio, preference shares	14.6	13.0	12.6

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 off.

Letter from the Chairman of the Management Board

FRANZ GASSELSBERGER

CEO der Oberbank AG

Dear readers,

2019 exceptional year for Oberbank for several reasons

Apart from activities relating to Oberbank's 150th anniversary, we have been confronted with a slowing economy both nationally and globally as well as with a number of legal actions filed against the bank threatening our autonomy and independence.

Economy developing slower than forecast

At the start of 2019, many people had expected the second half of the year to develop better than in the rather difficult first half – but this did not materialize. International trade conflicts, hard times in the automotive industry and uncertainty over Brexit were factors that motivated IMF to lower its autumn forecast for the global economy to the lowest level since the financial crisis.

Before this backdrop, major central banks launched their economic stimulus measures at the end of 2019, while the ECB continued its policy of easy money.

Despite slower economic growth, operating income at excellent level again in 2019

The volume of loans rose substantially by 5.6% to EUR 16.8 billion, while primary deposits remained at the high level of the preceding year at EUR 14.2 billion. Credit risk is still doing very well despite the strong rise in credit volumes.

Net interest income and net commission income were slightly higher year on year at EUR 345.8 million (+0.2%) and EUR 163.0 million (+2.4%) respectively, while income from equity investments was 64.2% lower year on year at EUR 29.7 million. The reason is that the gap created by much lower contributions to results from voestalpine was not covered by the excellent contributions from our partner banks.

Administrative expenses rose only moderately in financial year 2019 to EUR 288.9 million (+1.9%) despite higher investments in branch expansion.

In total, this resulted in a profit for the year before tax of EUR 276.2 million (+2.1%) and a net profit for the year after tax of EUR 216.1 million (-4.2%).

The tier 1 capital ratio of 17.92% and the total capital ratio of 20.23% are well above the mandatory ratios, and the cost/income ratio of 50% is evidence of the success of our rigorous cost-cutting policy.

Possibility of higher dividends on Oberbank share

The amount of the dividend is based on Oberbank's net profit for the year and is not affected by the current downturn in voestalpine earnings. On account of the excellent results for the single-entity financial statements, we are considering proposing a higher dividend at the Annual General Meeting in May 2020.

Financial magazine "Börsianer" rates Oberbank number one again

The financial magazine "Börsianer" distinguished Oberbank for a fourth time in a row in 2019 for its excellent development.

Already in 2016, we won in the category "Best Universal Bank", and in 2017 and 2018, we also achieved the designation "Best Bank" in the overall rating.

Apart from our regular business operations, we were faced with legal actions filed by UniCredit attacking our independence in 2019.

On the surface, it seems to be about our capital increases (and those of our partner banks) over the past 30 years with questions like “Who has held shares in Oberbank and since when?” and “Who acquired how many shares in the capital increases and when?”. Between the lines though, it is clear that the intent of UniCredit’s legal actions is to take away voting shares we and our partner banks have acquired rightfully and lawfully; UniCredit’s intent is to obtain a controlling interest in three successful regional banks.

In a first step, UniCredit tabled a motion at the Annual General Meeting in May 2019 to elect a third representative from UniCredit to the Supervisory Board of Oberbank. After this motion was rejected by the large majority of shareholders, UniCredit filed a lawsuit contesting the resolutions of the Annual General Meeting. The lawsuit proceedings were closed on 20 December 2019, with a decision still being outstanding at the time of this writing.

At the end of December 2019, UniCredit demanded that an extraordinary general shareholder’s meeting of Oberbank be convened. At this general shareholders’ meeting, which took place on 4 February 2020, the motions put to a vote by UniCredit were rejected by a large majority (special audit of all Oberbank capital increases since 1989, termination of arbitration proceedings with Generali-3Banken-Holding).

Crucial success factor: our independence

The banking industry is confronted with enormous challenges. Digitalisation, sustainability, regulatory tightening and zero interest are just a few of the buzzwords that describe the changes the industry is undergoing. In such an environment, a bank cannot really set itself apart from its peers through its products, services or conditions – not today and not in the future. Rather it must rely on values that satisfy customers lastingly. At Oberbank, these values have been the foundation of our success for decades: regionality, proximity to customers, and above all, independence.

Independence has been a key element of our bank’s DNA since we separated from Creditanstalt in 1984.

It is our most important asset and means that we cannot be dominated by any single shareholder or by just few large shareholders. Therefore, the management board, supervisory board and the majority of shareholders can reach coordinated decisions about the strategies and goals to pursue, on when and where to expand, and in which leading domestic businesses to invest. And our customers also rely on us to ensure that their financial matters are decided locally by a regional bank and not at anonymous corporate headquarters of a large international bank far away.

Our independence should not be questioned!

What counts over the long term is not if Oberbank opens one or more branch, if profits are a bit higher or lower or if we are again designated Austria’s best bank. What is decisive in the long run is that we remain independent and autonomous. This is not merely an end in itself, but a matter of protecting the interests of all stakeholders, because only if Oberbank is an independent bank will it be able to ensure that the interests of employees, shareholders and cooperation partners are considered equitably and preserve our position as a real alternative among Austrian banks.

For this reason, we will continue to fight for our independence with all means.

What is in store for us in 2020?

According to the latest forecasts, the global economy is set to grow by 3.0% or more or less the same as in the preceding year. Growth is expected to be slower for the EU (+1.5%) and the euro area (+1.3%), and also for Austria (+1.2%).
The ECB will continue its zero-interest rate and negative interest policy in 2020, while key lending rates are likely to remain unchanged in the euro area at 0%. ECB President Christine Lagarde even implied that interest rates might be cut even further if necessary.
Due to the expected narrowing of interest spreads between the euro area and the US, the euro will probably strengthen versus the USD in 2020.

Focus of Oberbank's business activities

Despite the expected slowing of economic growth, Oberbank expects demand for loans to continue to develop satisfactorily also in 2020. The trend among customers to put their money in sight deposits is likely to continue due to the sustained low interest rates.
We will continue to pursue organic growth in 2020. In total, six new branch openings are planned, which include four in Germany and one each in Hungary and Slovakia. Oberbank operated a total of 183 branches as of the end of 2020.

On behalf of the entire Board of Oberbank, I would like to thank everyone who has made our success possible this past year!

Our customers who place their trust in us – our most valuable asset; our shareholders who stand for a solid, long-lasting stable ownership structure; and our employees who always work harder than others.
My special thanks go to all members of the Supervisory Board. The Supervisory Board is not only the top-most monitoring body, but an important advisor for the management on crucial matters.

Only with the cooperation of all these persons have we been able to achieve such good earnings in 2019. We look forward to your continued support.

Linz, in March 2020

CEO Franz Gasselsberger
Chairman of the Management Board

Corporate Governance Report for the Group

FLORIAN HAGENAUER
Management Board Member
Oberbank AG

FRANZ GASSELSBERGER
Chief Executive Officer of
Oberbank AG

JOSEF WEIßL
Management Board Member
Oberbank AG

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. 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 (ÖCGK).

Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex) / Conformity Declaration

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 valuable guidance 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 Supervisory Board meeting 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 deviations:

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 that offers shareholders preferred treatment with respect to dividends and thus an attractive investment option. 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, which are in compliance with the Austrian Banking Act, ensure that any and all variable remuneration payments to Board members are commensurate with their personal performance 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 among the individual major 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 eleven 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 thus guaranteed. Oberbank values the expert knowledge of its supervisory body comprising senior members and leading experts from the Austrian business community.

Regulatory changes

Apart from the new regulations on the remuneration of management board and supervisory board members (see Chapters “Remuneration of the Management Board” and “Remuneration of the Supervisory Management”), the Shareholder Rights Directive II of the EU introduced the following new rules in 2019:

Exchange-listed joint-stock companies such as Oberbank may demand from intermediaries such as custodians that hold company shares in custody for certain shareholders to identify shareholders that hold more than 0.5% of shares or voting rights. The intent is to facilitate direct communication between the company and its shareholders, for example, on the Annual General Meeting or other corporate actions. Up to now, it had not been possible for a company that issued bearer shares to easily find out the identity of its shareholders.

Due to the fact that a large percentage of shareholders have their custody accounts with Oberbank, Oberbank has been able to send personal invitations to the Annual General Meeting to known shareholders in the past. This also explains the high degree of attendance at the Annual General Meetings of Oberbank and fully complies with the intentions of the new regulation.

Transactions of exchange-listed companies with related parties, so-called “related parties transactions” must be approved by the Supervisory Board in advance if the value of the transaction exceeds 5% of total assets. These must also be published on the website of the company if the value exceeds 10% of the total assets.

The Supervisory Board of Oberbank has adopted the corresponding guidelines which also specify the relevant and necessary processes. The limits defined in the internal rules of procedure for the Management Board and Supervisory Board for the approval of transactions by the Supervisory Board are far below these limits, and therefore, compliance is guaranteed.

Further obligations, in particular, to increase transparency for shareholders were created for institutional investors, asset managers and proxy advisors.

Oberbank meets all of these enlarged transparency obligations for shareholders, of course.

Information on the ÖCGK and the Oberbank share on the internet	Website
Austrian Code of Corporate Governance	www.corporate-governance.at
Oberbank AG Share	www.oberbank.at/oberbank-aktien
Shareholder Structure	www.oberbank.at/aktionarsstruktur
Financial Calendar	www.oberbank.at/finanzkalender
Annual General Meeting	www.oberbank.at/hauptversammlung
Corporate Governance • Compliance Statement of Oberbank AG • Independence Criteria • Report of Oberbank AG on the Austrian Code of Corporate Governance • Publications pursuant to § 65 Banking Act regarding Corporate Governance and Remuneration • Internal Rules of Procedure of Oberbank AG • Articles of Association of Oberbank AG • Directors' Dealings	www.oberbank.at/corporate-governance
Key Ratios and Reports of Oberbank AG: • Business, Financial and Sustainability Reports • Letter to Shareholders • Single-entity financial statements	www.oberbank.at/kennzahlen-berichte
Ad-hoc reports	www.oberbank.at/ad-hoc-meldungen

Composition and mode of operation of the Management 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 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 41), 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 board members, managing directors and, if required, supervisory boards are assumed by current management board members and heads of department of Oberbank or one of its 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 2019 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 2025
Florian Hagenauer	1963	1 Dec. 2009	30 Nov. 2024

Franz Gasselsberger, CEO

Having obtained a doctorate in law from Paris-Lodron University in Salzburg, Franz Gasselsberger started his career at Oberbank in 1983. Parallel to his management function in the Bank's Salzburg operations, he completed the MBA program at the International Management Academy, earning an International Executive MBA degree. In April 1998, the Supervisory Board appointed him to the Management Board of Oberbank AG; on 1 May 2002, he 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. He is also 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 of AMAG Austria Metall AG (until 10 Apr. 2019)
Member of the Supervisory Board of Lenzing Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

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

Oberbank complies with all upper limits to mandates pursuant to the ÖCGK, Joint Stock Companies Act and the Banking Act.

Josef Weißl, Management Board Member

Upon his graduation from the University of Linz, where he studied business management and law, Josef Weißl started his career at Oberbank in 1983. Concurrently with his management function in the Bank's Salzburg operations, he 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 of Gasteiner Bergbahnen AG
Member of the Supervisory Board of BRP-Powertrain Gmbh & Co.KG

Member of the Supervisory Board of Wiener Börse AG (until 27 June 2019)
Member of the Supervisory Board of CEESEG Aktiengesellschaft (until 27 June 2019)

Functions in companies included in the consolidated financial statements:

None

Oberbank complies with all upper limits to mandates pursuant to the ÖCGK, the Joint Stock Companies Act and the Banking Act.

Florian Hagenauer, Management Board Member

Upon his graduation from the University of Linz, where he studied business management and law, 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 (today: 3 Banken IT GmbH). 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.

He is also 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 foreign companies:

Member of the Supervisory Board of Wüstenrot Wohnungswirtschaft registrierte Genossenschaft mit beschränkter Haftung
Member of the Supervisory Board of Energie AG Oberösterreich
Member of the Supervisory Board of Lenzing Aktiengesellschaft (until 23 May 2019)

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of 3-Banken Wohnbaubank AG
Advisory Council member for 3 Banken IT GmbH
Advisory Council member of Banken DL Servicegesellschaft m.b.H.

Oberbank complies with all upper limits to mandates pursuant to the ÖCGK, the Joint Stock Companies Act and the Banking Act.

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 to 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 Internal Rules of Procedure of the Management Board.

Cooperation within the Management Board is based on regular Management Board meetings, usually held weekly. 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 Internal Rules of Procedure of the Management Board and of 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)
TRE (Treasury & Trade)	PAM (Private Banking & Asset Management)	RIS (Strategic Risk Management)
HRA (Human Resources)		SEK (Corporate Secretary & Communication)
RUC (Accounts & Controlling)		GFI (Global Financial Institutions)
		ORG (Organisational Development, Strategy and Process Management)
		ZSP (Payment Systems and Central Production CEE1), securities settlement)
		BDSG2) (Payment Systems and Central Production)
Regional Business Divisions		
Linz North	Linz South	
Salzkammergut	Innviertel	
Vienna	Salzburg	
Wels	Lower Austria	
Germany South	Slovakia	
Germany Central	Czech Republic	
	Hungary	

1) CEE as defined by Oberbank comprises the regions of Czech Republic, Slovakia and Hungary.
2) Banken DL Servicegesellschaft m.b.H., 100% subsidiary of Oberbank

Mode of operation of the Supervisory Board

Members of the Supervisory Board

The 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 ÖCGK, all supervisory board mandates and similar functions in domestic and foreign listed companies are given here.

	Year of birth/ Initial appointment Scheduled end of period of office
Presidency:	
Herta Stockbauer	1960 / 13 May 2014 / AGM 2024
Member of the Supervisory Board (SB) of Bank für Tirol und Vorarlberg AG; member of SB of Österreichische Post Aktiengesellschaft; Member of SB of SW Umwelttechnik Stoiser & Wolscher AG (until 1 June 2019)	
Ludwig Andorfer, 1st Vice-Chairman	*1944 / 24 May 2011/ AGM 2021*
Gerhard Burtscher, 2nd Vice-Chairman	*1967 / 18 May 2016/ AGM 2021*
Chairman of the SB of BKS Bank AG	
Representatives of shareholders:	
Wolfgang Eder (resigned on 14 May 2019)	1952 / 9 May 2006 / AGM 2021
Member of SB of Infineon AG (Munich)	
Gregor Hofstätter-Pobst	1972 / 16 May 2017 / AGM 2020
Member of SB of Bank für Tirol und Vorarlberg AG; member of SB of BKS Bank AG	
Stephan Koren	1957 / 15 May 2018 / AGM 2024
Barbara Leitl-Staudinger	1974 / 13 May 2014 / AGM 2022
Alfred Leu	1958 / 18 May 2016 / AGM 2021
Peter Mitterbauer	1942 / 15 April 1991 / AGM 2020
Karl Samstag	1944 / 22 April 2002 / AGM 2022
Member of SB of BKS Bank AG; Member of SB of Bank für Tirol und Vorarlberg AG	
Barbara Steger	1980 / 13 May 2014 / AGM 2022
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

Susanne Braun, first delegated: 15 May 2018, Oberbank Baden near Vienna

Alexandra Grabner, first delegated: 26 March 2014; Central Works Council of Oberbank AG

Elfriede Höchtel, first delegated: 22 May 2007; Oberbank Wels

Doris Pirner, first delegated: 1 Jan. 2018, Internal Audit

Sven Zeiss first delegated: 1 Jan. 2019; Oberbank Main Branch Salzburg

State Commissioners:

Angelika Schlögel, State Commissioner, appointed as of 1 August 2017

Jutta Raunig, Deputy State Commissioner appointed as of 1 July 2017

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 defined the following criteria to ensure its members' independence and also publishes it on its website 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 independent. The establishment or existence of agreements with the Company that are customary in banking shall not be deemed to prejudice a 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 confirmed their independence in accordance with these criteria in individual declarations. Furthermore, with the exception of Herta Stockbauer (BKS Bank AG), Gerhard Burtscher (Bank für Tirol und Vorarlberg AG), Karl Samstag and Gregor Hofstätter-Pobst, all members of the Supervisory Board elected by the Annual General Meeting are neither shareholders with a stake of more than 10% nor representatives of such shareholders. (Rule 54 C ÖCGK)

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.

In addition to the independence criteria in the meaning of the ÖCGK, the Banking Act also specifies in some cases more restrictive criteria for shareholder representatives on the Supervisory Board and on certain committees of the Supervisory Board.

The full supervisory board must include at least two shareholder representatives that meet the independence criteria pursuant to § 28a (5a) no. 2 Banking Act. The full supervisory board has been fully compliant with this provision in the reporting year since it entered into force, with a new feature being the collective suitability of the entire body.

The different independence criteria applicable to the committees defined in the respective legal provisions are stated in the explanations on each of the committees.

Mode of operation of the Supervisory Board

The Supervisory Board has been made up of eleven elected shareholder representatives and six staff representatives delegated by the Works Council since 14 May 2019.

The Supervisory Board held four regular meetings in the financial year 2019 at which it performed its control functions (see also 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 ÖCGK).

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 with the remuneration guidelines and is responsible for the appointment and removal of management board members and for many other matters.

At the November meeting in 2018, the Supervisory Board approved the new Fit & Proper Rules based on the new Fit & Proper Policy of Oberbank; these Rules are the basis on which starting as of 2019, a Fit & Proper evaluation is conducted of the members of the Management Board, the Supervisory Board members and the collective suitability of the full Supervisory Board and its Committees.

Apart from expert knowledge and the personal qualification of the individual members of the Supervisory Board as well as an assessment of their independence and of any potential conflicts of interest, the issue in hand is an evaluation of the collective suitability of the full Supervisory Board and all of its Committees regarding the criteria for composition, age and diversity. The strict rules of the Banking Act are complied with. A policy on how to deal with potential conflicts of interest has been defined.

In order to accomplish its extensive tasks, the Supervisory Board establishes a certain number of committees that include the relevant experts from its ranks capable of dealing with the topics specified by law, by the Articles of Association or by the 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 Committee and a Credit Committee (two separate committees since 14 May 2019), 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.

Due to the dispute with the two minority shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H., which has been ongoing since mid-March 2019 and is now before a court of law, the Supervisory Board passed the resolution to establish a separate committee (Legal Committee) for dealing with the legal issues in connection with this legal dispute.

The Audit Committee consists of five shareholder representatives; the Working Committee of four shareholder representatives; the Risk and Credit Committee and the Remuneration Committee of three shareholder representatives each, and the Nomination Committee of two shareholder representatives.
With the exception of the Nomination Committee, employee representatives are members of the committees in accordance with legal provisions.

Audit Committee

The Audit Committee fulfils its obligations under § 63a (4) of the Austrian Banking Act. These include:

- Monitoring the accounting process and presenting recommendations and proposals to guarantee its reliability;
- Monitoring the effectiveness of the Company'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 oversight body of the auditing profession has published pursuant to § 4 (2) no. 12 Auditor Supervisory Act (APAG);
- The review and monitoring of the independence of the auditor (auditor of the consolidated financial statements), especially with respect to the additional services provided to the audited company; Art. 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;
- The audit of the financial statements and the preparations for their approval, examination of the proposal for the appropriation of profits, the management report and, if applicable, the corporate governance report, as well as the report on the audit findings to Supervisory Board;
- If applicable, the audit of 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;
- The execution of the procedure for the selection of the auditor for the single-entity and consolidated financial statements considering also the appropriateness of the fee and the recommendation for the appointment of the auditor of the single-entity and consolidated financial statements to the Supervisory Board pursuant to Art. 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 in detail at its meetings of 20 March 2019 and 17 September 2019.
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 Chair 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. The bank auditor confirmed in its report to the Audit Committee at its meeting of 17 September 2019 that the risk management system set up is fully functional in all material aspects.

Committee Members: Ludwig Andorfer (Chairman until 14 May 2019) Herta Stockbauer (Chairwoman from 14 May 2019), Gerhard Burtscher, Stephan Koren, Alfred Leu, Wolfgang Pischinger, Alexandra Grabner, Susanne Braun

Ludwig Andorfer, With Herta Stockbauer, Gerhard Burtscher and Ludwig Andorfer, four committee members have specialist knowledge and practical experience in banking operations in the areas of finance and accounting (financial experts).
All members of the Committee meet the independence criteria of § 63a (4) Banking Act.

Working Committee

The Working Committee is not a committee required by law.
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 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 circular, and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone.
One time-critical resolution was approved by the Working Committee in 2019.
The business transaction decided by the Working Committee was reported and discussed in detail at the next plenary meeting of the Supervisory Board.
Oberbank relies on the banking expertise of the members of the Committee for all decisions that usually have to be reached by written circular due to urgency.

Committee Members: Ludwig Andorfer (Chairman) Herta Stockbauer, Gerhard Burtscher Stephan Koren, Wolfgang Pischinger, Susanne Braun

Credit Committee (separated from the Risk Committee as of 14 May 2019)

The Credit Committee is not a committee required by law.
The approval of the 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 Committee exercises its decision-making power by resolutions reached by written circular, and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone.

In 2019, the Credit Committee approved 67 time-critical resolutions. Apart from this, there were no direct applications approved by the plenary meeting of the Supervisory Board.
Transactions decided by the Credit Committee are subsequently reported and discussed in detail at the next plenary meeting of the Supervisory Board.

Committee Members: Herta Stockbauer (Chairwoman), Ludwig Andorfer, Gerhard Burtscher, Wolfgang Pischinger, Susanne Braun

Risk Committee (separated from the Credit Committee as of 14 May 2019)

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 current and future risk appetite, and the 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;
- Regardless of the tasks of the Remuneration Committee, it checks to ascertain if the incentives of the internal remuneration system take into consideration risk, capital, liquidity, probability and time of profit realization.

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 until 14 May 2019), Ludwig Andorfer (Chairman from 14 May 2019), Gerhard Burtscher, Wolfgang Pischinger, Susanne Braun
Apart from Chairman Ludwig Andorfer, who prior to his appointment was responsible for back office, Herta Stockbauer, who before being appointed Chairwoman of BKS Bank AG was responsible for risk management there, and Gerhard Burtscher as Management Board member of Oberbank, all have the required expertise for monitoring implementation of the bank's risk strategy as required by law.
All members of the Committee meet the independence criteria of § 39d (3) Banking Act.

Nomination Committee

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

- Find candidates for an appointment to any vacant positions on the Management Board and to 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 the underrepresented gender 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 than is contrary to the interests of the bank;
- Regularly, but 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, but 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 – unless the Remuneration Committee is responsible – the relations between the company and the members of the Management Board, submits proposals regarding appointments to management board positions (vacancies) 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, prepared, among other things, task descriptions and applicant profiles for Management Board and Supervisory Board members to be newly appointed, defined a target quota for the underrepresented gender on the Management Board and the Supervisory Board, and developed strategies to attain the target quota.

At its meeting of 28 November 2018, the Supervisory Board adopted the new Fit & Proper Rules based on the new Fit & Proper Policy; these Rules are the basis for the Nomination Committee for the Fit & Proper re-evaluation conducted in 2019 of current and new members of the Supervisory Board and also of the collective suitability of the entire Supervisory Board and its Committees.

In 2019, this decision was taken at the meeting of 19 March 2019.

The full Supervisory Board was subsequently informed comprehensively of the outcome at its meeting of 20 March 2019. Subsequently, the Supervisory Board conducted a re-evaluation of the two members of the Nomination Committee at its meeting and confirmed their qualification of fit and proper.

Based on the extensive materials and with the help of a preparatory questionnaire, the Supervisory Board also conducted the self-evaluation of its activities pursuant to C Rule 36 of the ÖCGK.

It did not perceive any need to make changes to the existing efficient and effective organisation.

At its meeting of 19 March 2019, the Nomination Committee also dealt closely with the prolongation of the management board mandates of Mr. Hagenauer and Mr. Weißl and then proposed to the Supervisory Board at the meeting of 20 March 2019 to prematurely prolong Mr. Hagenauer's mandate for another period of office, i.e., until 30 November 2024; and at the Supervisory Board's meeting of 14 May 2019 proposed to prematurely prolong Mr. Weißl's mandate for a further period of office, i.e., until 30 April 2025.
Additionally, the Nomination Committee approved by circular vote an additional supervisory board mandate each for Mr. Hagenauer and Mr. Weißl and informed the full Supervisory Board of this at the next meeting on 14 May 2019.

<u>Committee Members:</u> Herta Stockbauer (Chairwoman), Ludwig Andorfer
There are no separate independence criteria defined in the Banking Act for the Nomination Committee.

Legal Committee

The Legal Committee is not a committee required by law.
On account of the lawsuit filed by the largest individual shareholder (represented on the Supervisory Board of Oberbank by two members) against Oberbank that contests the resolution passed by the Annual General Meeting to reduce the number of shareholder representatives from 12 to 11, the Supervisory Board set up a special committee at its meeting of 17 September 2019 to deal with this legal dispute with UniCredit Bank Austria and all related pending proceedings. The committee also has the power to commission external service providers (in particular, lawyers) with the representation of the company by the Supervisory Board externally, to make any required statements of the Supervisory Board in court proceedings or proceedings before authorities as well as to take decisions in these matters (decision-making competence) unless it is mandatory for the full Supervisory Board itself to reach a decision.
This became necessary because confidential information from the Supervisory Board was passed on to the lawyers of the shareholder filing the lawsuit. The step was taken to prevent further violations of the Supervisory Board's policy on conflicts of interests. In such proceedings, the company is represented by the Management Board and Supervisory Board, which may require swift decisions in some circumstances by circular vote that would otherwise take too long on the full Supervisory Board.
This Committee was made as compact as possible to enable quick responses and is composed of independent, experienced members of the Supervisory Board with legal expertise.
The legal committee met two times in 2019 in the presence of the State Commissioners. Additionally, information conferences were held over the phone and video.

<u>Committee Members:</u> Herta Stockbauer (Chairwoman), Barbara Leitl-Staudinger, Barbara Steger, Wolfgang Pischinger, Susanne Braun

Remuneration Committee

The Remuneration Committee performs the tasks assigned to it by law. Apart from defining the basic parameters of the remuneration policy, the Remuneration Committee in this function must also perform a proportionality analysis and document it in writing regarding the members of the Management Board. It also defines the parameters for the measurement and review of the variable remunerations for staff members subject to the provisions of § 39b Banking Act with regard to the application of the proportionality principles of § 39b Banking Act and the appertaining Annex.

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 results 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 for employees at the level below the management board with an influence on the risk profile of the bank, the payout modalities usually only apply to the Management Board of the bank in accordance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors.

The new EBA Guidelines for remuneration policies (EBA/GL/2015/22) that entered into force on 1 January 2017 have already been integrated into the Remuneration Policy of Oberbank. The material effects of these Guidelines have limited effects in their implementation for Oberbank due to the very sound remuneration policy already in place at Oberbank.

In accordance with the new provisions of the Stock Corporation Act §§ 78a to 78e and 98a based on the Shareholder Rights Directive regarding the remuneration policy for the Management Board and the Supervisory Board, the Supervisory Board must define principles for the remuneration of the Management Board and Supervisory Board.

The Remuneration Policy

- must be supportive of the business strategy and the long-term goals,
- it must be clear and easy to understand,
- it must describe the different fixed and variable payments and their relative shares,
- it must present how the remuneration and terms and conditions of employment are considered,
- it must clearly and comprehensively present the criteria for the variable components,
- it must take into consideration the financial and non-financial criteria,
- it must contain the waiting periods and possibilities for demanding refunds,
- it must precisely define the waiting periods and retention periods for the share components,
- it must contain the term of the contracts, the material termination periods, the main features of the additional retirement benefits, of pre-retirement programmes and termination conditions,
- it must explain the procedures for determination, reviewing and implementation,
- it must describe the role of the Remuneration Committee,
- it must describe all material changes after the review.

The Remuneration Policy must be presented to the Annual General Meeting at least every four years; for the first time, at the Annual General Meeting that decides on the financial year 2019. One year later, based on this Remuneration Policy the corresponding Remuneration Report must be prepared in clear and plain language; it must then be presented to the Annual General Meeting every year.
Votes on the Remuneration Policy and on the Remuneration Report are only recommendations and cannot be contested.

Additionally, the Remuneration Policy (first time AGM 2020) and the Remuneration Reports presented (first time AGM 2021) must be published on the website of the company.

Committee Members: Herta Stockbauer (Chairwoman), Ludwig Andorfer, Stephan Koren, 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.
All members of the Committee meet the criteria of the EBA Guidelines.

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 Remuneration Committee 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.
It provides for a well-balanced relationship between fixed and variable components, with the variable remuneration being oriented on a reference value of 20% to 40% of the fixed remuneration component. The fixed base income takes into account the respective areas of responsibility. Joint and personal performance elements as well as the overall performance of Oberbank are taken into account in the variable component.
The success of the company is measured by how it reaches its medium-term and long-term goals defined in accordance with the selected concrete indicators in the new Remuneration Policy to be presented at the AGM 2020: the sustainable achievement of the financial goals based on the defined strategy and the multi-year projections of the bank; sustained compliance with strategic risk allocation in accordance with the overall bank management strategy (ICAAP Internal Capital Adequacy Assessment Process); generally on the sustained achievement of the strategic (also non-financial) goals.
In compliance with the updated circular of the Austrian Financial Market Authority (FMA) of 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 therefore fully apply.
This means that the variable remuneration components of management board members for the financial year 2019 – whose amount is determined by the Remuneration Committee on the basis of the "Parameters for the Assessment of Variable Remuneration Components for Management Board Members" – must be paid 50% in equity instruments and 50% in cash. The equity instruments are subject to a holding period of three years and the portion with respect to 40% of variable remunerations and 60% of variable remunerations in amounts larger than EUR 150,000 must be deferred for a period of five years and paid in equal parts in equity instruments and in cash in accordance with RZ 260 et seq of the EBA Guidelines on Remuneration Policies and Practices (EBA/GL/2015/22).

The total remunerations paid to the Management Board members in the reporting year was EUR 2,266,000, of which EUR 1,784,000 related to fixed salary components and EUR 482,000 constituted variable remuneration components for the year 2018.

The remuneration to be paid out in 2020 for 2019 is €k 465 and is recognised in the balance sheet at 31/12/2019. The concrete decision will be taken by the Remuneration Committee at the March meeting in 2020 and will take into account the new Remuneration Policy accordingly, also if it is only to be presented at the AGM 2020.

Total remuneration:	**2018**	**2019**
Franz Gasselsberger	EUR 958,000	EUR 1,090,000[2)]
Josef Weißl	EUR 584,000[1)]	EUR 630,000[2)]
Florian Hagenauer	EUR 502,000[1)]	EUR 546,000[2)]

1) including pension fund contributions

2) including the variable remuneration paid in 2019 for 2018

Side-line business activities pursued by members of the Management Board require approval by the Supervisory Board in accordance with 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 attributable to the respective Board member pursuant to Rule 27a ÖCGK. 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 bank.

In the case of fully consolidated companies (see Chapter "Consolidated Financial Statements, note 41), 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 lack of autonomous decision-making powers, the payout methods defined in RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors applied in only two cases. With respect to two management board members, a carry agreement for slightly more than the internal thresholds became effective. A postponement of five years was decided for 40% of the premium, with the decision on the payouts of one-fifth of the amount to be decided annually.

Remuneration of the Supervisory Board

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 16 May 2017 defined the annual emoluments for work on committees effective as of the financial year 2017 as follows (which were also paid out in the reporting year): for members of the Audit Committee, the Risk Committee and the Credit Committee per person and year EUR 6,000; for members of the Remuneration Committee per person and year EUR 3,000; for members of the Working Committee, per person and year EUR 2,000; and for members of the Nomination Committee per person and year EUR 1,000. There is no separate attendance fee for committee members.

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

Remuneration in € for FY 2019	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	6,577		150	6,727
Gregor Hofstätter-Pobst[1)]	0		0	0
Stephan Koren	18,000	11,000	450	29,450
Barbara Leitl-Staudinger	18,000		600	18,600
Alfred Leu[2)]	18,000	6,000	450	24,450
Peter Mitterbauer	18,000		450	18,450
Karl Samstag	18,000		300	18,300
Barbara Steger	18,000		600	18,600
Martin Zahlbruckner	18,000		600	18,600

1) This member of the Supervisory Board did not receive any remuneration or attendance fees due to an internal rule of the UniCredit Group.
2) The remuneration or attendance fees go to Generali Holding Vienna AG due to its internal Group rule.

The members of the Works Council delegated to the Supervisory Board are not entitled to a fixed emolument or fees per meeting.

Measures aimed at promoting women (§ 243c (2) no. 2 Business Code) and diversity concept (§ 243c (2) no. 2a Business Code)

At a share of around 60% women of the total staff, Oberbank has an excellent starting situation for the development of women for executive positions.

<u>Management positions below Board level</u>

As at 31 December 2019, the Oberbank Group (including Leasing) employed 98 women in executive positions (up to team leader level); this corresponds to a share of 22.6% (2018: 93 women or 22.1%).

As developments lagged behind expectations because of the age structure of the three board members and of one third of the second level management staff, and because a generation change must be prepared in the upcoming years, the project “Gender Balance - Next Generation” was launched with external support in 2018. Implementation started in 2019.

Within the scope of this project, a detailed survey was made for the first time of all departments to ascertain the management positions that will have to be filled with successors in the coming years.

By defining an internal ratio of 50% for women for new appointments and successors, the goal is to raise the share of women in management positions to at least 40% in the coming ten years.

This quota regime is supported by a wide range of measures in recruiting, leave of absence and personnel development as well as internal and external communication.

We also continued certification as a family-friendly company, a programme started in 2011 with the "Grundzertifikat Audit berufundfamilie" ("Basic Certificate Audit berufundfamilie") awarded for a period of three years by the Federal Ministry for Economy, Family and Youth. The external evaluation is conducted by TÜV SÜD Landesgesellschaft Österreich GmbH. In both 2014 and 2017, this government quality certificate was awarded for a further three years.

Members of the Management Board

At present, the Management Board (governing body) has three male members. 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, and the aforementioned project will contribute greatly to this.

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 developing staff for in-house management positions and to filling openings on the Management Board, but also for new Board members from outside, the Nominations Committee has prepared job descriptions and applicant profiles for the Board members responsible for both sales and back office; these will also serve as guidelines in the event of potential candidates from the bank's own ranks.
The priority defined for women candidates in the recruiting process when qualifications are equal will apply here as well.

Supervisory Board (shareholder representatives)

When filling expiring mandates, the Chair of the Supervisory Board and the Nomination 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.
Due the statutory regulation that defines a total share of at least 30% women on supervisory boards, the goal is to meet this ratio sustainably also for shareholder representatives despite the agreement defining an overall view that includes employee representatives.

Supervisory Board (employee representatives)

Since 2018, the members of employee representatives have been two thirds of women.

Target ratios and implementation strategy

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

Status as at 31/12/2019

Governing body	**Number of women**	**Number of men**	**Minority ratio**
Management Board	0	3	0%
SB (shareholder representatives)	3	8	27%
SB (employee representatives)	4	2	66%
SB (total)	7	10	41%

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 assigned to these.

The Supervisory Board consists of three female shareholder representatives and eight male shareholder representatives. All are specialists in their fields, with the board exhibiting a broad diversification (banks, insurance, industry, university). 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, which is also 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 does 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, to ensure proper supervision.

In accordance with the one-third parity rule, six employee representatives are on the Supervisory Board of the Bank. The four women and two men come from various business areas of the bank, including one person from the Central Works Council and persons 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 Supervisory Board meeting of 25 September 2017 to meet the ratio together and also waived any objections in this respect for five years.

With seven female Supervisory Board members in total, Oberbank met the mandated statutory ratio as of 31 December 2017 (30% of 17 = 5.1; rounding to 5 permitted), and is currently 41%.

Evaluation of Compliance with the C Rules pursuant to Rule 62 ÖCGK

In accordance with Rule 62 of the Austrian Code of Corporate Governance, the Supervisory Board assigned KPMG in 2017 the task of evaluating Oberbank AG's compliance with the C Rules of the ÖCGK as set out in C Rule 62 of ÖCGK 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 and compliance with the relevant C Rules of the ÖCGK.

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 ÖCGK 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 and compliance with the relevant rules of the ÖCGK.

As KPMG also served as auditor of the financial statements for the financial year 2016, under the contract the audit did not include a review of compliance with C Rules 77 to 83 of ÖCGK.
This audit will be conducted again in the financial year 2020.

Linz, 9 March 2020
The Management Board

CEO
Franz Gasselsberger
Remit
Corporate and Business Banking

Management Board Member
Josef Weißl
Remit
Personal Banking

Management Board Member
Florian Hagenauer
Remit
Overall Banking Risk Management

Investor Relations and Compliance

Share and shareholder structure

Autonomy and independence are high priorities for Oberbank. This is achieved by robust earnings, pursuing a sound risk policy and having shareholders who are 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 exists for the specific purpose of ensuring Oberbank's independence. Further stabilising elements of the shareholder structure is the fact that the employees also own shares as well as long-time 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 rather guarantee a 6% minimum dividend on the pro-rata percentage in 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 2019

In 2019 Oberbank’s shares reached all-time highs, with ordinary shares rising to EUR 96.20 on 11 November 2019 and preference shares to EUR 93.00 on 19 June 2019.

The year-on-year performance (price trend and dividend) in 2019 was +7.91% for ordinary shares and +9.14% for preference shares. Market capitalisation of Oberbank AG was EUR 3,363.5 million at the end of 2019, as compared to EUR 3,150.2 million at the end of the preceding year, which is an increase of the company’s value by 6.8%.

Oberbank shares – key figures	**2019**	**2018**	**2017**
Number of ordinary non-par bearer shares	32,307,300	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	96.20/93.00	89.80/88.50	81.95/71.40
Low (ordinary/preference share) in €	89.80/83.00	82.00/72.50	60.36/52.00
Close (ordinary/preference share) in €	95.80/89.50	89.80/83.00	81.95/71.40
Market capitalization in €m	3,363.5	3,150.2	2,861.8
IFRS earnings per share in €	6.13	6.39	5.68
Dividend per share in €	1.15	1.10	0.90
P/E ratio, ordinary shares	15.6	14.1	14.4
P/E ratio, preference shares	14.6	13.0	12.6

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 earned an average yield of 9.52% per year (before withholding tax) taking into account dividend distributions.

Attractive valuation, constant dividends

Earnings per share rose significantly in 2019 from EUR 6.39 to EUR 6.13. Based on the shares' closing price, the price/earnings ratio (PER) for ordinary shares was 15.6, and for preference shares 14.6.

At the 140th Annual General Meeting on 12 May 2020, the Board will recommend a dividend distribution of EUR 1.15 per qualifying share which is EUR 0.05 higher than in the preceding year.

Oberbank shareholder structure at 31/12/2019	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	1.77%	1.62%
Employees	4.14%	3.98%
CABO Beteiligungsgesellschaft m. b. H., Vienna	25.97%	23.76%
Free float	31.03%	35.78%

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 ad hoc system under “Insider Information”. In the financial year 2019, Oberbank published two such disclosures.

Investor Relations – Contact

Frank Helmkamp
Phone: +43 (0) 732 78 02 ext. 37247
frank.helmkamp@oberbank.at
www.oberbank.at

Financial calendar 2020	
Publication of the annual financial statements in the Official Gazette “Wiener Zeitung”	24/3/2020
Date of record in respect of Oberbank shares	2/5/2020
Annual General Meeting	12/5/2020
Ex dividend day	18/5/2020
Record date dividend	19/5/2020
Dividend payout date	20/5/2020

Publication of quarterly reports	
Q1	13/5/2020
HY1	28/8/2020
Q1 to Q3	27/11/2020

139th Annual General Meeting of Oberbank on 14 May 2019 / resolutions passed

Agenda item 2 Resolution on the use of the net profit for the financial year 2018
YES: 26,940,396 votes; NO: 0 votes; ABSTENTIONS: 0 votes

Agenda item 3 Resolution on the discharge of the Management Board for the financial year 2018
YES: 18,071,387 votes; NO: 8,815,082 votes; ABSTENTIONS: 0 votes

Agenda item 4 Resolution on the discharge of the members of the Supervisory Board for financial year 2018
Stockbauer: YES: 18,070,767 votes; NO: 8,815,704 votes; ABSTENTIONS: 0 votes
Andorfer YES: 26,885,849 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Burtscher: YES: 18,053,428 votes; NO: 8,833,043 votes; ABSTENTIONS: 0 votes
Hofstätter-Pobst: YES: 10,263,260 votes; NO: 16,605,464 votes; ABSTENTIONS: 18,975 votes
Walterskirchen YES: 26,887,077 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Koren: YES: 26,887,077 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Eder: YES: 26,887,077 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Leitl-Staudinger YES: 26,887,077 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Samstag YES: 11,956,287 votes; NO: 1,232,353 votes; ABSTENTIONS: 13,735,343 votes
Leu: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Bauernfried YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Steger: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Zahlbruckner: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Pischinger: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Braun: YES: 26,923,033 votes; NO: 622 votes; ABSTENTIONS: 328 votes
Skoff: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Grabner: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Höchtel: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Pirner: YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes
Prohaska YES: 26,923,361 votes; NO: 622 votes; ABSTENTIONS: 0 votes

Agenda item 5 Supervisory Board elections
5.1. Reduction of no. of shareholder representatives on the Supervisory Board from 12 to 11
YES: 18,040,596 votes; NO: 8,821,704 votes; ABSTENTIONS: 40,116 votes
5.2. Election Stockbauer: YES: 18,056,844 votes; NO: 8,845,572 votes; ABSTENTIONS: 0 votes
5.3 Election Koren: YES: 18,086,484 votes; NO: 8,815,583 votes; ABSTENTIONS: 0 votes

Agenda item 6 Appointment of the bank auditor for the financial year 2020
YES: 17,602,376 votes; NO: 8,625 votes; ABSTENTIONS: 8,815,082 votes

Agenda item 7 Appointment of bank auditor for business area Slovakia for financial years 2019 and 2020
YES: 17,460,017 votes; NO: 8,625 votes; ABSTENTIONS: 8,815,082 votes

Agenda item 8 Resolution regarding amendment to the Articles of Association §§ 22 (2), 24 (1) and 25 (1).
YES: 26,279,979 votes; NO: 0 votes; ABSTENTIONS: 0 votes

Directors' Dealings

Persons discharging managerial responsibilities at the issuer and persons closely associated with such persons shall notify the issuer and FMA of every transaction conducted for 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). The issuer must subsequently make the report public pursuant to Article 19 (3) Market Abuse Regulation. Oberbank AG published 30 such reports through the euro-adhoc-system in 2019.

Compliance

At the end of May 2019, the steady expansion of Oberbank motivated us to separate Group Compliance from Secretariat & Communication. Group Compliance has been a separate department since 1 June 2019. This accounts for the fact that issues relating to regulations have been gaining significance in the overall organisation of credit institutions and this trend is expected to continue.

Banking Act – Compliance

The amendments to the Austrian Banking Act that entered into force in 2018 and 2019 changed the requirements for the organisation of compliance at credit institutions.

Since 1 September 2018, banks have been under the obligation to keep written records on relevant principles and procedures for discovering and mitigating risks caused by violations of the supervisory provisions by management board members, supervisory board members and employees. Furthermore, since 1 January 2019 it has been mandatory and of extreme importance for banks to set up a permanent, effective and independent compliance function with direct access to the management board (hereinafter: compliance function under the Banking Act). A person with the appropriate qualifications must be appointed to head the compliance unit under the Banking Act.

The equipment and staff of the compliance function under the Banking Act is commensurate with the company's size as well as with the type, scope, complexity and risk of the business activity of Oberbank. The staff employed in this function has the corresponding knowledge, capabilities and experience in the area of compliance under the Banking Act. The qualification of employees is maintained on an ongoing basis and a strong focus is placed on continuing education for employees.

Activities in the compliance function under the Banking Act are supported by high-quality IT tools. An information service unit is responsible for providing updates on supervisory requirements on an ongoing basis. Revision-secure workflows are used to evaluate the company-specific application of the new regulations and to facilitate processing by the competent specialised departments.

The permanent and centralized surveillance of new supervisory rules and their implementation by the compliance function under the Banking Act make it possible to develop forward-looking projections for projects, resources and budgets at Oberbank and to implement the new processes and interfaces required in a timely manner.

Securities Compliance

Credit institutions are under the obligation to ensure that their organisation and workflows are commensurate with their structure and business activities, and must also guarantee ongoing monitoring of the proper execution of investment services and ancillary investment services.

To discover potential violations of statutory provisions, Oberbank uses a computer-aided compliance tool to help mitigate risk by quickly and specifically revealing instances of malversation in exchange trading, in particular, market manipulation and insider dealings. It provides for proactive monitoring through ad hoc and regular evaluations and helps to 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 lists and watch lists, confidentiality areas, and the register of conflicts of interest. This IT tool enables the professional management of (potential) securities compliance incidents by documenting all incidents seamlessly, centrally and without delay.

Oberbank also has an extensive internal set of rules and regulations on securities compliance in place (Compliance Manual). The Compliance Manual contains a description of general organisational aspects as well as detailed information on the compliance rules and regulations relating to investment activities and the capital market. The Compliance Manual is published internally on the bank's intranet and is therefore available to all employees at all times. The employees of Oberbank are under the obligation to comply with the rules and regulations in this Manual and their attention is drawn to the sanctions under criminal law and labour law in the event of violations of these rules and regulations; they also receive the relevant training courses on a regular basis. The training courses include annual mandatory e-learning courses as well as regular attendance courses. It is thus is assured that Oberbank meets its statutory obligation to install and maintain effective rules, systems and procedures for the discovery and reporting of suspicious securities orders and transactions.

Findings of Securities Compliance Audits

Starting out from an evaluation of securities compliance risk within the scope of risk analysis, Oberbank has created a risk-based monitoring program for investment services and investments activities. The risk-based monitoring activities defined therein have been fully executed and the results reported to the responsible specialised departments.

In the year 2019, Oberbank did not report any suspicious securities orders or transactions on the grounds of activities relating to market abuse activities to the Financial Market Authority (FMA).

Money Laundering Compliance

Oberbank is aware of its responsibility for complying with regulatory requirements in the area of money laundering prevention and terrorism financing, and makes constant efforts to optimise measures and processes in this area. These include, among other things, conducting automatic and manual audits of the customer base and of transactions, the ascertainment and checking of the economic beneficiaries according to the relevant provisions of the Beneficial Owners Register Act (WiEReG), checking and updating of customer data, checking potential money laundering high-risk customers before opening transactions subject to approval, checking the PEP and sanctions status as well as providing service-oriented advice and training to Oberbank employees.

In 2019, work focused on the implementation of the two circulars issued by the Financial Market Authority "Reporting Obligations for the Prevention of Money Laundering and Terrorism Financing" of 3 June 2019 and "Internal Organisation for the Prevention of Money Laundering and Terrorism Financing" of 19 March 2019. Moreover, special attention was given to updating the data of existing customers and to improving the exchange of information with our branches in the international markets.

In the autumn of 2019, a project was initiated to put into practice the strategies and procedures required by the supervisory bodies to fight money laundering and terrorism financing; it will be continued in 2020. The objective of this project is to strengthen the high quality of the cross-border fight against money laundering within Oberbank as well as to raise the quality of the review procedures for sanctions and embargoes, and to guarantee compliance with the Group-wide standards.

Continuing education and training of our employees is especially important to us at Oberbank. Apart from traditional courses with physical attendance and road shows, the focus is also shifting to digital training through webinars and modular e-learning courses that close with a leaving certificate. The educational measures are mandatory for all employees of Oberbank and must be refreshed in regular intervals.

The 5th Anti-Money Laundering Directive of the EU was passed into national law in Austria with the Financial Markets – Money Laundering Act (Finanz-Anpassungsgesetz 2019) that entered into force on 10 January 2020. The necessary adjustments to internal procedures were carried out by year-end 2019, and therefore, compliance with statutory obligations is guaranteed.

Fraud Prevention

In accordance with the Guidelines of the European Banking Authority (EBA), Oberbank uses a dedicated IT tool for the prevention of fraud in payment services. This IT tool automatically stops suspicious transactions which are then are critically reviewed by the Compliance Unit. Only after a positive outcome of a review are the transactions released.

Oberbank also has an extensive internal set of rules and regulations in place to fight fraud. These contain detailed descriptions of the different types of fraud and the corresponding preventive measures taken within Oberbank. The Fraud Prevention Policy is available to all employees on the intranet and is therefore available for viewing at any time. Employees are informed regularly of the contents of the Fraud Prevention Policy in the form of annual e-learning courses and also at events.

Group Management Report

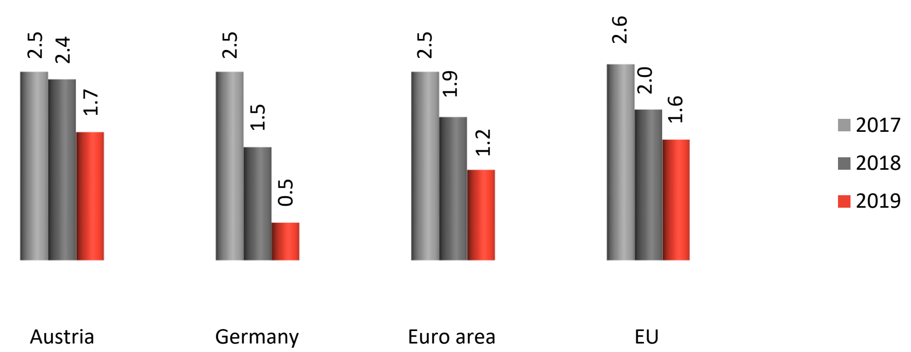
Global economy expands by 3.0%

At a growth rate +3.0% in 2019, the global economy was far below the level of the preceding year.
The US economy expanded by 2.3%, which is much slower than in 2018 (2.9%), while China's economy also slowed year on year (pr. yr.: 6.6%) despite a nominally high growth rate of 6.2%.

European Union GDP growth 1.6% higher than euro area (1.2%)

In the euro area, economic growth was 1.2% in 2019 and not as strong as in 2018 (1.9%), and the trend was the same for the entire EU (1.6% vs. 2.0%). Economic growth was relatively strong in the member states of Central and Eastern Europe.
Germany's economic growth was far below the average of the euro countries at 0.5%, while Austria's economy grew by 1.7% in 2019, placing it above the average.

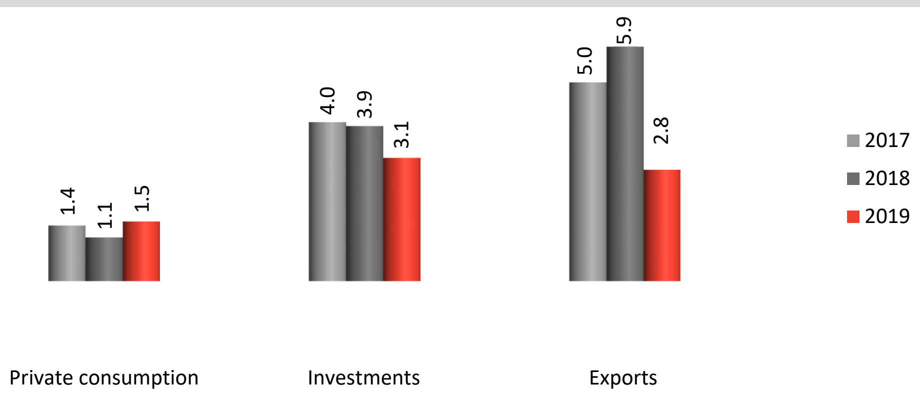
GDP growth in %



Austria's economy expanded by 1.7% in 2019

The drivers behind economic growth in Austria were mainly investments (+3.1% after +3.9%) and, despite a marked decline, exports (+2.8 % after +5.9%). Private consumption continued to be subdued at +1.5% (vs. +1.1%).

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



Interest rates continue at low levels

In 2019, the Fed lowered the federal funds rate in three steps (1 August, 19 September, 31 October) by 0.25% each time until it was in the range of 1.50% to 1.75%.

The ECB lowered rates on deposits again from -0.4% to -0.5%.

Money market and capital market rates also stayed at very low levels in 2019.

The 3-month Euribor was -0.36% and the 3-month USD Libor at 2.33% on the annual average. The 10-year SWAP for the euro was on average 0.26% in 2019; for the USD it was 2.07%.

Currency trends

The EUR/USD exchange rate dropped from 1.14 (January average) to 1.11 (December average) in 2019. On an annual average, the exchange rate was 1.12 lower than in the previous year (1.18).

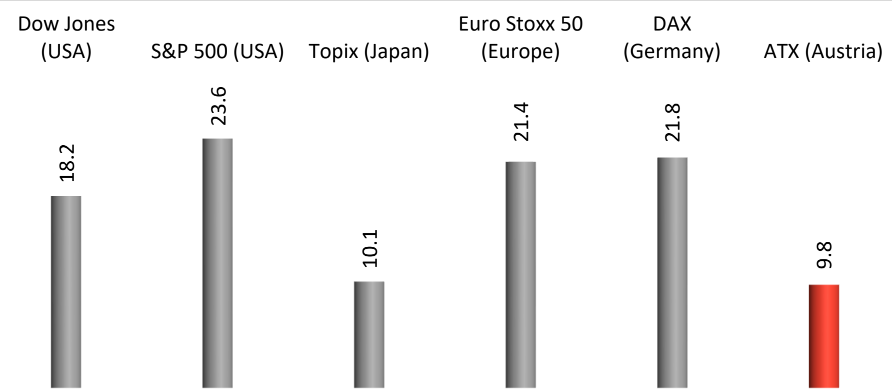
The EUR/CHF exchange rate was 1.11 on average, also lower than last year's average of 1.16.

International stock markets profit from low interest rates

In 2019, stock markets experienced a remarkable upswing. This trend was boosted by the sustained robust GDP growth rate of 3.0% globally and the assessment of markets that the economy was not heading towards recession.

A further factor boosting stock markets was the continued policy of zero interest and negative interest of the major central banks that drove investors into securities.

Stock market index trends, Dec. 2018 – Dec. 2019, in %



General Information on Reporting

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements prepared in accordance with internationally accepted accounting standards replace the consolidated financial statements report 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 29 domestic and 18 foreign subsidiaries in 2019.

Compared to 31 December 2018, the group of consolidated companies changed as follows:

- Sale of Oberbank LIV Immobilienleasing GmbH, Linz (this reduced Other liabilities by €k 1,496 and lowered Loans and advanced to customers by €k 1,974);
- Sale of Oberbank TREI Immobilienleasing GmbH, Linz (this resulted in a decrease of Other liabilities by €k 2,500 and a decline in Loans and advances to customers by € 6,761).
- Liquidation of Oberbank Hybrid 1 GmbH (this resulted in a decrease of Other assets by €k 8 and a decline in Other liabilities by €k 4);
- Liquidation of Oberbank Hybrid 2 GmbH (this resulted in a decrease in Other assets by €k 2 and to a decline in Other liabilities by €k 4);
- Liquidation of Hybrid 3 GmbH (this did not entail any changes to Other assets or to Other liabilities);
- Liquidation of Hybrid 4 GmbH (this entailed a decline in Other assets by €k 1; there were no changes to Other liabilities).
- Liquidation of Oberbank Hybrid 5 GmbH (this did not entail any changes to Other assets or to Other liabilities);

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

BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft and voestalpine AG were accounted for by the equity method in the consolidated financial statements.

Not included in the group of consolidated companies were 19 subsidiaries and 14 associated companies, which overall have no significant influence on the Group's assets or 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.

As regards the regional segmentation, the 177 branch branches of Oberbank are distributed as follows: Austrian markets (99 branches), Germany (41), Czech Republic (21), Hungary (13) and Slovakia (3).

Details regarding business and earnings developments in the customer segments and in the geographic regions are presented in the chapters “Segment Report” and “Consolidated Financial Statements” of this Annual Report.

Oberbank showed an excellent earnings development in the financial year 2019.

Net profit for the year before tax went up by 2.1% to EUR 276.2 million. Net profit after tax decreased in contrast by 4.2% to EUR 216.1 million due to the 33.8% higher tax burden.

IFRS consolidated income statement in €m	2019	2018	Change
Net interest income	345.8	345.2	0.2%
Investments in entities accounted for by the equity method	29.7	83.1	-64.2%
Charges for losses on loans and advances	-12.2	-25.6	>-100.0
Net commission income	163.0	159.2	2.4%
Net trading income	2.3	5.3	-56.0%
Administrative expenses	-288.9	-283.6	1.9%
Other operating income	36.5	-13.2	>-100.0
Profit for the year before tax	**276.2**	**270.5**	**2.1%**
Income taxes	-60.1	-44.9	33.8%
Profit for the year after tax	**216.1**	**225.6**	**-4.2%**
of which attributable to the owners of the parent company and the owners of additional equity	215.0	224.9	**-4.4%**
of which attributable to non-controlling interests	1.1	0.7	66.7%

Net interest income increased marginally by 0.2% to EUR 345.8 million.

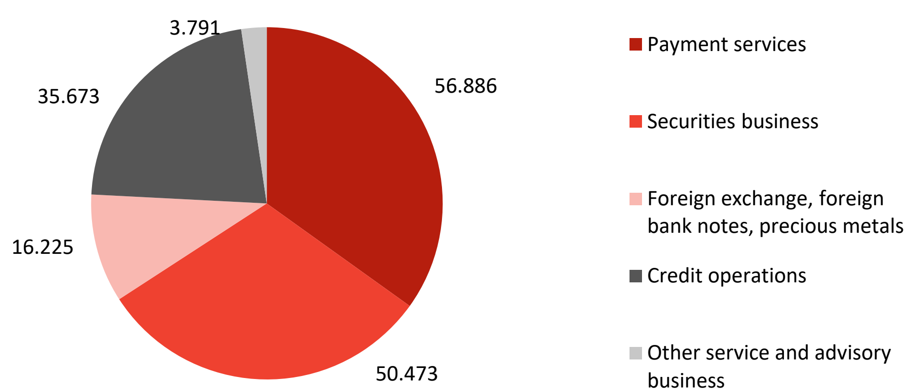
Interest income rose by 4.7% to EUR 467.5 million and interest expenses by 19.9% to EUR 121.7 million.

Income from equity investments accounted for by the equity method decreased by 64.2% to EUR 29.7 million.

Adequate provisions were set up for all discernible future risks.

Including write-offs of receivables, net charges for losses on loans and advances came to EUR 12.2 million in 2019. In relation to receivables from customers of EUR 16,772.2 million, this is an impairment allowance ratio of 0.07%.

Structure of net commission income in €k



Net commission income rose by 2.4% to EUR 163.0 million in FY 2019

Commission income from payment services rose by 4.1% to EUR 56.9 million, and from the lending business by 5.4% to EUR 35.7 million. Commission income from securities operations were 1.1% lower year on year at EUR 50.5, while commission income from foreign exchange, foreign notes and coins was lower by 1.7% at EUR 16.2 million.

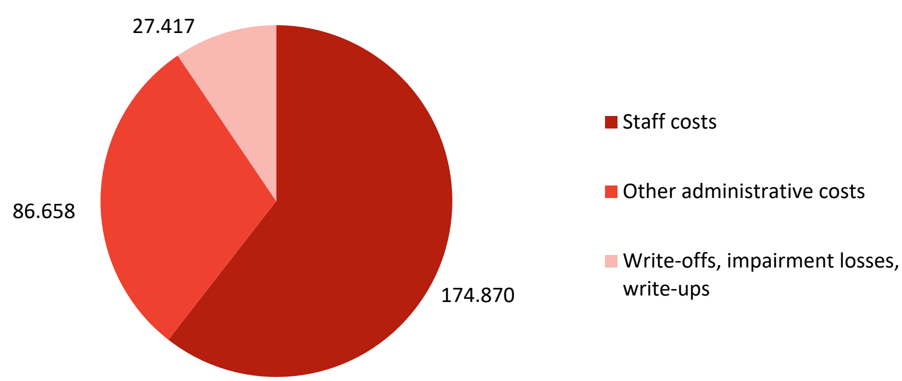
Net trading income

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 2019, net trading income was EUR 2.3 million which is 56.0% lower than in the preceding year.

Administrative expenses

In the financial year 2019, administrative expenses were only 1.9% higher year on year at EUR 288.9 million.
Staff expenses remained almost unchanged at EUR 174.9 million, while other administrative expenses decreased by 8.8% to EUR 86.7 million. Charges for losses on loans and advances and impairment allowances rose significantly from EUR 12.7 million to EUR 27.4 million.
The cost/income ratio remained very favourable at 50.04%.

Structure of administrative expenses in €k



Profit before and after tax at highest level

The profit for the year before tax and after charges for losses on loans and advances was 2.1% higher year on year at EUR 276.2 million.
The income taxes of EUR 60.1 million were 33.8% higher than in the preceding year.
This lowered net profit for the year after tax by 4.2% to EUR 216.1 million.
Minority interests in net profit for the year amounted to EUR 1.1 million; Oberbank's consolidated net profit for the year was therefore EUR 215.0 million (-4.4%).

Profit distribution proposal

Distributable profit is determined on the basis of the single-entity financial statements of the parent of the Group, Oberbank AG.

Profit for the 2019 financial year of Oberbank AG was EUR 162.3 million. After the allocation of EUR 121.7 million to reserves and including the profit brought forward of EUR 0.2 million, the net profit available for distribution amounted to EUR 40.8 million.

Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 1.15 per eligible share on the share capital of EUR 105.8 million; this dividend is EUR 0.05 higher than in 2018.

Given a total of 32,307,300 ordinary and 3,000,000 preference shares, the distribution is EUR 40,603,395.00. Furthermore, the Management Board proposes to carry the remainder of EUR 164,553.50 forward to the new account.

Analysis of key performance indicators

Return on equity (ROE) decreased on account of the strong increase in equity before tax from 10.18% to 9.64%, and after tax, from 8.49% to 7.54%.

The average number of shares in circulation of Oberbank AG was 35,276,409. Earnings per share amounted to EUR 6.13, after EUR 6.39 in the previous year.

At 50.04%, the cost/income ratio continued to develop very well in 2019. The risk/earnings ratio was excellent at 3.53% due to the better-than-average risk situation.

Key performance indicators, IFRS	2019	2018
Return on equity before tax[1)]	9.64%	10.18%
Return on equity after tax[1)]	7.54%	8.49%
IFRS earnings per share in €	6.13	6.39
Cost-income-ratio (cost/income coefficient)[2)]	50.04%	48.92%
Risk/earnings ratio (credit risk/net interest income)[3)]	3.53%	7.42%

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 the costs the bank incurs 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 indicates the share of the net interest income used to cover credit risk. For the calculation, 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 22,829.0 million at the end of 2019 which was 2.8% higher than at the previous year's balance sheet date.

Balance sheet assets

Loans and advances to credit institutions rose by 1.9% to EUR 1,523.0 million in 2019.

Loans and advances to customers increased significantly by 5.6% to EUR 16,772.2 million.

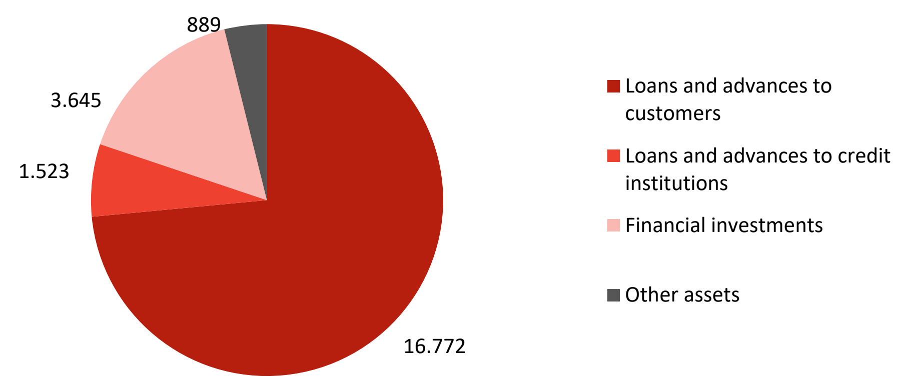
While loans and advances to domestic customers increased by 4.2% to EUR 9,952.2 million, loans and advances to foreign customers rose by 7.7% to 6,820.0 million.

Charges for losses on loans and advances decreased by 19.0% to EUR 203.7 million.

In 2019, financial assets rose slightly by 0.5% to 3,644.6 million (financial assets at fair value through profit or loss (FV/PL) EUR 533.4 million, assets at fair value through other comprehensive income (FV/OCI) EUR 498.2 million, assets at amortized cost (AC) EUR 1,699.0 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 as well as charges for losses on loans and advances. Trading assets increased by 13.2% to EUR 40.9 million; intangible assets by 83.4% to EUR 1.7 million and property, plant and equipment by 48.8% to EUR 414.8 million.

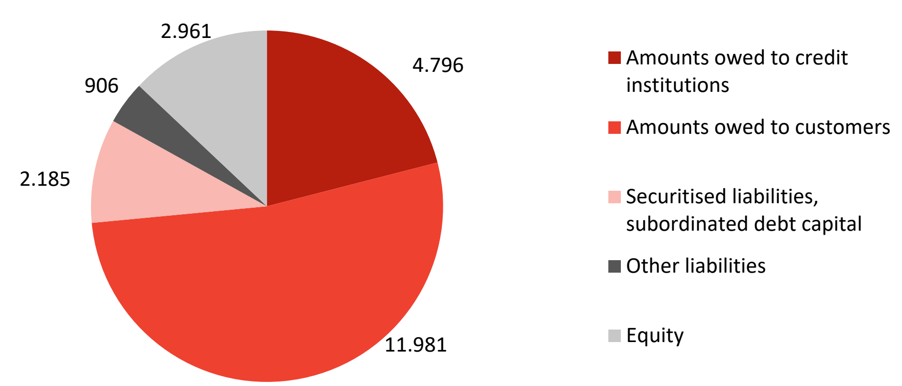
Structure of balance sheet – assets in €m



The line item Other assets (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 15.9% to EUR 263.9.

Balance sheet - equity and liabilities

Structure of balance sheet – equity and liabilities in €m



Amounts owed to credit institutions rose in 2019 by 9.3% to EUR 4,795.8 million.

At EUR 14,166.0 million, primary funds remained almost unchanged (-0.5%).
The amounts owed to customers included in primary funds were EUR 11,980.70 million thus 1.4% lower year on year. Savings deposit remained almost unchanged at EUR 2,697.4 million (+0.5%), while Other liabilities decreased slightly by 1.9% to EUR 9,283.2 million.
Securitised liabilities rose by 9.7% to EUR 1,662.9 million, and subordinated capital was at EUR 522.5 million or 10.3% lower year on year.
The rise in equity capital by 5.8% to EUR 2,960.5 million is based on the substantial allocations to reserves due to the very good earnings.

The remaining liabilities include provisions for liabilities and charges as well as other liabilities.
At EUR 381.4 million, provisions remained practically unchanged (-0.5%). These consist mainly of provisions for termination and post-employment benefits (EUR 199.5 million) and loan loss provisions (EUR 121.8 million).
Other liabilities increased by 31.4% to EUR 525.3 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	**2019**	**2018**	**Change**
Amounts owed to customers	11,980.7	12,145.7	-1.4%
Securitised liabilities	1,662.9	1,515.7	9.7%
Subordinated debt capital	522.5	582.6	-10.3%
Primary deposits incl. subordinated debt capital	**14,166.0**	**14,244.0**	**0.5%**
Amounts owed to credit institutions	4,795.8	4,387.8	9.3%
Total	**18,961.8**	**18,631.8**	**1.8%**

Statement of changes in equity

Equity on the balance sheet in € m	**2019**	**2018**	**Change**
Subscribed capital	105.8	105.8	0.1%
Capital reserves	505.5	505.5	-
Retained earnings (incl. net profit)	2,288.6	2,128.3	7.5%
Negative goodwill	1.9	1.9	-
Additional equity capital components	50.0	50.0	-
Minority interests	8.7	6.4	35.1%
Equity on the balance sheet	**2,960.5**	**2,797.9**	**5.8%**

Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013)[1] – Pillar I	**2019**	**2018**	**Change**
Common equity tier 1 capital	2,659.0	2,517.8	5.6%
Tier 1 capital	2,709.0	2,563.1	5.7 %
Own funds	3,058.1	2,911.8	5.0 %
Common equity tier 1 capital ratio	17.59%	17.46%	0.13 % ppt
Tier 1 capital ratio	17.92%	17.77%	0.15% ppt
Total capital ratio	20.23%	20.19%	0.04% ppt

1) Subject to approval by the Supervisory Board on 18 March 2020.

In financial year 2019, equity on the consolidated balance sheet of the Oberbank Group increased by 5.8% to EUR 2,960.5 million. The share capital of EUR 105.8 million remained practically at the same level of the preceding year.

Consolidated common equity tier 1 capital of the Oberbank Group amounted to EUR 2,659.0 million on 31 December 2019 and exceeded the statutory requirement of EUR 1,078.3 million by EUR 1,580.7 million or 146.6%. Common equity Tier 1 capital was EUR 2,709.0 million and exceeded the mandatory level of EUR 1,305.0 million by EUR 1,403.9 or 107.6%. Own funds stood at EUR 3,058.1 million and were EUR 1,450.7 million or 90.3% higher than required (EUR 1,606.3 million).
Common equity tier 1 capital ratio was 17.59% in 2019; the tier 1 capital ratio was 17.92% and the total capital ratio was 20.23%.

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 287,736 of its own ordinary shares at an average price of EUR 94.88 as well as 45,832 of its own preference shares at an average price of EUR 91.37; these were offset by the sale of 319,480 own ordinary shares at an average price of EUR 94.35 and by the sale of 39,284 own preference shares at an average price of EUR 90.00.
The proceeds from the sale were allocated to working capital.
As of the balance sheet date, Oberbank held 7,744 own ordinary shares and 17,973 own preference shares.
The highest level in the course of the year 2019 was 0.24% of the share capital.

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

Legal dispute of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.
UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (hereinafter: “UniCredit”) put forth the motion at the Annual General Meeting in May 2019 to elect a third representative from their side to the Supervisory Board of Oberbank. The motion failed to receive a consenting vote. Subsequently, UniCredit filed a lawsuit contesting the individual resolutions adopted by the Annual General Meeting. The proceedings in this matter were closed on 20 December 2019, the ruling has not yet been handed down. These proceedings are not expected to have any relevant effects on the balance sheet.
At the end of December 2019, UniCredit convened an extraordinary shareholders’ meeting of Oberbank that took place on 4 February 2020. The motions put forth by UniCredit (special review of all capital increases of Oberbank since 1989, termination of arbitration proceedings with Generali-3Banken Holding) did not receive a consenting vote.
At the end of February 2020, UniCredit filed petitions with the Takeover Commission requesting it to review if the shareholders’ syndicate of 3 Banken Group violates the mandatory bid requirement under the Takeover Act. Oberbank is directly affected by these proceedings as a member of the syndicate with the Bank für Tirol und Vorarlberg AG (hereinafter: “BTV”) and BKS Bank AG (hereinafter: “BKS”). The syndicates of BTV and BKS were approved by the Takeover Commission that issued official notices in 2003 to this effect and which are still valid. UniCredit claims that the composition and decision-making processes of the syndicates have changed

since then and that the syndicates have expanded their weighting in votes since the year 2003 to an extent that is of relevance under the Takeover Act so as to trigger a mandatory bid.
After carefully reviewing the matter jointly with external experts, the Management Board believes that a renewed audit under the Takeover Act will not result in the obligation to make a mandatory bid.

Material events since the close of the financial year
Apart from the topics mentioned above, no events of material importance have occurred since the close of the 2019 financial year.

Economy slowing in major industrialized countries

The global economy is expected to grow at a rate of 3.0% in 2020 which is around the same rate as in the preceding year.

The economic growth rate expected for the US is estimated at 1.8%, while the rates for the EU (1.5%) and the euro area (1.3%) are prognosticated at much lower levels.

In Central and Eastern Europe, the economy is projected to grow faster again than in Western Europe in 2020. In Oberbank's "countries", Czech Republic, Hungary and Slovakia, GDP is expected to rise by around 2% to 3%. At almost 6%, economic growth in China is expected to continue to grow more strongly than in Western industrialized countries, but compared to the average of the previous years, a further slowing of growth is on the horizon.

Economic growth in Austria slightly lower than the EU average

Austria's economy is expected to grow by 1.2% in 2020, which is slightly lower than the average of the euro area. At +1.6%, private consumption developed more or less the same as in 2019, while at +1.6% corporate spending was clearly below the level of 2019 (+3.1%).

Inflation is estimated to reach 1.5% and thus stay clearly below the ECB's target. Unemployment will rise slightly from 4.6% to 4.7%, and the budget balance is estimated to improve to a positive 0.3% of GDP.

Interest rates and exchange rates

Key lending rates in the euro area are estimated to remain unchanged at 0% in 2020. The new ECB President Christine Lagarde already indicated that interest rates could be even lower if necessary.

From today's standpoint, the Fed will continue to cut rates in the US. The signs of a weakening US economy are growing and in an election year, the Trump administration has no interest in a US dollar that is too strong.

Due to the expected narrowing of interest spreads between the euro area and the US, the euro will probably strengthen against the USD in 2020.

Focus of Oberbank's business activities

Despite expectations of weaker economic growth, Oberbank believes that the environment in its regions is solid and the prospects for Austria and also on its foreign markets are promising.

Oberbank expects demand for loans to continue to develop well also in 2020. The bank expects further growth especially with respect to capital expenditure and home loans. The customer trend to put their money in sight deposits is likely to continue due to the sustained low interest rates.

We will continue to pursue organic growth in 2020

In total, six new branch openings are planned, which include four in Germany and one each in Hungary and Slovakia. Oberbank operated a total of 183 branches as of the end of 2020.

Earnings development in the financial year 2020

From today's perspective, economic trends, credit risk and income from equity investments cannot be estimated with sufficient reliability for 2020 so as to make it possible to give a serious earnings forecast for the full year. However, the management of Oberbank is confident that it will attain solid results again.

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, risk management and risk controlling throughout the Oberbank Group lies with Oberbank AG. Oberbank's risk strategy is based on the Bank's positioning as a regional bank. The Management Board and all of the Bank's employees act in accordance with the risk principles and base their decisions on these.

Organisation of risk management

At Oberbank, risk management is an integral element of the Bank's business policy, the 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. For every material risk within the Oberbank Group, there are defined areas of management competence as well as allocated economic coverage capital for specific risks (limits) or predefined management and control processes. 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 Strategic Risk Management department. The Management Board member responsible for risk management is the chairperson 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 Supervisory Board, the Management Board, the ALM Committee as well as to the relevant department heads and employees. The unit is also involved in preparing the risk strategy.

Internal Control System

Oberbank's Internal Control System (ICS) is in conformity 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 uniformly 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):

Bookkeeping, accounting and related processes are the responsibility of the Accounts and Controlling department. Individual subprocesses are the responsibility of the Strategic Risk Management department. The Internal Audit department conducts the statutory 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 permanently 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 important areas. The staff involved in the accounting processes has the required knowledge and experience to perform their tasks. Ongoing continuing education measures serve to ensure that their know-how is constantly updated and creates the basis for the timely implementation of innovations in the accounting 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 by ICS. Furthermore, heads of department and the competent heads of groups exercise monitoring functions. This entire surveillance process is audited by the Internal Audit unit. 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. 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.

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 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). In Austria and in Germany, the principal focus is on lending to industry and to 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.

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 means stringent requirements with respect to the 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 the 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 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 Treasury & Trade 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 Strategic Risk Management department is in charge of daily limit control as well as reporting on the risk and earnings situation to the Management Board and to Treasury & Trade.

The ALM Committee is responsible for managing the interest rate risk of long-term EUR positions (rate commitments >12 months) for the currencies EUR, USD, CZK and HUF, as well as for strategic equity 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 member responsible for risk management as well as representatives of the departments Strategic Risk Management, Treasury & Trade, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Secretariat & Communication, Internal Audit and Compliance.

Macroeconomic Risk

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

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) 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, as well as by evaluating instances of loss or damage as recorded in a special database and monitoring the key risk indicators.

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).

Based on the increasing significance of digitalisation, IT risks and cyber risks play a key role among operational risks. The strategy of the bank in this case consists of ensuring a state-of-the-art level of security. This is achieved operationally by 3 Banken IT GmbH which has been charged with the implementation.

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 objective of liquidity management therefore is to ensure the availability of sufficient liquidity at all times and to optimise the Bank's refinancing structure in terms of risk and result.

To limit the risk of refinancing being dependent on the volatile money markets for banks, the ratio of customer loans to total primary deposits, own issues and the deposits of the special banks handling subsidized loan schemes is restricted to a strategic limit of 110%. 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.

Treasury & Trade is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by conducting a short-term liquidity gap analysis. 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. Furthermore, a 30-days forward liquidity gap analysis for day-to-day liquidity management is prepared based only on the contractual cash flows of Oberbank. 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.

Greater efficiency while expanding business

Oberbank is a regional bank with business activities in five countries. The business model includes an efficient customer-oriented market organisation and a centralised and efficient back office organisation.
Market and back office operations are separated at all levels.
The sales organisation is divided into 13 regional business areas. The central sales support units are responsible for product and customer processes. In the markets, almost two thirds of employees work in sales and services.

Production of banking services is bundled centrally.

Payment services, settlement and clearing of securities transactions, account and credit agreements, etc. are organised applying the rationale of industrial production at the "central production" headquarters in Linz for the markets of Germany and Austria, and for the Czech Republic in Budweis, for Slovakia in Bratislava, and for Hungary in Budapest.

Key elements are outsourced to the subsidiary "Banken DL Servicegesellschaft m.b.H."

There are outsourcing agreements and service level agreements in place that clearly define the quality of the services to be provided and their monitoring.
Some 330 employees work in the area of "central production". The automation of processes and the use of robotics support productivity and quality.

Constantly developing all activities and processes

In 2018 and 2019, a central customer service center was set up that improved the phone accessibility of employees and telephone services for customers. The corresponding IT support makes it possible to uniquely identify customers and guides employees through the service process. This ensures high quality throughout all services and the swift resolution of customer inquiries. New technologies (chatbots, remote access) are used to aid the digital services provided.
In 2019, accounting and reporting for the markets in Germany were taken over by the central accounting unit.

Basis for Oberbank's stringent operating model is a uniform IT platform across all countries.

Oberbank has been vigorously pursuing a strategy of IT internationalisation for many years.
3 Banken IT GmbH is the joint IT service provider for the members of the 3 Banken Group. It is responsible for the computing center, workplace and network infrastructure, and the IT and cyber-security of the 3 Banken Groups; it is also engaged in software development and also in IT sourcing, partnerships and cooperative ventures.
IT works together with fintechs, start-ups and software companies at its location in Upper Austria, but also with international companies.
All processes are being brought up to a uniform standard for all markets based on a uniform IT workplace and network infrastructure and also a uniform IT core system for business and customer data.

Guided advisory processes/"digital assistant"

Over the past two years, a new technology standard was developed within the scope of a MIFID2 project for managed advisory processes in the securities business. This supports employees in customer talks to ensure excellent advisory services to customers in line with supervisory requirements.

This development is the foundation for the digitalisation of advisory processes with the aim of raising these to new quality levels in the coming years through the "Digital Assistant" project. Increasing the amount of time spent advising customers in an environment of tightening regulatory requirements is a constant challenge.

Up to 100,000 digital customer contacts daily

The digital interfaces to customers – website, mobile app and customer portal – were brought up to a modern quality standard with the international roll-out in all markets. The number of daily digital customer contacts is between 80,000 and 100,000.

A digital customer feedback system was set up to support the customer orientation process in 2019. Positive feedback reinforces the bank and its employees that they are on the right path, and critical customer comments help the bank fix its weak points.

The operational excellence of Oberbank is also expressed in the cost/income ratio.

Oberbank has been a leading bank with respect to efficiency and productivity for years, achieving a level of 50.04% just recently.

A key factor for Oberbank's lasting success is its committed, competent and sales-oriented staff. The measures in the area of human resources and in projects are always defined along the quality lines of competence, commitment and sales orientation as well as in line with the overall banking strategy. A key area of focus in the overall strategy process “Strategy 2025” is on human resources. The concrete strategic areas of action and implementation for the period from 2020 to 2025 will be defined by the end of the first quarter 2020. In 2019, the activities concentrated in “Recruiting & Training”, “Succession Planning & Leadership” and “Oberbank as an Attractive Employer”.

Recruiting & training

The continued expansion of Oberbank, demographic development and the fact that the Oberbank regions have changed from employer markets to employee markets is making it harder to recruit staff.

In order to continue to acquire the best salespeople and employees and to win their loyalty, “recruiting through all channels” and “dedicated leadership” are particularly important. Measures were taken already in 2019. The digital recruiting tool “AHOI” was rolled out in Austria and Germany, and has been used very successfully ever since: 66 new staff members were acquired in 2019. Moreover, the professionalization of application management was advanced in Germany and in CEE countries with the introduction of software and recruiting standards.

Further education and development possibilities are key loyalty factors for employees. But a dynamic environment and constant change also means permanent learning is necessary. Important is making the right content and learning offers available at the right time – flexibly and effectively. Therefore, we expanded the range of web-based training courses as a supplement or replacement for training courses requiring physical presence and for e-learning courses. According to a 2019 study by Deloitte, Oberbank ranks top in Austria with 5.7 training days per employee and a high degree of cost efficiency.

Oberbank achieves the highest level of advisory and sales competence of its employees through constant further development and training programmes. The in-house certification training series for retail banking and corporate banking were also implemented successfully in the Czech Republic in 2019.

In 2019, some EUR 1.6 million were invested in high quality and diversified further education offers.

Succession planning & management

Consistent and respectful management practices are a key factor for Oberbank's lasting success. Therefore, vacant management positions are filled primarily from the bank's internal ranks, which helps secure the vision of independence and success, and also the values and the business model of Oberbank.

The uniformly defined management standards were the starting point in 2019 for a broad-based process to develop the ten leadership principles. These clearly describe what successful management looks like at Oberbank and are a fixed component of the annual MbO talk. This provides orientation and concentrates on the development of all employees in each of their life phases. Oberbank Management Academy, in cooperation with LIMAK Austrian Business School, provides training in the defined management standards and in the necessary skills. The Academy was relaunched in 2019 and a stronger focus was placed on learning and implementation transfer.

In the coming ten years, Oberbank will need more employees qualified for management positions for demographic reasons. Around one third of all management staff will retire in this period across all hierarchy levels. Oberbank plans to fill all positions resulting from the generational shift with persons from within the bank and has a good starting situation to achieve this goal. There are sufficient highly motivated and excellently trained employees.

This valuable resource must be used – without regard to age, gender and experience. Therefore, the project "Chance 2030 – with Gender Balance to Greater Diversity" was launched in 2019 with the aim of activating existing potentials. This also increases the bank's appeal as an employer both internally and externally.
Another goal of the project "Chance 2030" is to achieve a balanced composition of the management. Raising the share of women in management positions to 40% by 2030 is the defined medium-term goal. Mandatory criteria are "equal opportunity" and "quality ahead of ratio". To this end, it was necessary to adapt the key processes for internal recruiting and the identification of potentials. At the same time, clear and attractive structures and rules governing leave-of-absence for male and female employees were defined.

Oberbank as an attractive employer

Oberbank is perceived as a very attractive employer. The daily newspaper "Kurier" designated Oberbank "Popular Employer 2019" and the internet platform "kununu" gave it excellent ratings.
The economic success of Oberbank and its independence, the exciting challenges, internal career opportunities, excellent working climate, and work-life balance ("auditberufundfamilie" recertified in 2017) make Oberbank a strong employer brand. Additionally, Oberbank provides a broad range of modern social benefits to its employees. Oberbank was the first bank in Austria to let employees participate in the profits of the bank through an Employee Participation Foundation founded in 2018. This means that employees benefit directly from the bank's growth and also constitute an important and stable shareholder. In 2019, the Oberbank Foundation "Oberbank-Mitarbeiterbeteiligungsstiftung" transferred shares with a value of some EUR 5 million to its employees.

Zertifikat seit 2011
audit berufundfamilie

The appeal as an employer is also illustrated by the fact that Oberbank employees and the management staff are very loyal to the bank. Despite the bank's strong expansion in the past years, an average employment period of around 13 years highlights this fact. In the core market of Austria, the average duration of employment is 14.7 years.

"Aktie Gesundheit" ("Health Share")

Oberbank has been supporting all employees that would like to stay healthy in mind and body through the project "Health Share" since 2010. This project is based on three pillars: movement, nutrition and mental fitness, and was developed under the aspect of sustainability. A vitality test is available to all employees in all countries including a re-test and almost 200 employees have already taken this opportunity. Additionally, health ambassadors have been appointed in the business areas and central departments to serve as the on-site first point of contact for all employees for issues relating to health and to the employee health promotion programme of Oberbank. This set of measures helped Oberbank to earn recertification under the "Betriebliche Gesundheitsförderung" (employee health promotion) quality seal for the third successive time.

Gütesiegel Betriebliche Gesundheitsförderung
BGF
2019 – 2021

The traditionally very high health ratio was 96.8% in 2019.

Managing person-related risks

The bank systematically monitors, records and evaluates material person-related risks (staff availability, labour law and employment practices, staff conflicts, unauthorised conduct by staff). The key risk indicators make it possible to take measures in time to eliminate and/or mitigate threats and risks.

Number of employees

The average headcount of the Oberbank Group (employees, full time equivalents) rose by 49 persons to 2,150 in 2019. The successful expansion of our branch network in Germany, Vienna and Hungary is the main reason for the increase. Additionally, investments were made in some areas of our headquarters due to regulatory requirements and our growth strategy. Savings were achieved essentially through increasing productivity and efficiency by taking advantage of natural staff turnover and by centralising sales activities.

Sustainability and Non-financial Performance Indicators (Directive 2014/95/EU)

Sustainability is a key element of all decisions and strategic considerations at Oberbank. The sustainability report (Directive 2014/95/EU) is available at www.oberbank.at/Nachhaltigkeit (available only in German).

Sustainable management

Oberbank's business policy is based on the principles of good corporate governance and transparency, and is geared towards sustainable and long-term objectives. The primary corporate goal of guaranteeing the Bank's independence is achieved through sustainable earnings and a prudent risk policy.

Commitment to the Austrian Code of Corporate Governance (ÖCGK)

As a listed company, the company is committed to the ÖCGK, which serves as valuable guidance for developing internal mechanisms and rules. The Supervisory Board of Oberbank issued its first declaration of conformity at its meeting of 26 November 2007. Ever since, Oberbank has complied with the respective, current version of ÖCGK.

Sustainable risk management

Knowingly assuming risks is a key element of the banking business. Oberbank AG is responsible for the definition, implementation, management and risk controlling throughout the Oberbank Group. The Management Board and 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.

Employees

The employees invest their time, knowledge and hard work in Oberbank. To make sure that employees do not reduce their investment, Oberbank must remain an attractive employer that offers meaningful work. This includes not only fair remuneration and social benefits, but also development and career opportunities, equal treatment, a good work-life balance and participation in the company's profits.

Responsibility in product design

Further development of the product portfolio with a view to sustainability is part of the Oberbank's profile. Already in 2001, when sustainability was hardly topical, Oberbank launched the investment fund, 3 Banken Nachhaltigkeitsfonds, which was the first Austrian investment fund to be certified as environmentally compatible.

Ecological responsibility

Using resources responsibly is part and parcel of corporate social responsibility. 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.

Social responsibility

Oberbank believes that support for persons and groups from less privileged circumstances and also the promotion of cultural activities is an important aspect of its corporate social responsibility.

Share capital, share denomination and authorised capital

As of 31 December 2016, Oberbank AG’s share capital was EUR 105,844,749 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 buyback

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 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 each other 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 the voting rights for a special part of the employee shareholders by way of proxy votes in accordance with the corresponding instructions.

Shareholder structure and employee stock ownership

The largest single shareholder of Oberbank on 31 December 2019 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 1.62% and Oberbank employees 3.98%.

Appointment of boards and officers, and change of control

There are no rules and regulations with regard to the appointment and dismissal of the Management Board and the Supervisory Board or amendments to the Articles of Association 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, 9 March 2020

The Management Board

CEO	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
Corporate and Business Banking
Personal Banking
Financial Markets
Other

Segmentation and Overview

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 large corporations, small and medium-sized businesses and the self-employed. 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 by secondary segments is not required, because neither profit contributions nor allocable assets reached the 10% thresholds specified by IFRS.

Segment overview 2019 in €m	Corporate and Business Banking	Personal Banking	Financial Markets	Other	Consolidated income statement for 2019
Net interest income	258.8	63.8	23.2		345.8
Income from entities recognised using the equity method			29.7		29.7
Charges for losses on loans and advances	-3.2	-4.0	-5.0		-12.2
Net commission income	87.6	75.5	-0.1		163.0
Net trading income	0.1		2.2		2.3
Administrative expenses	-156.5	-93.0	-8.7	-30.8	-288.9
Other operating income	9.6	4.5	29.6	-7.2	36.5
Extraordinary profit/loss					
Profit for the period before tax	196.5	46.7	70.9	-37.9	276.2
Return on equity before tax (RoE)	11.8%	15.4%	7.9%		9.6%
Cost/income ratio	43.9%	64.7%	10.3%		50.0%

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

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 Corporate and Business Banking

Corporate and Business Banking in €m	2019	2018	Change
Net interest income	258.8	245.0	5.6%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-3.2	-16.1	-80.4%
Net commission income	87.6	84.8	3.3%
Net trading income	0.1	-0.1	> -100.0%
Administrative expenses	-156.5	-144.3	8.4%
Other operating income	9.6	-5.5	> -100.0%
Extraordinary profit/loss			
Profit for the period before tax	196.5	163.9	19.9%
Segment's contribution to consolidated profit for	71.1%	60.6%	10.5% ppt
Average credit and market risk equivalent (Banking Act)	10,197.1	9,638.8	5.8%
Segment assets	13,423.3	12,421.0	8.1%
Segment liabilities	8,569.5	8,556.2	0.2%
Average allocated equity	1,664.0	1,502.1	10.8 %
Return on equity before tax (RoE)	11.8%	10.9%	0.9% ppt
Cost/income ratio	43.9%	44.5%	-0.6% ppt

Overview of business performance in 2019

In Corporate and Business Banking, the profit for the year rose by 19.9% to EUR 196.5 million in 2019.

Net interest income increased by 5.6% to EUR 258.8 million, and net commission income was up by 3.3% to EUR 87.6 million.

Charges for losses on loans and advances decreased by 80.4% to EUR 3.2 million. Administrative expenses rose by 8.4% to EUR 156.5 million, while other operating income was EUR 9.6 million, after EUR -5.5 million in 2018. RoE rose to 11.8%, and the cost/income ratio improved to 43.9%.

At the end of 2019, some 55,000 corporate customers were served; 6,500 of these were newly acquired.

Corporate and business loans

Oberbank increased its total volume of commercial loans by 4.9% to EUR 13,264.5 million in 2019. On account of its excellent capital base and liquidity position, Oberbank was able to continue supplying its corporate customers with sufficient funding.

Marked rise in investment and innovation finance

In the year 2019, Oberbank submitted 1,351 customer projects (+13.7%) for loans for traditional corporate spending, for environmental investments and for R&D&I projects in Austria, Germany, Czech Republic and Slovakia. As regards ERP business promotion loans, which are very important for Austrian companies, Oberbank was again among the top-ranking banks for subsidised lending, both to industry and SMEs in 2019. Therefore, some 20% of all approved ERP business promotion loans were based on applications filed by Oberbank for its customers. The total debt volume of subsidised loans increased by 8.1% to over EUR 1.3 billion.

Higher demand for structured finance

In 2019, demand for structured finance went up again and the number of projects processed rose by more than 10% versus 2018. The rise in demand for traditional loans for corporate spending was very steep, with demand increasing by more than 50%. Likewise, the number of projects for tourism financing surpassed the preceding

year's figure again by over 10%. Demand for real estate finance and M&A finance was around the same level as in the preceding year. In total, the volume of loans granted was almost EUR 640 million.
A well-filled pipeline of new transactions permits us to give a positive outlook for the financial year 2020. Therefore, demand for structured finance solutions may be expected to continue.

Private equity and mezzanine capital: number of inquiries much higher year on year
The Oberbank Opportunity Fund handled a total of 142 enquiries in 2019, a much higher number than the already high level of the preceding year. Ten new projects were successfully completed.
Since its inception, the Oberbank Opportunity Fund has approved 81 transactions and 10 add-on investments in equity and/or mezzanine capital or high-yield capital and granted roughly EUR 219 million in loans.
The Fund concentrates on established companies in the later stages of development. In order to close the gap to early stage financing, Oberbank invested in the high-tech fund operated by the province of Upper Austria through its Oberbank Opportunity Fund. This investment also developed very well and for this reason a further allocation to the High-Tech Fund II was decided in 2019 with the returns from the High-Tech Fund I being invested in it as well.
In order to broaden risk diversification of the mezzanine capital portfolio, an investment was made in a mezzanine investment fund operating in Eastern Europe. Within the framework of this investment, further capital was allocated in 2019. Furthermore, an investment was made into a real estate fund with a focus on tourism real estate.

Leasing: more new business and higher total volume
In 2018/19, the volume of new business in the leasing segment increased by 8.3% to EUR 910.2 million thanks to a very good second half-year and total leasing receivables rose by 5.5% to EUR 2,433.9 million.
Business was driven by the very pleasing trend in the movables business and due to some larger capitalisations also by the real estate business. In the vehicles business, the restraint being exercised in the transport sector was clearly felt. Even though more than half of the volume of new business comes from automobile leasing and was EUR 532 million, the increase was only marginal.
A breakdown by region shows Austria and Germany were the drivers of growth posting a gain of +12%.

Syndicated loans and international lending
In the area of syndicated loans, some very attractive real estate finance projects were placed successfully in the Vienna region. Furthermore, Oberbank participated in a growing number of corporate finance deals especially in Germany, Czech Republic and Hungary so that the segment again accounts for a significant share of the corporate lending business.
Demand from large corporations and SMEs for borrowers' notes as an alternative to syndicated loans and bonds was unbroken and remained strong. Despite low interest rates, Oberbank continued to meet demand from customers – mainly for relationship reasons – and supplied especially Austrian companies with borrower's notes in 2019. Of the 120 transactions on the table, 15 were signed – a significant increase year on year.

Documentary business and guarantees benefit from difficult environment
The figures released by Statistik Austria paint a very encouraging picture for foreign trade in the first half of 2019. Both imports and exports rose during this period by around 3%. At mid-year, this trend reversed and by the end of the year, the pace slowed even more. Nonetheless, the economic forecasts for 2020 published by the renowned "Poll of Forecasters" of the British magazine "Economist" were cautiously optimistic: While the

downtrend slowed in Europe, with economic growth in Germany expected to be just below 1%, growth rates for China, India and Indonesia are expected to be robust.
Brexit, escalating trade conflicts and increasing tension in the Gulf region are the reasons for the persistence of the difficult economic environment for which longer payment due dates in Austria and abroad are key indicators. Demand for documentary forms of security continued to be high. In 2019, the experts of Oberbank completed 3.8% more transactions in security instruments (letters of credit, documentary collections, guarantees) year on year. Furthermore, in 2019 work continued on the project "trade finance digitalisation" to enable online applications for Oberbank guarantees starting in 2020.

Export finance volumes rise steeply

In export finance, Oberbank posted an increase in the volume of foreign business by more than 9%, driven especially by long-term finance made available by Oesterreichische Kontrollbank (OeKB).
Oberbank defended its role as the leading regional bank in Austria for revolving OeKB loans. As at 31 December 2019, Oberbank achieved a market share of 11.3% for export fund loans to SMEs, and it attained over 12% for loans to large corporates under the KRR procedure.
The long-standing and well-established concept of foreign market managers in Austria is also working well in Germany and in the Czech Republic. Oberbank offers comprehensive advisory services for foreign trade deals as a one-stop-shop, yet again exemplifying its competence in foreign trade.

Solid demand for factoring as finance alternative

In mid-2016, Oberbank expanded its product portfolio for Austria and Germany by adding factoring services. It offers customers a complete range of services for working capital loans.
In the third full year of operation, the results were highly satisfactory in 2019. The number of contracts closed was high again (including two with major corporations), the rise by 40% in factoring turnover and feedback from customers shows that it was the right decision to offer this product as an alternative finance variant.

Income from payment services up by 5%

Income from payment services in corporate and business banking rose by 5% compared to 2018.
In the financial year 2019, the "Oberbank Customer Portal business" replaced the old internet banking in Hungary and Slovakia. Oberbank offers an intuitive multilingual and cross-border platform for payment services. In Q4 2019, a feature was added to the Oberbank Customer Portal business enabling the online submittal of applications for guarantees thereby replacing requests in writing.

In 2020, development work on the Customer Portal business will continue, with the addition of the feature "SEPA Instant Payment" that enables payments within seconds and other new functionalities.

Segment Personal Banking

Personal Banking segment in €m	2019	2018	Change
Net interest income	63.8	60.7	5.0%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-4.0	-2.8	43.5%
Net commission income	75.5	74.5	1.4%
Net trading income	0		
Administrative expenses	-93.0	-90.2	3.1%
Other operating income	4.5	4.5	-0.3%
Extraordinary profit/loss			
Profit for the period before tax	46.7	46.7	0.2%
Contribution to consolidated profit for the year	16.9%	17.3%	-0.4% ppt
Average credit and market risk equivalent (Banking	1,865.7	1,777.5	5.0%
Segment assets	3,561.5	3,211.3	10.9%
Segment liabilities	6,110.9	5,853.6	4.4%
Average allocated equity	304.5	277.0	9.9%
Return on equity before tax (RoE)	15.4%	16.8%	-1.4% ppt
Cost/income ratio	64.7%	64.6%	0-1% ppt

Overview of business performance in 2019

In the Personal Banking segment, profit before tax in 2019 was EUR 46.7 million which was almost as high as in 2018. Net interest income rose by 5.0% to EUR 63.8 million and net commission income was up by 1.4% to EUR 75.5 million. Charges for losses on loans and advances amounted to EUR 4.0 million after EUR 2.8 million in the preceding year. Administrative expenses were higher year on year by 3.1% at EUR 93.0 million.
RoE decreased by 1.4% ppt to 15.4% in the personal banking segment and the cost/income ratio remained practically unchanged at 64.7%.
At the end of 2019, Oberbank served approximately 285,000 personal banking customers, of which more than 15,000 were newly acquired.

Deposit banking

In 2019, the savings ratio in Austria was low in a long-term comparison, just as in the past years. Nonetheless, the volume of savings deposits, sight deposits and term deposits of Oberbank's customers amounted to EUR 5,702.9 million, which is 3.7% above the high level of the preceding year.
Deposits on online savings products increased year on year by 27.6% to EUR 686.5 million.

Personal loans: home construction loans drive increase

Private finance at Oberbank developed very well again in 2019. The volume of outstanding personal loans (excl. leasing) rose versus the preceding year by 8.0% to EUR 3,507.7 million.
Business concentrated on residential construction loans in all of Oberbank's markets. In Austria, the increase in volume was 10.6%, and substantial gains were also made in the Czech Republic, Hungary and Slovakia. In this segment, the volume of new home construction loans increased year on year by 13.4%.

Almost 200,000 personal accounts

In 2019, the Bank's portfolio of personal accounts increased by 2,768 to 190,105 accounts. In the segment of personal accounts, there are many customers of other banks still interested in switching banks. Oberbank's excellent reputation as a stable and reliable partner helped it acquire new customers.

Digitalisation

In 2019, work concentrated on the roll-out of the Oberbank Customer Portal in Oberbank's five countries. The project successfully established an infrastructure for all regions that will be supportive of business development. Some 150,000 customers already use the Oberbank Customer Portal. Additional new services were added such as the possibility in Austria of making changes to overdraft facilities and to limits on debit cards in the Customer Portal.

The changeover to the security app introduced a secure authentication procedure in conformity with PSD2 that replaced the xTAN procedure. In the Customer Portal business, the option of requesting guarantees online was implemented, thus accelerating processing and saving time for corporate customers.

A further area of focus was on the expansion of digital payment options. In Austria, Oberbank offers Garmin Pay™ and the Oberbank Wallet. Customers can carry their ATM card "digitally" on their Garmin smartwatch (depending on the watch model). Android smartphone users have the option of paying directly with their smartphones at POS cash registers using their digital debit cards.

Portfolio of card products

As of 31 December 2019, there were 183,968 debit cards in use in all business segments. Of this total, 74,329 are debit cards under the product name 'Debit Card Gold' in Austria that come with innovative additional features.

The portfolio of credit cards in Austria at the end of 2019 consisted of 68,893 retail and corporate cards. This is an increase by 2,471 cards or 3.7% since the beginning of the year.

For the Oberbank Mastercard, the "Mastercard SecureCode" was replaced by the "Mastercard Identity Check" in eCommerce. This change made payments over the internet even more secure while preserving user-friendliness.

Securities business: market value at all-time high

In 2019, commissions from securities operations were slightly below the level of 2018. At EUR 50.5 million, net commission income was only 1.1% lower than the record level of the preceding year. The market value of securities on customer deposits rose by 13.0% to a new all-time high of EUR 16.2 billion. Apart from extensive inflows into investment funds, positive performance effects were the drivers behind this trend.

Due to interest rate levels that were again lower than in the previous years, attractive bonds were even more scarce. This supported the continued massive inflows of funds into managed products of all kinds, mainly into mixed funds with equity ratios of up to 50%. Despite the long period of uncertainty in newsflows regarding the economy and geopolitics and also Brexit, stock markets generally performed very positively. Therefore, the slightly higher risk was offset by the corresponding returns.

Private banking: assets under management climb to new all-time highs

Assets under management in private banking (market value of securities custody accounts, savings accounts and sight deposits) developed positively in 2019 and rose to a new record of EUR 9.9 billion. This is an increase by EUR 1.5 billion in 2019.

At our ten locations (eight in Austria, two in Germany), we provide customers with high quality advisory services. Additionally, numerous customer events are organised in all regions at which Oberbank's top experts hold presentations on capital market topics.

Customers who take their own decisions and have a good knowledge of investments frequently used the special brokerage services as a sparring partner. Here as well, increases were achieved both with respect to the number of customers served as well as with respect to volume.

Asset management: volume increased by 18%

All activities relating to managed products benefited in 2019 from the solid developments on bond and stock markets and also from the massive net inflow of funds.
The volume on individually-managed portfolios (starting from EUR 500,000) of Oberbank's asset management rose year on year by 17.9% to a new record level of EUR 665.3 million.
The Oberbank Premium Strategies fund (starting from EUR 100,000) launched at the beginning of 2018 reached a total volume EUR 204.9 million at year-end 2019. The clear top performer as regards volume is the balanced fund variant that contains EUR 141.7 million.
The volume of Oberbank's asset management, which is operated as a publicly traded investment fund and also offers a savings scheme option, increased by 53.4% to EUR 390.9 million.

Oberbank issues

Despite the low interest rates, a large volume of Oberbank bonds were issued also in 2019. In total, EUR 517.8 million were placed, with a volume of EUR 67.4 million thereof being subordinate bonds. There was no issue of an AT1 bond in the reporting period.
Of the total issuing volume, EUR 250.0 million was an international issue that was placed with institutional investors.
Taking into account scheduled redemptions and premature repayments in an amount of EUR 473.9 million, the resultant increase in the line item Securitised liabilities including subordinate capital was 4.2% to EUR 2,185.4 million.

3 Banken-Generali Investment-Gesellschaft grows more than the market

3 Banken-Generali Investment-Gesellschaft held a market share of 5.7% at year-end 2019, thus ranking 6th among Austrian investment fund companies.
The volume managed by the company increased year on year by 14.7% to EUR 10.5 billion. The volume of the overall Austrian market rose by 12.4% to EUR 184.9 billion. Therefore, the company's growth exceeded that of the overall market; additionally, it gained many prominent awards.
Oberbank's share in the fund company increased again from 40.7% at year-end 2018 to 42.1%. The volume of transactions of Oberbank was EUR 4.4 billion at year-end 2019.
In 2019, the focus was on the existing range of products; at the core were mixed funds of all types. After 12 months, the volume of the sustainability funds "3 Banken Mensch & Umwelt Aktienfonds" and the "3 Banken Mensch & Umwelt Mischfonds", which were launched at the end of 2018, totalled EUR 95.0 million.

3-Banken Wohnbaubank AG

The volume issued by home loan banks in Austria decreased further in 2019 to a new all-time low of only EUR 137.5 million. This was another massive decline compared to the year 2018 in which the issuing volume was EUR 285.4 million.
In 2019, there were no new issues by 3-Banken Wohnbaubank AG for the trustee banks Oberbank (80%), BKS Bank AG (10%) and BTV AG (10%). There were no redemptions which is why total assets hardly changed and stood at EUR 142.8 million (pr.yr.: EUR 143.0 million).

Building and loan associations are still popular

In the reporting 2019, a number of 10,547 building and loan contracts were sold. This is a decline of 1.8% year on year. The sustained low level of interest rates and the generally low savings ratio had an impact also in this area.

However, the development of the overall Austrian market was -5.3% compared to 2018 (Q1-Q3), and this means the negative market trends did not fully affect Oberbank.

Saving money in subsidised building society schemes continues to be one of the most popular forms of saving money in Austria. The product “BONUSbausparen” was again especially popular. It features a one-time deposit and a progressively rising interest rate, but without a subsidy component. It was offered in 2019 with a maturity of nine years or after the month of October, a maturity of eight years.

Insurance services: output slightly higher year on year

At EUR 103.9 million, Oberbank barely surpassed the preceding year’s level in output.

In endowment insurance policies in Austria and Germany, fund-oriented and fund-linked life insurance policies were the best-selling products in the retail segment, while the most popular ones in the corporates and business segment were company pension schemes.

The brokerage business for property and car insurance for retail customers with our cooperation partner Generali expanded year on year by 3.6%.

Financial Markets in € m	2019	2018	Change
Net interest income	23.2	39.5	-41.2%
Income from entities recognised using the equity method	29.7	83.1	-64.2%
Charges for losses on loans and advances	-5.0	-6.7	-24.6%
Net commission income	-0.1	-0.1	-21.8%
Net trading income	2.2	5.4	-58.5%
Administrative expenses	-8.7	-8.6	1.2%
Other operating income	29.6	-7.0	>-100.0
Extraordinary profit/loss			
Profit for the period before tax	70.9	105.6	-32.9%
Contribution to consolidated profit for the year	25.7%	39.1%	-13.4% ppt
Average credit and market risk equivalent (Banking Act)	5,499.0	5,629.0	-2.3%
Segment assets	5,698.8	5,986.7	-4.8%
Segment liabilities	7,623.1	7,049.3	8.1%
Average allocated equity	897.4	877.2	2.3%
Return on equity before tax (RoE)	7.9%	12.0%	-4.1% ppt
Cost/income ratio	10.3%	7.1%	3.2% ppt

Overview of business performance in 2019

In the Financial Markets segment, net interest income dropped by 41.2% to EUR 23.2 million, and income from investments accounted for by the equity method decreased by 64.2% to EUR 29.7 million.

Charges for losses on loans and advances amounted to EUR 5.0 million after EUR 6.7 million in the preceding year. Net trading income decreased by 58.5% to EUR 2.2 million; other operating income improved from EUR -7.0 million to a positive EUR 29.6 million. Therefore, profit in the Financial Markets segment shrunk by 32.9% to EUR 70.9 million. RoE decreased by 4.1%-points to 7.9% and the cost/income ratio rose by 3.2%-points to 10.3%.

Currency risk management

Despite the very challenging situation, fluctuations in the major currencies were limited in the reporting year. The US dollar fluctuated versus the euro by just more than 6%, a value never reached in the past five years. The movements of the British pound were a bit stronger before the backdrop of the Brexit chaos and the currency fluctuated from high to low in a range of 12%.

The Czech koruna was extremely stable versus the euro. With a fluctuation of just above 2% and a slight upward tendency at year-end, the koruna was a pillar of stability among the currencies of Eastern Europe due to the good economic development in the Czech Republic and a balanced central bank policy. Despite the good economic data from Hungary, the forint failed to achieve such performance. It depreciated versus the euro by almost 9%, which is also related to the low interest rates in Hungary.

In some cases, these movements posed a challenge for Oberbank's customers with international business activities. Oberbank's experts provided support and expertise in this situation.

Direct customer services

Speed and reliability in the execution of transactions and competitive prices were the features of our services that appealed to customers and motivated them also in 2019 to place their trust in our direct customer support.

In addition to personal support, customers have been able to use the Oberbank I-Traders functionality as of 2019. This enables customers to engage directly in automated currency trading regardless of where they are.

Trend in primary deposits dominated by over-liquidity on markets

The year 2019 was dominated by extreme over-liquidity on financial markets. Excess liquidity deposited with the ECB is burdened by penalty interest rates that stood last at -0.5%.

The goal of Oberbank was therefore to reduce excess liquidity and also improve term structures. Good progress was achieved in both areas.

Primary funds remained essentially stable and some of the previously unused funds were deployed to refinance credit growth. Additionally, Oberbank successful floated its first international bank bond with a maturity of seven years and raised EUR 250 million.

Proprietary trading

In retrospect, the year 2019 was an excellent one for capital markets. Despite the persistent trade dispute, Brexit discussions and a weakening trend in the automotive industry, both stock markets and bond markets rallied strongly.

Even though volatility decreased significantly over the course of the year, which was not very welcome for trading, Oberbank again achieved higher-than-projected contributions to results.

Liquidity: EUR 250 million floated on the capital market

Currently, it is not about how to secure the liquidity you need, but how to reduce or avoid excess liquidity.

By taking a number of diverse measures, Oberbank was able to master this challenge and still set aside long-term provisions. First, the rise in credit volume absorbed part of the excess funds, and second, there were good opportunities to use liquidity to invest also in other currencies. Moreover, it was necessary to continue charging the negative interest rate for large volume deposits.

To make provisions for the future, Oberbank raised EUR 250 million on the international capital market by issuing a seven-year bank bond. This bond replaced expiring bonds and short-term refinancing.

In total, Oberbank succeeded in keeping excess liquidity from expanding further.

International network of partner banks and institutions

As expected at the start of the year, sustained uncertainty and new challenges dominated the financial year 2019. Oberbank was confronted with this not only in its direct relations with its some 1,250 international network partners, but also with many of its customers in the export and import business to whom it currently provides support for business transactions in more than 100 countries of the world.

Divergent global economic developments forced Oberbank to define and implement regionally-specific support measures. Apart from the robust economic regions of Europe and the US, and the especially important regions of Asia for trade finance, we focused our activities especially in the Gulf region and in North Africa. Furthermore, foreign trade picked up in some countries of Central and South America, as well as in countries hard hit by crises and sanctions such as Turkey, Russia and the Ukraine.

To meet the rising needs of customers in international trade, personal meetings were held with around one fourth of Oberbank's relationship banking partners in 2019. The talks concentrated on the special requirements for working together and the broad range of products in payment services and in the documentary and guarantee business including Treasury activities. All regulatory requirements and related compliance duties were discussed with a positive outcome and this ultimately served as a basis to guarantee customer transactions also in 2020. Further highlights in the financial year 2019 were receptions held for two Chinese bank delegations at which a strong commitment to work together was expressed.

New foreign payment services system "Swift GPI"

A further key step for future work was taken with the decision to introduce "Swift GPI", a new, modern and transparent foreign payment services system at Oberbank. Work is under way to coordinate and implement the new system together with our partner banks; it is scheduled to go live around the end of Q3 2020. This will give customers a further, modern instrument for worldwide payments.

Segment Report
Other

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

The shortfall for the year before tax in 2019 in the segment Other was EUR -37.9 million, after EUR -45.7 million in the preceding year.

Consolidated Financial Statements

Consolidated Financial Statements of the Oberbank Group for 2019 prepared in accordance with International Financial Reporting Standards (IFRS)

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Note: 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.
The entry ‘N/A’ in the tables of the consolidated financial statements means that the respective provision was not applicable in the relevant financial year.

Statement of comprehensive income for the financial year 2019

Consolidated income statement in €k		**2019**	**2018**	**Change in €k**	**Change in %**
1. Interest and similar income		467,536	446,761	20,775	4.7
a) Interest income based on the effective interest		434,310	418,691	15,619	3.7
b) Other provisions for liabilities and charges		33,226	28,070	5,156	18.4
2. Interest and similar expenses		-121,741	-101,528	-20,213	19.9
Net interest income	(3)	345,795	345,233	562	0.2
3. Profit from entities accounted for by the equity	(4)	29,739	83,123	-53,384	-64.2
4. Charges for losses on loans and advances	(5)	-12,210	-25,601	13,391	-52.3
5. Net commission income		180,776	176,092	4,684	2.7
6. Net commission expenses		-17,728	-16,918	-810	4.8
Net commission income	(6)	163,048	159,174	3,874	2.4
7. Net trading income	(7)	2,348	5,333	-2,985	-56.0
8. Administrative expenses	(8)	-288,945	-283,577	-5,368	1.9
9. Other operating income	(9)	36,459	-13,181	49,640	-
a) Net income from financial assets - FVPL		27,356	-14,777	42,133	-
b) Net income from financial assets FVOCI		227	-823	1,050	-
c) Net income from financial assets - AC		1,617	439	1,178	> 100.0
d) Other operating income		7,259	1,980	5,279	> 100.0
Profit for the year before tax		276,234	270,504	5,730	2.1
10. Income taxes	(10)	-60,123	-44,925	-15,198	33.8
Profit for the year after tax		216,111	225,579	-9,468	-4.2
of which attributable to equity holders of the parent and to the owners of additional equity components		214,984	224,903	-9,919	-4.4
of which attributable to non-controlling interests		1,127	676	451	66.7

Other comprehensive income in €k	2019	2018
Profit for the year after tax	216,111	225,579
Items not reclassified to profit or loss for the year	**-15,456**	**-16,964**
+/- Actuarial gains/losses IAS 19	-21,296	-14,116
+/- Deferred taxes on actuarial gains/losses IAS 19	5,324	3,529
+/- Share from entities recognised using the equity method	-15,345	-1,304
+/- Value changes in own credit risk recognised in equity IFRS 9	2,222	-3,528
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	-555	882
+/- Value changes in equity instruments recognised in equity IFRS 9	14,977	-9,400
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	-784	6,973
Items reclassified to profit or loss for the year	**1,263**	**-6,204**
+/- Value changes recognised in equity for debt securities IFRS 9	-1,230	-4,553
Amounts recognised in equity	-1,107	-4,317
Reclassification adjustments	-123	-236
+ / - Deferred tax on value changes recogn. in equity for debt securities IFRS 9	308	1,138
Amounts recognised in equity	277	1,079
Reclassification adjustments	31	59
+ / - Exchange differences	-596	-241
+ / - Share from entities recognised using the equity method	2,782	-2,548
Total income and expenses recognised directly in equity	-14,193	-23,168
Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss	201,918	202,411
of which attributable to equity holders of the parent and to the owners of additional equity components	200,791	201,735
of which attributable to non-controlling interests	1,127	676

Performance indicators	2019	2018
Cost/income ratio in %[1)]	50.04	48.92
Return on equity before tax in %[2)]	9.64	10.18
Return on equity after tax in %[3)]	7.54	8.49
Risk/earnings ratio (credit risk/net interest income) in %[4)]	3.53	7.42
Earnings per share in €[5)6)]	6.13	6.39

1) Administrative expenses in relation to net interest income, equity method, net fee and commission income and net trading income and other operating income
2) Profit/loss for the year before tax in relation to average shareholders' equity
3) Profit/loss for the year after tax in relation to average shareholders' equity
4) Charges for losses on loans and advances in relation to net interest income
5) Profit/loss for the year after tax in relation to average number of shares in circulation
6) Since no financial instruments with diluting effect were issued, diluted earnings per share were identical with undiluted earnings per share. Earnings per share were the same for ordinary and preference shares (see also Note 11).

	Balance sheet at 31/12/2019 Assets in €k		31/12/2019	31/12/2018	Change in €k	Change in %
1.	Cash and balances at central banks	(12)	371,557	828,685	-457,128	-55.2
2.	Loans and advances to banks	(13)	1,522,984	1,494,353	28,631	1.9
3.	Loans and advances to customers	(14)	16,772,172	15,883,032	889,140	5.6
4.	Loan loss provisions	(15)	-203,669	-251,474	47,805	-19.0
5.	Trading assets	(16)	40,949	36,159	4,790	13.2
6.	Financial investments	(17)	3,644,639	3,628,246	16,393	0.5
	a) Financial assets FVPL		533,355	233,510	299,845	> 100.0
	b) Financial assets FVOCI		498,185	593,540	-95,355	-16.1
	c) Financial assets AC		1,699,022	1,881,559	-182,537	-9.7
	d) Interest in entities accounted for using the equity method		914,077	919,637	-5,560	-0.6
7.	Intangible assets	(18)	1,673	912	761	83.4
8.	Property, plant and equipment	(19, 20)	414,794	278,696	136,098	48.8
	a) Investment property		92,739	95,822	-3,083	-3.2
	b) Other property, plant and equip.		322,055	182,874	139,181	76.1
9.	Other assets	(21)	263,930	313,968	-50,038	-15.9
	a) Deferred tax assets		25,367	36,300	-10,933	-30.1
	b) Positive fair values of closed out derivatives in the banking book		118,657	103,178	15,479	15.0
	c) Other		119,906	174,490	-54,584	-31.3
	Total assets		22,829,029	22,212,577	616,452	2.8

	Balance sheet at 31/12/2019 Liabilities in €k		31/12/2019	31/12/2018	Change in €k	Change in %
1.	Amounts owed to credit institutions	(22)	4,795,833	4,387,769	408,064	9.3
	a) Refinance allocated for customer loans		2,561,437	2,463,969	97,468	4.0
	b) Other amounts owed to banks		2,234,396	1,923,800	310,596	16.1
2.	Amounts owed to customers	(23)	11,980,651	12,145,724	-165,073	-1.4
3.	Securitised liabilities	(24)	1,662,863	1,515,672	147,191	9.7
4.	Provisions for liabilities and charges	(25)	381,362	383,315	-1,953	-0.5
5.	Other liabilities	(26)	525,268	399,603	125,665	31.4
	a) Trading liabilities	(27)	38,092	29,521	8,571	29.0
	b) Tax liabilities		3,997	9,756	-5,759	-59.0
	ba) Current tax liabilities		250	5,177	-4,927	-95.2
	bb) Deferred tax liabilities		3,747	4,579	-832	-18.2
	c) Negative fair values of derivatives closed out in the banking book		35,030	20,118	14,912	74.1
	c) Other		448,149	340,208	107,941	31.7
6.	Subordinated debt capital	(28)	522,515	582,598	-60,083	-10.3
7.	Equity	(29)	2,960,537	2,797,896	162,641	5.8
	a) Equity after minorities		2,901,840	2,741,459	160,381	5.9
	b) Share of non-controlling shareholders		8,697	6,437	2,260	35.1
	c) Additional equity capital components		50,000	50,000	0	-
	Total equity and liabilities		22,829,029	22,212,577	616,452	2.8

Consolidated statement of changes in equity as at 31/12/2019

in €k	Subscribed capital	Capital reserves	Retained earnings	Exchange differences	Revaluation reserve: Reclassified debt securities IFRS 9	Revaluation reserve: Equity instruments IFRS 9 not reclassified	Revaluation reserve: Change in own credit risk IFRS 9 not reclassified	Actuarial Gains/losses under Actuarial gains / losses acc. to IAS 19	Associates	Equity after minorities	Share of non-controlling shareholders	Additional equity capital components	Equity
As at 1/1/2018	**105,862**	**505,523**	**1,313,916**	**-528**	**5,752**	**114,962**	**-8,543**	**-21,993**	**545,020**	**2,559,970**	**6,248**	**50,000**	**2,616,218**
Consolidated net profit			165,050	-241	-3,415	-2,427	-2,646	-10,587	56,001	201,735	676		202,411
Net profit/loss for the year			165,050						59,853	224,903	676		225,579
Other comprehensive income				-241	-3,415	-2,427	-2,646	-10,587	-3,852	-23,168			-23,168
Dividend distribution			-31,764							-31,764			-31,764
Coupon payments on additional equity capital components			-2,925							-2,925			-2,925
Capital increase													
Issuance of additional equity components													
Repurchased own shares	-93		-2,910							-3,003			-3,003
Other changes not recognised in income			9						17,436	17,445	-487		16,958
As at 31/12/2018	**105,769**	**505,523**	**1,441,376**	**-769**	**2,337**	**112,535**	**-11,189**	**-32,580**	**618,457**	**2,741,459**	**6,437**	**50,000**	**2,797,896**
Effect changeover IFRS 16			0										0
As at 1/1/2019	**105,769**	**505,523**	**1,441,376**	**-769**	**2,337**	**112,535**	**-11,189**	**-32,580**	**618,457**	**2,741,459**	**6,437**	**50,000**	**2,797,896**
Consolidated net profit			204,291	-596	-923	14,194	1,667	-15,972	-1,870	200,791	1,127		201,918
Net profit/loss for the year			204,291						10,693	214,984	1,127		216,111
Other comprehensive income				-596	-923	14,194	1,667	-15,972	-12,563	-14,193			-14,193
Dividend distribution			-38,811							-38,811			-38,811
Coupon payments on additional equity capital components			-2,925							-2,925			-2,925
Capital increase													
Issuance of additional equity components													
Repurchased own shares	75		2,043							2,118			2,118
Other changes not recognised in income			-502						-290	-792	1,133		341
As at 31/12/2019	**105,844**	**505,523**	**1,605,472**	**-1,365**	**1,414**	**126,729**	**-9,522**	**-48,552**	**616,297**	**2,901,840**	**8,697**	**50,000**	**2,960,537**

Consolidated statement of cash flows in €k		2019	2018
Consolidated profit for the year		216,111	225,579
Non-cash positions in profit for the year and reconciliation of net cash from operating activities contained in net profit for the year			
Write-offs, impairment losses, write-ups		36,302	32,626
Change in provisions for staff benefits and other provisions for liabilities and charges		-17,925	-19,955
Change in other non-cash items		32,801	34,456
Gains and losses on financial investments, property, plant and equipment and intangible assets		-3,700	-8,927
Subtotal		263,588	263,779
Change in assets and liabilities arising from operating activities after corrections for non-cash positions			
Loans and advances to credit institutions		-3,546	-215,052
Loans and advances to customers		-944,749	-1,147,719
Trading assets		-4,841	2,985
Financial assets for operating activities[1)]		76,552	83,107
Other assets from operating activities		100,445	-12,693
Amounts owed to credit institutions		411,241	233,373
Amounts owed to customers		-186,195	741,083
Securitised liabilities		131,804	137,015
Other liabilities from operating activities		-102,799	-137,101
Cash flow from operating activities		-258,499	-51,222
Proceeds from the sale of financial assets			
used for investment activities[2)]		376,533	237,927
Property, plant and equipment, and intangible assets		6,026	11,282
Outlay on purchases of			
Financial investments		-430,858	-114,526
Property, plant and equipment, and intangible assets		-40,688	-20,990
Cash flow from investing activities		-88,986	113,693
Capital increase		0	0
Dividend distributions		-38,811	-31,764
Coupon payments on additional equity components		-2,925	-2,925
Cash from subordinated liabilities and other financing activities			
Issues	(28)	67,712	98,163
Other		7,304	113
Fund outflows from subordinated debt capital and other financing activities			
Redemptions	(28)	-127,000	-141,802
Other		-15,922	-676
Cash flow from financing activities		-109,642	-78,891
Cash and cash equivalents at the end of previous period		828,685	845,105
Cash flow from operating activities		-258,499	-51,222
Cash flow from investing activities		-88,986	113,693
Cash flow from financing activities		-109,642	-78,891
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		371,557	828,685
Interest received		442,730	426,204
Dividends received		45,551	36,949
Interest paid		-119,387	-124,589
Coupon payments on additional equity components		-2,925	-2,925
Income tax paid		-40,897	-45,636

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) Financial investments not intended to be held long term

2) Financial investments intended to be held long term

Breakdown of interest, dividends and income tax payments

in €k		Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Total
Interest received	2019	400,043	42,687	0	442,730
	2018	380,939	45,265	0	426,204
Dividends received	2019	1,895	43,657	0	45,551
	2018	978	35,972	0	36,950
Interest paid	2019	-99,680	0	-19,707	-119,387
	2018	-102,137	0	-22,452	-124,589
Dividends paid	2019	0	0	-38,811	-38,811
	2018	0	0	-31,764	-31,764
Coupon payments on	2019	0	0	-2,925	-2,925
additional equity capital components	2018	0	0	-2,925	-2,925
Income tax paid	2019	-25,299	-10,672	-4,927	-40,897
	2018	-28,707	-11,316	-5,613	-45,636

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. Oberbank AG's positioning is characterised by its regional ties, its independence, its strong customer relations and its widespread presence in the regions of its markets. Oberbank offers all of the main classical banking services of a universal bank. Oberbank does not engage in any proprietary foreign business unrelated to its customer business, but rather assists and supports customers with their international transactions.
The Management Board of BKS Bank AG signed the consolidated financial statements on 9 March 2020 and approved them for submission to the Supervisory Board.
The financial statements for the financial year 2019 were approved and released for publication on 18 March 2020.

1) Group of consolidated companies of Oberbank

Besides Oberbank AG, in 2019 the group of consolidated companies included 29 domestic and 18 foreign subsidiaries. Compared to 31 December 2018, the group of consolidated companies changed as follows:

- Sale of Oberbank LIV Immobilienleasing GmbH, Linz (this reduced Other liabilities by €k 1,496 and lowered Loans and advanced to customers by €k 1,974);
- Sale of Oberbank TREI Immobilienleasing GmbH, Linz (this reduced Other liabilities by EUR k 2,500 and Receivables from customers by EUR k 6,761).
- Liquidation of Oberbank Hybrid 1 GmbH (this decreased Other assets by €k 8 and Other liabilities by €k 4);
- Liquidation of Oberbank Hybrid 2 GmbH (this decreased Other assets by €k 2 and lowered Other liabilities by €k 4);
- Liquidation of Oberbank Hybrid 3 GmbH (this did not entail any changes to Other assets or to Other liabilities);
- Liquidation of Oberbank Hybrid 4 GmbH (this reduced Other assets by €k 1 and no changes to Other liabilities).
- Liquidation of Oberbank Hybrid 5 GmbH (this did not entail any changes to Other assets or to Other liabilities);

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was recognised in the consolidated financial statements by proportionate consolidation in accordance with IFRS 11. In addition to BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for in the consolidated financial statements using the equity method. Drei Banken Versicherungsagentur GmbH, Linz, which was accounted for by the equity method, was liquidated and deconsolidated in the financial year 2019.
Not included in the group of consolidated companies were 19 subsidiaries and 14 associated companies, which overall have no significant influence on the Group's assets or 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 consolidated financial statements for the full year. 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

2.1) Application of IAS and IFRS

The consolidated financial statements of Oberbank AG for the financial year 2019 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.

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	Applies to financial years from	Already adopted by the EU
Annual improvements (2015–2017)	Amendments to IFRS 3, IFRS 11, IAS 12, IAS 23	1/1/2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/2019	Yes
IFRS 16	Leasing contracts	1/1/2019	Yes
Amendment to IFRS 9	Prepayment features with negative compensation	1/1/2019	Yes
Amendments to IAS 28	Investments in Associates and Joint Ventures	1/1/2019	Yes
Amendment to IAS 19	Pension Obligations in the Event of a Plan Amendment, Curtailment or Settlement	1/1/2019	Yes

The table below 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 at present.

Standard/Interpretation	Designation	Applies to financial years from	Already adopted by the EU
Amendments to IAS 1 and IAS 8	Definition of 'material'	1/1/2020	Yes
Conceptual Framework	Revised references to the Conceptual Framework IFRS Standards	1/1/2020	Yes
Amendment to IFRS 3	Definition of a Business	1/1/2020	No
Amendment to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1/1/2020	Yes[1]
IFRS 17	Insurance Contracts	1/1/2021	No

[1] Adopted in January 2020

Changes to accounting policies 2019

The IASB published the IFRS 16 standard on Leasing Contracts in January 2016 that took effect on 1 January 2019. The effects on the Oberbank Group of the application of IFRS 16 are described further below.

IFRIC 23 is an interpretation of current and deferred tax claims and debts when there is uncertainty over income tax treatments under IAS 12. The interpretation is based on the rules governing entities where there are uncertainties regarding income tax treatment, assumptions with respect to audits by tax authorities, 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 facts or in the circumstances. This did not result in any material effects on the consolidated financial statements of Oberbank.
The amendments to IFRS 9 concern limited adaptations to the assessment criteria for the classification of financial assets. Therefore, under certain conditions, financial assets with a prepayment feature with negative compensation may be recognised at amortised cost or directly in equity at fair value in Other comprehensive income. This did not result in any material effects on the consolidated financial statements of Oberbank.

The amendments to the standards IFRS 3, IFRS 11 IAS 12 and IAS 23 within the annual IFRS improvements cycle (2015–2017) do not have any material effects on the consolidated financial statements of Oberbank.

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. This did not result in any material effects on the consolidated financial statements of Oberbank.

The amendments to IAS 19 (Employee Benefits) clarify that when an event results in a change to a plan – amendment, curtailment or settlement – the company must remeasure the current service costs and net interest for the remaining period of the year taking into account current actuarial assumptions. This did not result in any material effects on the consolidated financial statements of Oberbank.

Future amendments to accounting policies

The amendment to IFRS 3 refers to the change to the definition of a business. With the amendment to IAS 1 and IAS 8, a uniform and precise definition of materiality of information in financial statements was created that aims to harmonise the conceptual framework for financial reporting, IAS 1 and IAS 8 as well as the IFRS practice statement on 'Making Materiality Judgements'. No material effects are expected on future consolidated financial statements.

IASB (International Accounting Standards Board) published a revised Conceptual Framework for Financial Reporting in March 2018. The revised Conceptual Framework for Financial Reporting consists of a new general chapter 'Status and purpose of the conceptual framework' as well as eight further chapters. No material effects are expected on future consolidated statements.

The amendments to IFRS 9, IAS 39 and IFRS 7 refer, in particular, to certain easements with respect to hedge accounting rules that are mandatory for all hedging contracts affected by the reform of the reference interest rate. Moreover, further information must be provided as to the extent the amendment affects the hedging contracts of the company. 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 amendment is not relevant for Oberbank as a credit institution.

2.2) The Effects of IFRS 16 on the Oberbank Group

Leases in which Oberbank is the lessor

The initial application of IFRS 16 did not have any effects on the consolidated financial statements.

Leases in which Oberbank is the lessee

On 1 January 2019, Oberbank started applying IFRS 16 - Leasing. In accordance with the transitional provisions, Oberbank applies IFRS 16 according to IFRS 16.C5 (b) retroactively by recognising, at the time of initial application, the cumulated effects of the initial application as a correction to the opening balance sheet for retained earnings. As at 1 January 2019, there were no effects on retained earnings. No adjustments to the comparative information were made. No further provisions providing relief under IFRS 16.5 were used. A renewed assessment to ascertain if agreements constitute or contain leases was not conducted pursuant to IFRS 16.C3.

On 1 January 2019, right of use to leased objects were capitalised as assets in an amount of EUR 141,272 thousand and/or lease debt was carried as a liability in the same amount within the scope of the transition. These refer only to property, plant and equipment, and investment property. The operating lease obligations as at 31 December 2018 resulted in the following reconciliation for the opening balance for lease liabilities in EUR thousand:

Reconciliation as at 1 January 2019	
Off-balance sheet operating lease obligations as at 31 December 2018	**147,594**
Minimum lease payments (nominal value) under finance lease obligations	0
Lease obligations (gross) as at 1 January 2019	**147,594**
Discounting	-6,322
Lease obligations as at 1 January 2019	**141,272**
Present value of minimum lease payments under finance lease obligations	0
Additional lease liabilities from the initial application of IFRS 16	**141,272**

The average, weighted discounting rate for lease liabilities recognised for the first time on 1 January 2019 was 0.63% p.a.

Accounting and measurement methods for leases contracts as a lessee

A lease contract under IFRS 16 is a contract or part of a contract that entitles the lessee to use an asset for a certain period of time for payment of a fee. Right-of-use assets for leased objects are measured at the time of recognition at amortised cost. Amortised cost corresponds as a rule to the present value of the corresponding lease liabilities. No use is made of the elective option under IFRS 16.5 to refrain from capitalising leased objects under short-term lease contracts and under low-value lease contracts. The amortisation/depreciation of the right of use to the leased objects is done linearly over the estimated useful life or over the shorter contract period. If there are indications that the right of use to the leased objects might be impaired, a review pursuant to IAS 36 is conducted. Future lease payments are discounted applying SWAP interest rates differentiated by maturity and currency measured by the effective interest rate method at amortised cost.

There are contracts for limited periods (with and without prolongation options) and contracts for indefinite periods at the Oberbank Group. Defining the duration of leasing contracts is generally done at the beginning of the right of use or initial application of IFRS 16. Contracts established for a limited time period without a prolongation option are defined with an end date in accordance with the contractual termination date. The term of a lease contract in the case of contracts for a limited period with a prolongation option and contracts for indefinite periods are recognised to the extent that the entire contractual term of the right of use generally does not exceed the average investment cycle of Oberbank of 20 years.

2.3) 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 (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 the valuation to be based solely on its share price. In the interest of a sustainable equity investment strategy, it is in any event appropriate to take account of the entity's equity. 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.

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 a business combination were recognised separately from goodwill. The differences are disclosed on a prorated basis with respect to minority interests. 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.

2.4) Corporate acquisitions

In the financial year 2019, Oberbank did not make any corporate acquisitions in the meaning of IFRS 3.

2.5) 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:

Charges for losses on loans and advances

The calculation of risk 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. More details are given in 2.7) Financial Assets and Obligations as well as Hedging Contracts and in the risk report in Note 42 ff (credit risk).

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be measured using current stock market 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 31 (Fair value of financial instruments).

Impairment losses on investments 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 (also see Note 2.9). For details regarding the book values of interests held in companies recognised at equity, see Note 17 (Financial investments).

Impairment losses on debt 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.

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 18 (Intangible fixed assets) and Note 19 (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 are recognised with respect to tax loss carry-forwards insofar as taxable profits in the equivalent amount are to be expected within the same entity in the future. For details on deferred taxes, please refer to Note 21 (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 25 (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. Details are given in Note 25 (Provisions for liabilities and charges).

Legal disputes of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (hereinafter: "UniCredit") made a motion at the Annual General Meeting of Oberbank in May 2019 to elect a third representative from their side to the Supervisory Board of Oberbank. The motion failed to receive a consenting vote. Subsequently, UniCredit filed a lawsuit contesting the individual resolutions of the Annual General Meeting. The proceedings in this matter were closed on 20 December 2019, the court has not yet handed down a ruling. No relevant effects on the balance sheet from these proceedings are recognizable.

At the end of December 2019, UniCredit requested an extraordinary shareholders' meeting of Oberbank that took place on 4 February 2020. The motions put forth by UniCredit (special review of all capital increases of Oberbank since 1989, termination of arbitration proceedings with Generali-3Banken Holding) did not receive a consenting vote.

At the end of February 2020, UniCredit filed requests with the Takeover Commission to review if the shareholders' syndicate of 3 Banken Group violated the mandatory bid requirement under the Takeover Act. Oberbank is directly affected by these proceedings as a member of the syndicate with Bank für Tirol und Vorarlberg AG (hereinafter: "BTV") and BKS Bank AG (hereinafter: "BKS"). The syndicates of BTV and BKS were approved by official notices issued by the Takeover Commission in 2003 which are still valid. UniCredit claims that the composition and decision-taking processes of the syndicates have changed since then and that these have expanded their voting weighting since the year 2003 in a manner that is of relevance under the Takeover Act so as to have triggered the obligation to make a mandatory bid.

After carefully reviewing the matter jointly with external experts the Management Board assumes that a renewed audit under the Takeover Act will not trigger the obligation to make a mandatory bid.

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 pursuant to IFRS 16.62 is that a finance lease essentially transfers all the risks and rewards from the lessor to the lessee. For further details, see Note 14 (Receivables from customers) and Note 19 (Property, plant and equipment).

2.6) Foreign currency translation and Group currency

Foreign-currency translation took place in conformity with the provisions of IAS 21. Therefore, 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 are prepared in euro.

2.7) Financial assets and obligations as well as hedging contracts

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 (cash flow conditions).

Business model

The classes of financial assets were analysed with respect to the business strategy as well as potential divestments from which business models were derived. The securities portfolio contains securities which are intended to be held, and therefore, this portfolio was allocated to the business model 'hold-to-collect'. Securities measured at fair value not recognised in income are allocated to the business model 'hold and sell'. Securities held in the trading book were allocated to the business model 'sell'. Lending operations, on the other hand, were all allocated to the category 'hold-to-collect'. The clear intention to hold the assets is derived from the corporate strategy. The divestments made in the past were all insignificant.

Cash flow conditions

The analysis of the cash flow conditions (SPPI test) 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 with negative SPPI interest clauses were identified that 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 will be measured at amortised cost in the future as well. Therefore, the majority of the loan portfolio does not contain any contractual clauses with negative effects from SPPI.

The implementation of a cash flow test depends primarily on the interest rate terms of the transactions. If there is a negative SPPI interest clause, a quantitative benchmark test was conducted. The outcome of the quantitative benchmark test results in the final classification of the asset. If the benchmark test is failed, the asset is recognised at fair value through profit or loss.

A benchmark product is created within the scope of the quantitative benchmark test based on an asset with a negative SPPI interest clause whose maturity conforms to the interest period. In this context, the undiscounted cash flows of both products are compared within different interest rate scenarios both cumulatively and also periodically in order to determine if the deviations exceed a critical threshold.
An exception is made for negative SPPI interest clauses required by law due to loan subsidy rules.

In the case of transactions for which there is sufficient reason to believe that the modification of the component 'time value of money' may be only of minor importance, a simplified supplementary qualitative benchmark test is conducted. This is done primarily in the following cases:

- The transaction does not feature a binding term for the capital;
- The fixing is done a few days before the start of the interest rate period.

Measurement categories

IFRS 9 defines three important classification categories for financial assets: recognition at amortised cost (AC), recognition at fair value through the profit or loss (FVPL) and recognition 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 test), these are to be measured at amortised costs. Under certain conditions, a designation at fair value is possible. This occurs at Oberbank AG when collateral is deposited for an underlying transaction in derivatives, because otherwise asymmetric valuations would result for the two financial instruments in the financial reporting.

All other financial instruments are measured at fair value. Changes in the value of these assets must be recognised in the income statement or in Other comprehensive income (depending on the business model). For certain equity instruments, it is optional to recognize changes in value under Other comprehensive income. Only dividend claims on these assets must be recognised in the income statement.

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.

Loans and advances to credit institutions are recognised at amortised cost. Loans and receivables will probably also be measured at amortised costs, because these financial instruments largely meet the SPPI test that applies to this type of measurement. The measurement of equity instruments is done mainly at fair value through other comprehensive income (FVOCI).

Impairment – financial assets and contract assets

IFRS 9 replaces the 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 impairment model under IFRS 9 applies to financial assets designated at amortised costs or at FVOCI – with the exception of dividend-paying 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. The following applies to financial instruments recognised at amortised cost on every reporting date:

- 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;
- 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 net 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 principal customer segments of Corporates, Retail and SME, the default ratio is derived from the ratio of actual defaults of the respective migration matrix.

The assessment of the significant increase in credit risk is a key factor of the 3-stage model in the impairment rules of IFRS 9, because when there is a significant increase in credit risk, the impairment must be recognised over the entire life of the financial instrument (lifetime ECL).

The stage assessment is used to classify the loans into 2 stages for performing loans and one stage for the non-performing loan portfolio (stage 3). The lifetime expected credit loss is recognised for stages 2 and 3, while for stage 1 the 12-month expected credit loss is calculated.

The overall classification concept of Oberbank is based on qualitative, quantitative and backstop criteria.

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). On subsequent reporting dates, the transition to stage 2 occurs when there is a significant increase in credit risk.

The main characteristic for determining the credit risk of a financial instrument is the internal rating of the borrower. This is the basis for the assessment of if, and when, a significant increase in credit risk has taken place.

Qualitative criteria for a stage transfer

If the borrower is in default (internal rating classification 5a, 5b or 5c), credit stage 3 is assigned. Oberbank uses the default definition of Article 178 Regulation (EU) No 575/2013 (CRR) uniformly and consistently for all classes of receivables and risk models. This is based on the 90-day default or the probability of an irrecoverable debt. Therefore, the default definition of CRR is applied to all IFRS 9 model estimates and calibrations.

A financial instrument with the attribute forbearance is always assigned to stage 2 provided the receivable is not already in default anyway. The lifetime expected loss is recognised for this receivable throughout the entire forbearance phase.

A rebuttable presumption when contractual payments are more than 30 days past due results in a stage transfer as a qualitative criterion (IFRS 9 9.5.5.11). This means that instruments are assigned to stage 2 when the default on payment of capital and/or interest exceeds 30 days. As soon as the debt is 90 days past due, the borrower is assigned a default rating and the financial instrument is transferred to stage 3.

In the case of leases, 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.

All financial instruments, which had an absolute low credit risk on the balance sheet date may be assigned to stage 1 as an exception to the relative approach (IFRS 9.5.5.10). When a borrower is in a rating class with a very low credit risk (rating classes AA to 1b), the financial instrument is also assigned to stage 1. This logic is applied only to the low-default portfolio for the segments of sovereigns and banks. The low credit risk exemption therefore applies to a portfolio that would generally be designated as 'investment grade' (average PD of rating class corresponds to S&P equivalent ratings to BBB-).

Likewise, foreign currency loans with income in a congruent currency and also loans with special purpose vehicles classified as performing are assigned to stage 2. Currency fluctuations and movements in collateral assets in the case of special purpose vehicles have a higher risk with respect to ability to service a loan than in the case of conventional loan portfolios.

Quantitative criteria for a stage transfer

The transfer criterion at Oberbank is based mainly on an analysis of the cumulated default probabilities (lifetime PDs). The following variables influence the determination of a relative deterioration of PD:

- Customer segment;
- Rating when the financial instrument was added;
- Remaining time to maturity (comparison between balance sheet date and expiry of contract);
- Age of the financial instrument (comparison of date added and balance sheet date).

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 measurement date (IFRS 9.5.5.9). In this context, the lifetime PD of the current rating grade over the remaining time to maturity is used. This is done by comparing the lifetime PD in the current rating stage over the remaining time to maturity with the forward lifetime PD in the rating stage at initial recognition over this period.

The criterion for allocation to stage 1 and stage 2 is based on a relative criterion and not on an absolute credit risk estimate at every point in time of an assessment (IFRS 9.B5.5.9).

As a backstop and based on an analysis of the relative transfer criterion, the decision was taken – irrespective of the structure of the migration matrix – that a stage transfer would have to be triggered in any case if the loan has shifted by at least three rating stages since initial recognition. In the case of very long remaining times to maturity and very good ratings, it is possible that due to the 'drift to the middle' tendency, it may happen in marginal PDs that even for downgrades by several rating stages, the relative transfer criterion would otherwise not be reached.

A 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 is a comparison of default risk upon 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

At Oberbank, the impairment model pursuant to IFRS 9 is applied in the following cases:

- financial assets measured at amortised costs or at fair value through profit or loss;
- Leasing receivables from customers;
- Irrevocable letters of credit and guarantees.

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:

$$EL = PD \times LGD \times EAD$$

(PD: default probability; LGD: loss given default in % of EAD; EAD: exposure at default)

When an asset is assigned to stage 2 and the related calculation of the lifetime expected credit loss corresponds to the remaining time to maturity of the contract. In the case of assets assigned to stage 1 (12-month ECL), the maturity is limited to one year. If the term is shorter than one year, the actual remaining time to maturity is used for the calculation. The expected credit loss pursuant to IFRS 9 is a discounted value in this case. 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.

Key input parameters

Probability of Default (PD)

The probability of default is derived for the segments Corporates, SME and Retail in a base scenario from the historic default rates and the migration probability. The default probabilities for different maturities (lifetime PD) is calculated for each segment and rating stage based on the default vector of the migration matrix. The default probability for the segments Banks and Sovereigns is derived directly from the internal ratings and thus from the internal banking master scale.

The determination of the historic default rates and migration probabilities for the central customer portfolio is based on the migration matrix for each respective segment. In such cases, the last ten-year period is used. The basis for determining the 1-year migration matrix is in a first step the view by quarters of rating migrations.

The 1-year migration matrix is determined based on a matrix multiplication of four successive quarters. The final 1-year migration matrix is the mean value of all migration matrices determined. The 1-year PD per rating class is the sum of the PD from the three default rating classes 5a, 5b and 5c. The cumulated and lifetime PD is formed based on the Markov assumption for migration matrices by applying matrix multiplication. This results in PD curves per segment and rating class.

For individual segments and maturity bands, these conditional basis PD that result from the ‘through-the-cycle migration matrix’ are adjusted in order to include forward-looking information. These so-called ‘point-in-time adjustment’ (PIT adjustment) is done using statistical models to attempt to relate the default probability with the explanatory macroeconomic variables. On the basis of these estimated factors and macroeconomic projections for selected indicators, the PD is adjusted using a scaling method, thus shifting the base PD curve upward or downward depending on the projected values. Oberbank uses three different scenarios in this case (normal, upward and downward scenario), with the final adjustment of a linear combination being equivalent to the three different scenarios.

Loss Given Default (LGD)

The loss in the event of default corresponds to that share of receivables that cannot be recovered and therefore constitutes an economic loss. LGD is divided into LGD from secured parts of a loan and an LGD from unsecured parts of a loan. LGD from the secured portions of a loan depends on the type of collateral and the potential development of value/ depreciation over time. The development of an exposure over a time period and the development of the collateral results in effective LGDs per bandwidth over a time period.

Secured LGD

The calculation of the expected credit loss includes all internal collateral based on cover values. The difference between the market value and the cover value of collateral corresponds to a haircut for estimation uncertainties and fluctuations in value, and can therefore implicitly be interpreted as the LGD for the secured portion of a loan. The calculation of the expected credit loss thus entails an implicit splitting of the loan in a secure and unsecured part. The secured part thus has an LDG of 0% after considering the cover value and the unsecured part of a loan has an undefined LGD depending on the segment. When both parts of the loan are combined, they result in a type of ‘mixed’ LGD per maturity bandwidth.

Unsecured LGD

The unsecured LDG represents the irrecoverable portion after deducting the proceeds from the collateral and depends mainly on the proceeds from the realisation or liquidation process.

Exposure at Default (EAD)

For loans with certain principal due dates, the cash flow estimates are based on the contractual redemption structure. All cash flows are determined by the transaction attributes (balance, amount of repayments, frequency of repayments, interest payment intervals, reference interest rates, due dates) as well as current market data (exchange rates and market interest rates). Cash flows from interest payments are derived from the forward interest implicit in the interest rate curve.

Revolving lines of credit do not have any contractually agreed cash flows. Therefore, an explicit cash flow estimate using a replication model is needed.

At Oberbank, there are loans that were granted on a “until further notice” basis with respect to maturity. Within the scope of the annual credit review, the credit agreement is reassessed and, if applicable, the terms are adjusted with a view to the changes in credit quality. These loans can be called at any time. Therefore, with respect to maturity, it is assumed that the period is one year, because every year a decision is made on the prolongation of the line of credit. Oberbank is thus exposed to the credit risk for a maximum period of one year.

In the case of overdraft facilities, first the portion is calculated that is currently not being used. In this case, the credit balance is deducted from the overdraft limit. This unused part of an overdraft facility consequently remains unchanged over the entire life of the loan. The calculation of the exposure at default (EAD) is based throughout on a credit conversion factor. The due date of the overdraft facility always corresponds to the maturity of the loan.

Classification – Financial liabilities

Financial liabilities are usually measured at amortised costs unless these are allocated to instruments held for trading or a designation is carried out. Such financial liabilities are allocated to the category 'designated at fair value through profit or loss'.

Changes to the fair value are recognised as follows:

- The change in the fair value due to changes in the credit risk of the liability is reported under other comprehensive income.
- The remaining change to fair value is reported through profit or loss.

The designation of financial liabilities as at fair value through profit or loss is always done when these financial instruments are secured by interest rate derivatives in order to avoid a measurement incongruence between the underlying transaction and the derivative (fair value option).

The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities, subordinated capital and amounts owed to banks and customers, with the cash flows of own issues being calculated using the contractual interest rate. The interest rates used for discounting are derived from the discount curve applicable to the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue. The credit rating premiums are adjusted regularly to the respective market conditions.

In order to determine the amount of the change in fair value caused by the change to the credit rating risk, the financial liabilities are measured two times: first, on the basis of the rating premiums at the initial recognition date of the financial instrument, and second, on the basis of the rating premiums at the reporting date, in each case measured by the current contractual cash flows and the current basis interest rate curve. The differential represents the value change caused by the change in the bank's assessment of creditworthiness. This amount is recognised in other comprehensive income. The remaining changes to the fair value are due to the changes in the interest rate curve as well as to the shorter remaining times to maturity and is reported directly in the income statement.

Hedge accounting

Oberbank does not engage in hedge accounting at present.

2.8) Material accounting principles for the statement of comprehensive income

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 provision 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. Both interest income and interest expenses contain negative interest.

Income from entities accounted for by the equity method

This item includes net amounts from proportionately recognised income from entities accounted for using the equity method and, if applicable, expenses from impairments and income from additions.

Loan loss provisions

The line item Loan loss provisions 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 as well as the result of immaterial modifications and POCI financial instruments.

Net commission income

Net commission income comprises income from the service business net of expenses relating to the rendering of services. The implementation of IFRS 15 did not have any material effects on the consolidated financial statements of Oberbank.

Net trading income

This line item includes realised gains and losses from the sale of 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 refinance costs associated with such securities.

Administrative expenses

General administrative expenses include staff costs, other administrative costs, and depreciation/amortisation on property, plant and equipment. Staff costs include expenses for wages and salaries, statutory and company benefits as well as changes to provisions for severance pay, pension and anniversary bonuses.

Other operating income

Other operating income includes the results from the measurement categories financial assets recognised at amortised cost (AC), financial assets recognised at fair value through the profit or loss (FVPL) and financial assets recognised at fair value with plus or minus through other comprehensive income (FVOCI). Furthermore, this item includes earnings und expenses from operational risks, operate leasing and expenses from other taxes and charges.

2.9) Material accounting principles for the consolidated balance sheet

Cash and balances at central banks

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

Loans and advances to credit institutions

Loans and advances to credit institutions are recognised at amortised cost. Instead of being charged against the corresponding receivables, impairment provisions pursuant to IFRS 9 are reported in the balance sheet under risk provisions.

Loans and advances to customers

In accordance with IFRS 9 the classification categories are recognition at amortised cost, recognition at fair value through profit or loss (FVPL) and recognition at fair value through other comprehensive income (FVOCI). Instead of being charged against the corresponding receivables, impairment provisions pursuant to IFRS 9 are reported in the balance sheet under risk provisions.

Risk provisions

The measurement of risk provisions depends mainly on expectations regarding future loan losses and the structure and quality of the loan portfolio. Please refer to 2.7) Financial assets and obligations as well as hedging contracts for the new impairment model pursuant to IFRS 9. The total impairment allowance balance is disclosed as a deduction on the assets side of the balance sheet. The risk 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.

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 measuring trading assets. If such prices were not available, generally accepted valuation models were employed.

Financial investments

The following financial instruments are reported under financial investments: Bonds and other fixed-interest securities, shares and other variable-yield securities, investments in subsidiaries, shares in entities accounted for using the equity method, other equity investments.

Financial investments comprise the measurement categories recognition at amortised cost (AC), recognition at fair value through the profit or loss (FVPL) and recognition at fair value plus or minus through other comprehensive income (FVOCI).

Debt instruments and other fixed-income securities are assigned to the categories recognition at amortised cost (AC), recognition at fair value plus or minus through other comprehensive income (FVOCI) and recognition at fair value through the profit or loss (FVPL).

Shares and other variable-yield securities are assigned to the categories: recognition at fair value through the profit or loss (FVPL) and recognition at fair value plus or minus through other comprehensive income (FVOCI).

Shares in associated entities and equity investments that are neither fully consolidated nor recognised using the equity method are assigned to the measurement category recognition at fair value plus or minus through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL). The measurement category at fair value through profit or loss only includes those shares in associated entities and equity investments that are driven by market prices. This refers mainly to shares in private equity funds. For all other shares in associated entities and equity investments the option was selected and these were assigned to the measurement category recognition at fair value plus or minus through other comprehensive income (FVOCI).

There were no reclassifications in the measurement categories in the financial year 2019.

Debt instruments have to be tested for impairment if their fair value has fallen by at least 20% below the acquisition cost of the debt instruments and this decline persists over a period of nine months. The instrument is then 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. 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 must be recognised.

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 2019.
If, contrary to our expectations, the results we expect in the value in use calculation from the medium-term projections of voestalpine decrease by 10%, this would result in an impairment loss of around EUR 70 million.

Intangible assets and property, plant and equipment

The item Intangible assets consist mainly of patents, licenses, 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 investment property) was measured at the cost of acquisition and/or conversion less depreciation. If impairment is expected to be permanent, a write-off is 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 40 years; business equipment and furnishings: four to 20 years; standard software: four years.
Furthermore, these items are tested for impairment at each balance sheet date. During this test, Oberbank determines the recoverable value for 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.
Property, plant and equipment has also included the capitalised right-of-use assets pursuant to IFRS 16 since 1 January 2019. In this context, a reference is made to *2.2) Effects of IFRS 16 on the Oberbank Group.*

Leasing (as lessor) and investment property

Oberbank offers customers both finance leases and operating leases. Pursuant to IAS 16, a finance lease is a lease that essentially transfers all the risks and rewards incidental to ownership of an asset. The ownership title may eventually also 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 are carried at amortised cost. Leasing income is shown in the item Other operating income.

Derivatives

Financial derivatives were recognised in the balance sheet at their fair values, changes in value in the course of the financial year are generally recognised immediately through profit or loss. Insofar as use was made of the fair value option under IFRS 9, it serves to eliminate or reduce inconsistencies in the recognition and measurement of assets and liabilities. Therefore, in such cases assets and liabilities are 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.

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 are 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 in the trading book and open derivative financial instruments in the banking book. Trading liabilities were recognised on the balance sheet in the line item Other liabilities.

Amounts owed to credit institutions and customers

These were recognised at amortised cost with the exception of 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 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 provisions for benefits was based on the following parameters:

- An interest rate (long-term capital market interest rate) of 1.00% (previous year: 1.75%)
- Annual salary increases of 2.91% (pr. yr.: 2.99%) and increases in post-employment benefits of 1.65% (pr. yr.: 1.54%);
- 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/losses from termination benefits and post-employment benefits were recognised in equity 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

The line item Other liabilities includes 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 out derivatives in the banking book, other obligations not allocable to other line items on the balance sheet, as well as lease liabilities pursuant to IFRS 16.

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 from 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. With the 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, 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. 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 for 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 137th Annual General Meeting of Oberbank AG held on 16 May 2017 retracted the resolution passed at the 136th Annual General Meeting of 18 May 2016 to the extent not yet used and authorised the management board to increase the share capital by contributions in kind 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 resolution of the 132nd Annual General Meeting of Oberbank AG held on 8 May 2012 authorising the management board to increase the share capital was retracted and the management board authorised 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 board of Oberbank or of associated companies. To date, no use has been made of this authorisation.

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 1.15 per share be distributed out of the net profit of Oberbank AG for the financial year 2019 (corresponding to a payout of EUR 40,603,395.00).

On the reporting date, 11,592,332 Oberbank shares were held directly by the company itself or by associated entities. 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. The revaluation reserves take into account the value changes arising from debt securities with reclassification, equity instruments without reclassification and own credit risk. 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. Bondholders do not have the right to call the bond.

If the CET 1 capital ratio of the issuer or of Oberbank Group is lower than 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.

Details of the income statement in €k

3) Net interest income	2019	2018
Interest income from		
Credit and money market operations	393,200	368,458
Shares and other variable-yield securities	6,978	6,580
Other equity investments	9,289	6,274
Subsidiaries	7,278	10,256
Fixed-interest securities and bonds	50,791	55,193
Interest and similar income	467,536	446,761
Interest expenses for		
Deposits	-81,311	-58,458
Securitised liabilities	-20,723	-20,690
Subordinated liabilities	-19,707	-22,380
Interest and similar expenses	-121,741	-101,528
Net interest income	345,795	345,233

Net interest income from financial assets in the measurement category AC and FVOCI was €k 434,310 (pr.yr.: €k 418,691).
The corresponding interest expenses for financial liabilities amounted to €k 130,161 (previous year €k 111,597). Net interest income includes income in the amount of €k 1,989 (previous year €k 1.071) and the interest expenses include negative interest of €k 8,420 (previous year €k 10.069).

4) Income from entities recognised using the equity method	2019	2018
Net amounts from proportionately recognised income	29,739	83,123
Expenses from impairments and income from additions	0	0

5) Charges for losses on loans and advances	2019	2018
Addition to charges for losses on loans and advances	-98,748	-124,926
Direct write-offs	-1,101	-805
Reversals of loan loss provisions	83,875	96,741
Recoveries of written-off receivables	2,860	3,360
Result of non-significant modifications	2	29
Result of POCI financial instruments	902	0
Charges for losses on loans and advances	-12,210	-25,601

Income from nonsignificant modifications to contractual payment flows from financial assets, which did not result in derecognition, is presented in the table below:

	Stage 1:	Stage 2:	Stage 3:		
Modified financial assets in 2019	**12-M ECL**	**LT-ECL**		**POCI**	**Total**
At amortized cost before modification	0	9,844	0	0	9,844
Result of non-significant modifications	0	2	0	0	2

	Stage 1:	Stage 2:	Stage 3:		
Modified financial assets in 2018	**12-M ECL**	**LT-ECL**		**POCI**	**Total**
At amortized cost before modification	632	955	0	0	1,587
Result of non-significant modifications	11	18	0	0	29

6) Net commission income	2019	2018
Net commission income		
Payment services	61,424	59,358
Securities business	58,298	58,316
Foreign exchange, foreign bank notes and precious metals business	16,786	16,993
Credit operations	40,103	38,025
Other service and advisory business	4,165	3,400
Total net fee and commission income	180,776	176,092

Net commission expenses		
Payment services	4,538	4,725
Securities business	7,825	7,260
Foreign exchange, foreign bank notes and precious metals business	561	491
Credit operations	4,430	4,173
Other service and advisory business	374	269
Total fee and commission expenses	17,728	16,918
Net commission income	163,048	159,174

This item includes income in the amount of €k 4,398 (pr. yr.: €k 6,926) from asset management for the account of third parties.

7) Net trading income	2019	2018
Gains/losses on interest rate contracts	1,144	501
Gains/losses on foreign exchange, foreign bank notes and coins	2,649	957
Gains/losses on derivatives	-1,445	3,875
Net trading income	2,348	5,333

8) Administrative expenses	2019	2018
Staff costs	174,870	175,937
Other administrative expenses	86,658	94,963
Write-offs and impairment allowances	27,417	12,677
Administrative expenses	288,945	283,577

Pension fund contributions were €k 3,705 (previous year: €k 3,459).

9) Other operating income	2019	2018
a) Net income from financial assets - FVPL	27,356	-14,777
thereof from designated financial instruments	4,355	4,563
thereof financial instruments with mandatory measurement at FVPL	23,001	-19,340
b) Net income from financial assets - FVOCI	227	-823
thereof from the measurement of debt instruments	184	-1,122
thereof from the sale and derecognition of debt instruments	-411	299
c) Net income from financial assets - AC	1,617	439
d) Other operating income	7,259	1,980
Other operating income	**51,740**	**49,977**
Thereof income from operational risks	18,068	6,567
Gains from the sale of land and buildings	556	1,474
Income from private equity investments	1,888	8,948
Income from operating leases	17,069	17,774
Other income from the leasing sub-group	6,407	6,773
Brokerage fees from third parties	3,421	3,489
Other	4,331	4,952
Other operating expenses	**-44,481**	**-47,997**
Thereof expenses from operational risks	-7,520	-8,203
Stability tax	-4,711	-3,805
Contributions to the resolution fund	-7,692	-7,032
Allocation to the deposit protection fund	-2,082	-1,624
Expenses from operating leases	-14,966	-15,746
Other income from the leasing sub-group	-6,312	-7,614
Other	-1,198	-3,973
Other operating income net of other operating expenses	36,459	-13,181

In the financial year, Oberbank sold a financial asset that was recognised at amortised cost. The asset was sold because it no longer matched the portfolio of the Oberbank Group due to the credit rating. The sale yielded a profit of €k 1,616.6. See Note 47 for more on operational risks.

10) 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.

	2019	2018
Current income tax expense	45,699	48,527
Deferred income tax expenses (+)/income (-)	14,424	-3,602
Income taxes	**60,123**	**44,925**

Reconciliation: Relation between computational and reported income taxes:

	2019	2018
Current income tax expense	45,699	48,527
Deferred income tax expenses (+)/income (-)	14,424	-3,602
Income taxes	60,123	44,925
Profit for the period before tax	276,234	270,504
Computed tax expense 25%	69,059	67,626
Income and expenses taken directly to equity	-715	-731
Tax savings arising due to tax-exempt income from equity investments	-4,058	-3,097
Tax savings arising due to profits accounted for using the equity method	-7,426	-20,833
Tax expenses (+)/ income (-) prev. years	3,075	24
Tax savings arising from other tax-exempt income	-1,834	-647
Tax incurred as a result of non-deductible expenses	1,789	2,865
Tax savings arising due to used loss carry-forwards	407	183
Tax effects from differing tax rates	-174	-464
Deferred income tax expenses (+)/income (-)	60,123	44,925
Effective tax rate	21.77%	16.61%

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

	2019			2018		
	Net profit before tax	Income taxes	Income after tax	Income before tax	Income taxes	Income after tax
Actuarial gains/losses IAS 19	-21,296	5,324	-15,972	-14,115	3,529	-10,586
Value changes in debt securities IFRS 9 recognised in equity with reclassification	-1,230	308	-923	-4,553	1,138	-3,415
Value changes in equity instruments IFRS 9 recognised in equity without reclassification	14,977	-784	14,194	-9,400	6,973	-2,427
Value changes in own credit risk IFRS 9 recognised in equity without reclassification	2,222	-556	1,667	-3,528	882	-2,646
Currency exchange differences	-596	0	-596	-241	0	-241
Share from entities recognised using the equity method	-12,563	0	-12,563	-3,852	0	-3,852
Total	**-18,486**	**4,292**	**-14,193**	**-35,689**	**12,522**	**-23,167**

11) Earnings per share in €	**2019**	**2018**
Number of shares as at 31/12	35,307,300	35,307,300
Average number of shares in issue	35,276,409	35,281,321
Profit for the year after tax	216,111	225,579
Earnings per share in €	6.13	6.39

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

Details of the balance sheet in €k

12) Cash and balances at central banks	2019	2018
Cash in hand	98,007	83,997
Credit balances with central banks of issue	273,550	744,688
Cash and balances at central banks	371,557	828,685

13) Loans and advances to credit institutions	2019	2018
Loans and advances to domestic credit institutions	130,624	148,206
Loans and advances to foreign credit institutions	1,392,360	1,346,147
Loans and advances to credit institutions	1,522,984	1,494,353
Loans and receivables to credit institutions, by maturity		
On demand	154,471	246,700
Up to 3 months	1,277,442	1,174,775
3 months to 1 year	59,984	36,920
1 to 5 years	14,193	18,166
Over 5 years	16,894	17,793
Loans and advances to credit institutions	1,522,984	1,494,353

14) Loans and advances to customers	2019	2018
Loans and advances to domestic customers	9,952,209	9,547,454
Loans and advances to foreign customers	6,819,963	6,335,578
Loans and advances to customers	16,772,172	15,883,032
Loans and advances to customers, by maturity		
On demand	2,950,545	2,688,161
Up to 3 months	996,559	1,099,876
3 months to 1 year	1,845,389	1,735,973
1 to 5 years	6,308,728	6,056,489
Over 5 years	4,670,951	4,302,532
Loans and advances to customers	16,772,172	15,883,032
Leasing business (finance leasing), gross investment value		
Up to 3 months	88,351	90,246
3 months to 1 year	302,239	290,489
1 to 5 years	973,015	904,266
Over 5 years	220,385	204,931
Total	1,583,990	1,489,931
Unrealised finance income		
Up to 3 months	6,625	6,409
3 months to 1 year	16,994	16,078
1 to 5 years	40,312	40,437
Over 5 years	11,267	9,545
Total	75,198	72,469
Net investment value		
Up to 3 months	81,726	83,837
3 months to 1 year	285,245	274,411
1 to 5 years	932,703	863,828
Over 5 years	209,118	195,386
Total	1,508,792	1,417,462
Cumulated impairment allowances	11,629	13,467

15) Impairment provisions	see Note 43, “Credit risk”

16) Trading assets	2019	2018
Bonds and other fixed-interest securities		
Listed	0	2,975
Shares and other variable-yield securities		
Listed	1,975	1,255
Positive fair values of derivative financial instruments		
Currency contracts	2,696	2,535
Interest rate contracts	36,278	29,394
Other contracts	0	0
Trading assets	40,949	36,159

17) Financial investments	2019	2018
Bonds and other fixed-interest securities		
Listed	2,089,681	2,075,312
Unlisted	77,480	82,838
Shares and other variable-yield securities		
Listed	96,186	91,844
Unlisted	207,822	196,103
Equity investments/shares		
in subsidiaries	92,673	107,345
Entities accounted for using the equity method		
Banks	449,932	422,356
Non-banks	464,145	497,281
Other equity investments		
Banks	39,990	32,468
Non-banks	126,730	122,699
Financial investments	3,644,639	3,628,246
a) Financial assets - FVPL	533,355	233,510
b) Financial assets FVOCI	498,185	593,540
thereof equity instruments	327,400	333,449
thereof debt instruments	170,785	260,091
c) Financial assets - AC	1,699,022	1,881,559
d) Interest in entities accounted for using the equity method	914,077	919,637
Financial investments	3,644,639	3,628,246

Financial investments in equity instruments recognised directly in equity at fair value through other comprehensive income include all securities, investments and shares in associated companies for which a fair value cannot be determined.

Financial assets Equity capital instruments FVOCI 31/12/2019	Fair value	Dividends received from instruments derecognised in the reporting year	Dividends received from instruments from instruments held on the reporting date
Securities	88,639	0	5,104
Equity investments	149,181	0	9,289
Investments in subsidiaries	89,580	0	7,278
	327,400	0	21,670

Financial assets in equity instruments refer especially to non-consolidated investments and shares in subsidiaries, see Note 41), as well as investments in Lenzing AG, Energie AG Oberösterreich, Oesterreichische Kontrollbank AG and Linz Textil AG. In the financial year 2019, one equity instrument was liquidated which at the time of derecognition had a fair value of €k 6,214.8. The cumulated profit from the liquidation was €k 0.0. There was no reclassification within equity in the reporting year.
In the preceding year, one divestment concerned a financial instrument which at the time of derecognition had a fair value of €k 10,818.6 and no longer fit into the portfolio of the Oberbank Group. The cumulated profit from the sale was €k 0.0.

Financial assets Equity capital instruments FVOCI 31/12/2018	Fair value	Dividends received from instruments derecognised in the reporting year	from instruments held on the reporting date
Securities	85,516	0	5,620
Equity investments	145,896	0	6,274
Investments in subsidiaries	102,037	0	10,256
	333,449	0	22,150

18) Intangible assets	2019	2018
Other intangible assets	1,281	478
Customer base	392	434
Intangible assets	1,673	912

19) Property, plant and equipment	2019	2018
Investment property	92,739	95,822
Land and buildings	93,212	97,135
Business equipment and furnishings	63,067	65,918
Other property, plant and equipment	25,193	19,821
Right of use for leased objects	140,583	N/A
Property, plant and equipment	414,794	278,696

The Group owned land and buildings used by others with a carrying value of €k 92,739 (pr. yr.: €k 95,822); these properties had a fair value of €k 107,450 (pr. yr.: €k 109,610). The fair value is assignable to level 3 and is calculated using internal models. Rental income during the reporting year came to €k 4,604 (pr. yr.: €k 4,601); the associated expenses (including depreciation) amounted to €k 3,083 (pr. yr.: €3,084). 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 52,917 (pr. yr.: €k 53,979).

Leasing (operating leases) as lessor: future minimum lease instalments	2019	2018
Up to 3 months	4,405	4,783
3 months to 1 year	11,940	13,526
1 to 5 years	35,545	40,857
Over 5 years	21,533	27,015
Total	73,423	86,180

20) Lease contracts in which Oberbank is lessee

The lease contracts entered into by Oberbank relate mainly to rentals for branch premises and office space as well as to building rights and tenancy right for plots of land, garages, business equipment and furnishings, and vehicles. The leasing contracts do not involve any significant restrictions or commitments. There were no sale-and-leaseback transactions.

The results in the consolidated balance sheet, consolidated income statement and consolidated statement of cash flows for Oberbank as a lessee are presented below for the financial year 2019:

Leasing in the consolidated balance sheet	31/12/2019
Property, plant and equipment	140,583
Right of use for land and buildings	135,800
Right of use for business equipment and furnishings	534
Right of use for other property, plant and equipment	1,530
Investment property	2,719
Other liabilities	
Leasing liabilities	140,991

Additions to right of use in the financial year 2019 after initial capitalisation amounted to €k 13,689. Cash outflows for leasing liabilities amounted to €k 14,795. When measuring leasing liabilities, future cash outflows from uncertain prolongation options of €k 10,650 were not considered.

Leasing liabilities (gross) by maturity	2019
Up to 3 months	3,622
3 months to 1 year	10,642
1 to 5 years	49,753
Over 5 years	82,602
Total	146,619

Leasing in the consolidated income statement	1/1 - 31/12/2019
Interest expenses for leasing liabilities	858
Administrative expenses	14,345
Depreciation/amortisation for right of use for land and buildings	12,654
Depreciation/amortisation for right of use for business equipment and furnishings	239
Depreciation/amortisation for right of use for other property, plant and equipment	855
Depreciation for right of use for investment property	596
Other expenses from lease contracts	2,730
Other operating income	
Income from subleasing of rights of use	829

Leasing in the consolidated statement of cash flows	1/1 - 31/12/2019
Repayment of leasing liabilities from finance activities	-14,795
Interest expenses for leasing liabilities from operating activities	858

21) Other assets	2019	2018
Deferred tax assets	25,367	36,300
Other assets	112,406	170,349
Positive fair values of closed out derivatives in the banking book	118,657	103,178
Deferred items	7,500	4,141
Other assets	263,930	313,968

Deferred tax assets/liabilities in €k

	Deferred taxes 2019		Deferred taxes 2018	
	Assets	Liabilities	Assets	Liabilities
Loans and advances to credit institutions	0	-1	137	-6
Loans and advances to customers	2,377	-5,539	2,999	-6,263
Charges for losses on loans and advances	7,095	-37	8,184	-37
Trading assets	0	-9,563	0	-7,719
Financial investments	405	-24,051	47	-17,548
Financial assets - FVPL	0	-17,310	0	-11,577
Financial assets FVOCI (with recycling)	0	-5,620	0	-4,226
Financial assets FVOCI (without recycling)	21	-1,121	0	-1,697
Financial assets - AC	355	0	0	-48
Entities accounted for using the equity method	29	0	47	0
Intangible assets	0	-96	0	-108
Property, plant and equipment	203	-35,017	84	-57
Other assets	2	-16,991	34	-15,524
	10,081	-91,294	11,485	-47,263
Amounts owed to credit institutions	388	0	592	0
Amounts owed to customers	16,534	0	13,850	0
Securitised liabilities	5,215	0	4,226	0
Provisions for staff benefits	29,505	-4	24,968	-4

Other provisions	6,873	0	12,825	0
Other liabilities	37,415	-267	4,252	-601
Subordinated debt capital	6,654	0	6,793	0
Untaxed reserves/valuation reserves	0	-220	0	-238
	102,584	-491	67,506	-844
Capitalised tax loss carry-forwards	740	0	837	0
Deferred tax assets/liabilities	113,405	-91,785	79,827	-48,106
Balance of deferred tax assets/liabilities with the same fiscal authority	-88,038	88,038	-43,527	43,527
Balance of deferred tax assets/liabilities	25,367	-3,747	36,300	-4,579

No deferred tax assets were recognised for loss carry-forwards from the Leasing subgroup in the amount of €k 1,638 as at 31 Dec. 2019 (pr.yr.: €k 1,298), because consumption within the foreseeable future does not seem feasible from today's standpoint.

No deferred tax liabilities were recognised on the temporary differences from interests in subsidiaries, joint ventures and associated companies held by Group companies of €k 683,761 (pr. yr.: €k 593,234) in accordance with IAS 12.39, because the temporary differences are not expected to reverse in the foreseeable future. The temporary differences concern reinvested profit shares which were not intended for distribution and will remain tax-free in the foreseeable future. Therefore – excluding tax-free profit distribution by subsidiaries – the hypothetical tax debt of €k 170,940 (pr. yr.: €k 148,308) was not recognized as at 31 Dec. 2019.

22) Amounts owed to credit institutions	**2019**	**2018**
Amounts owed to domestic credit institutions	2,824,684	2,632,935
Amounts owed to foreign credit institutions	1,971,149	1,754,834
Amounts owed to credit institutions	4,795,833	4,387,769
Amounts owed to credit institutions, by maturity		
On demand	979,814	1,182,243
Up to 3 months	925,704	370,129
3 months to 1 year	388,425	37,042
1 to 5 years	1,259,000	1,630,051
Over 5 years	1,242,890	1,168,303
Amounts owed to credit institutions	4,795,833	4,387,769

23) Amounts owed to customers	**2019**	**2018**
Savings deposits	2,697,443	2,684,132
Other	9,283,208	9,461,592
Amounts owed to customers	11,980,651	12,145,724
Amounts owed to customers, by maturity		
On demand	9,809,913	9,878,585
Up to 3 months	462,778	491,752
3 months to 1 year	759,586	824,330
1 to 5 years	496,049	533,220
Over 5 years	452,325	417,836
Amounts owed to customers	11,980,651	12,145,724

24) Securitised liabilities	**2019**	**2018**
Bonds issued	1,649,309	1,503,782
Other securitised liabilities	13,554	11,890
Securitised liabilities	1,662,863	1,515,672
Securitised liabilities, by maturity		
Up to 3 months	82,410	90,644
3 months to 1 year	100,686	220,301
1 to 5 years	653,465	687,384
Over 5 years	826,302	517,343
Securitised liabilities	1,662,863	1,515,672

25) Provisions for liabilities and charges	2019	2018
Provisions for termination benefits and pensions	199,541	183,053
Provisions for anniversary bonuses	14,962	13,697
Provisions for credit risks	121,764	129,360
Other provisions	45,095	57,205
Provisions for liabilities and charges	381,362	383,315

Movements in provisions for termination benefits and pensions	2019	2018
Provisions balance as at 01/01	183,053	172,931
Allocated to/reversed from provisions for termination benefits	3,569	1,483
Allocated to/reversed from provisions for pensions	12,919	8,639
Provisions balance as at 31/12	199,541	183,053

Presentation of obligations under defined benefit plans pursuant to IAS 19	2019	2018
Plan assets	0	0
Provisions for termination benefits	49,548	45,979
Provisions for pensions	149,993	137,074
Provisions for anniversary bonuses	14,962	13,697
Total obligations under defined benefit plans	214,503	196,750

The defined benefit plans of the Oberbank Group comprise obligations for 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). As at 31 December 2019, 797 employees were included in the "Severance Pay OLD" system (94.19% of the entire volume of provisions) and 1,083 employees were carried in the "Severance Pay NEW" system.

The legal basis for the provisions for pensions is the Collective Agreement on the reform of pension entitlements (pension reform of 1997) as well as pension commitments based on individual contracts. As at 31 December 2019, provisions for pensions within the Oberbank Group included 491 pension beneficiaries (73.16% of the total volume of provisions) and 338 employees in active service (26.75% of total provisions). Most of the 334 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 account for 17.15% of total provisions.

Risks that need to be stated in connection with provisions for pensions
Disability: If an employee is granted a disability pension, 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. No disability pension was granted in 2019.

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). As of this date a transitional pension is disbursed (calculated on the basis of a fictitious ASVG pension). There were no such cases in 2019.

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 2019, provisions for anniversary bonuses covered the entitlements of 1,435 persons. No provisions have been set up for 316 persons (34 have already received their anniversary bonuses; 282 persons will reach retirement age prior to the entitlement date for the anniversary bonus).

Movements in provisions for termination benefits, pensions and similar obligations	**2019**	**2018**
Present value of defined benefit provisions as at 01/01	**196,750**	**184,732**
Recognised in the income statement		
+ Service period costs	3,838	3,688
+ Interest costs	3,372	3,159
Subtotal	**203,960**	**191,579**
Revaluation effects		
Recognised directly in other comprehensive income		
-/+ Actuarial gain/loss	20,965	13,871
- Financial assumptions	19,793	757
- Demographic assumptions	0	7,951
- Experience-based assumptions	1,172	5,163
-/+ Gains / losses on plan assets	0	0
-/+ Gains / losses from exchange rate movements	0	0
Recognised in the income statement	786	1,518
Subtotal	**21,751**	**15,389**
Other		
Payments for plan settlements	0	0
- Payments during the reporting year	-11,208	-10,217
- Other changes	0	0
Subtotal	**-11,208**	**-10,217**
Provisions recognised as at 31/12	**214,503**	**196,750**

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. Actuarial gains/losses attributable to provisions for anniversary bonuses are shown in the item Staff expenses in the income statement.

Important actuarial assumptions for calculating the present values of defined benefit obligations	**2019**	**2018**
Interest rate applied	1.00%	1.75%
Increase under collective agreements	2.91%	2.99%
Pension increase	1.65%	1.54%
Fluctuation	none	none
Retirement age women	59–65 years	59–65 years
Retirement age men	65 years	65 years
Mortality tables	AVÖ 2018	AVÖ 2018

Assuming that the computational parameters remain unchanged, we anticipate a reversal of provisions for termination benefits, pensions and similar obligations of about EUR 3.4 million in the financial year 2020.

The present value of post-retirement benefit obligations was €k 218,727 for the financial year 2012, €k 217,880 for the financial year 2013, €k 246,475 for the financial year 2014, €k 190,317 for the financial year 2015, €k 185,058 for the financial year 2016, and €k 184,732 for the financial year 2017.

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 as at the close of the reporting period.

in €k	Termination benefits	Pensions	Anniversary bonuses
Interest rate applied + 0.5%	46,426	139,866	-
Interest rate applied - 0.5%	51,967	161,384	-
Collective agreement increase + 0.5%	51,897	151,354	-
Collective agreement increase - 0.5%	46,460	148,687	-
Pension increase + 0.5%	-	159,337	-
Pension increase - 0.5%	-	141,446	-

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 subsequent periods:

in €k	Termination benefits	Pensions	Anniversary bonuses
2020	1,916	7,017	-
2021	2,140	6,763	-
2022	2,737	6,555	-
2023	2,414	6,333	-
2024	4,944	6,683	-
Total of anticipated disbursements of benefits in the next five years	14,151	33,351	-

Maturity

The following table shows the weighted average term to maturity of defined benefit obligations as at 31 December 2019:

in years	Termination benefits	Pensions	Anniversary bonuses
Maturity	9.59	14.64	-

Movements in other provisions for liabilities and charges	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
As at 01/01	13,697	129,360	57,205
Allocated	1,265	21,838	7,604
Used / exchange differences / effect proportionate consolidation / reclassification	0	-122	-924
Reversed	0	-29,312	-18,790
Balance as at 31/12	14,962	121,764	45,095

These are primarily short-term provisions

26) Other liabilities	2019	2018
Trading liabilities	38,092	29,521
Tax liabilities	3,997	9,756
Current tax liabilities	250	5,177
Deferred tax liabilities[1)]	3,747	4,579
Leasing liabilities	140,991	N/A
Other liabilities	238,459	269,931
Negative fair values of closed out derivatives in the banking book	35,030	20,118
Deferred items	68,699	70,277
Other liabilities	525,268	399,603

1) For details regarding deferred tax liabilities, see Note 21) on Other assets.

27) Other liabilities (trading liabilities)	2019	2018
Currency contracts	2,877	874
Interest rate contracts	35,215	28,647
Other contracts	0	0
Trading liabilities	38,092	29,521

28) Subordinated debt capital	2019	2018
Subordinated bonds issued incl. tier 2 capital	522,515	582,598
Hybrid capital	0	0
Subordinated debt capital	522,515	582,598
Subordinated debt capital, by maturity		
Up to 3 months	43,794	33,810
3 months to 1 year	50,318	106,943
1 to 5 years	202,883	198,257
Over 5 years	225,520	243,588
Subordinated debt capital	522,515	582,598
Development of subordinated debt capital		
As at 01/01	582,598	629,103
Changes in cash items	-59,288	-43,639
thereof payments from issues	67,712	98,163
thereof repurchase/repayment	-127,000	-141,802
Changes in non-cash items	-796	-2,866
thereof changes in the fair value	-557	-4,931
thereof other changes	-239	2,065
As at 31/12	522,515	582,598

29) Equity	2019	2018
Subscribed capital	105,844	105,769
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,288,601	2,128,295
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Share of non-controlling shareholders	8,697	6,437
Equity	2,960,537	2,797,896
Development of shares in issue (units)		
Shares in issue as at 01/01	35,256,387	35,287,174
New shares issued	0	0
Treasury shares purchased	-333,568	-332,562
Treasury shares sold	358,764	301,775
Shares in issue as at 31/12	35,281,583	35,256,387
Plus own shares held by the Group	25,717	50,913
Shares in issue as at 31/12	35,307,300	35,307,300

The carrying value of own shares held was EUR 2.4 million (pr. yr.: EUR 4.5 million) on the balance sheet date.

30) Non-current assets statement

Movements in intangible assets and property, plant and equipment	Intangible assets	Property, plant and equipment	thereof investment property
Cost of acquisition/conversion as at	19,530	668,310	121,224
Currency exchange differences	-30	830	0
Transfers	0	0	0
Additions	1,036	38,549	0
Disposals	0	18,255	0
Cumulated depreciation	18,863	274,640	28,485
Carrying value 31/12/2019	1,673	414,794	92,739
Carrying value 31/12/2018	912	278,696	95,822
Depreciation during the reporting year	272	39,349	3,083

The cost of acquisition/conversion as at 01/01/2019 includes the right of use from the initial capitalisation pursuant to IFRS 16 of €k 141,272. Of total depreciation of property, plant and equipment in the reporting year, €k 12,205 assignable to operating leases are shown in the line item Other operating income.

31) Fair value of financial instruments and other items regarding reconciliation as at 31/12/2019 (upper line: respective carrying amount, lower line: amount as fair value)

	AC	**FVPL**	thereof other	**HFT**	**FVOCI**	thereof equity instruments FVOCI	thereof debt instruments FVOCI	**AC/ liabilities**	**Other**	**Total**
Cash and balances at central banks								371,557 371,557		**371,557** **371,557**
Loans and advances to credit institutions								1,522,984 1,524,051		**1,522,984** **1,524,051**
Loans and advances to customers	41,159 41,930	56,684 56,684	41,666 41,666		41,375 41,375		41,375 41,375	16,632,955 16,941,033		**16,772,172** **17,081,022**
Charges for losses on loans and advances								-203,669 -203,669		**-203,669** **-203,669**
Trading assets				40,949 40,949						**40,949** **40,949**
Financial investments	1,699,022 1,769,309	533,355 533,355	280,617 280,617		498,185 498,185	327,399 327,399	170,785 170,785		914,077	**3,644,639**
Intangible assets									1,673	**1,673**
Property, plant and equipment									414,794	**414,794**
Other assets				118,657 118,657					145,272	**263,930**
of which closed out derivatives positions in the banking book				118,657 118,657						**118,657** **118,657**
Total assets	**1,740,181** **1,811,240**	**590,039** **590,039**	322,283 322,283	**159,606** **159,606**	**539,560** **539,560**	327,399 327,399	212,160 212,160	**18,323,827** **18,632,972**	**1,475,816**	**22,829,029**
Amounts owed to credit institutions		29,697 29,697	29,697 29,697					4,766,136 4,773,943		**4,795,833** **4,803,640**
Amounts owed to customers		487,754 487,754	487,754 487,754					11,492,897 11,491,235		**11,980,651** **11,978,989**
Securitised liabilities		640,164 640,164	640,164 640,164					1,022,700 1,022,480		**1,662,863** **1,662,644**
Provisions for liabilities and charges									381,362	**381,362**
Other liabilities				73,123 73,123					452,145	**525,268**
of which closed out derivatives positions in the banking book				35,030 35,030						**35,030** **35,030**
Subordinated debt capital		443,096 443,096	443,096 443,096					79,419 96,263		**522,515** **539,359**
Capital									2,960,537	**2,960,537**
Total equity and liabilities		**1,600,710** **1,600,710**	1,600,710 1,600,710	**73,123** **73,123**				**17,361,152** **17,383,921**	**3,794,044**	**22,829,029**

31) Fair value of financial instruments and other items regarding reconciliation as at 31/12/2018 (upper line: respective carrying amount, lower line: amount as fair value)

	AC	FVPL	thereof other	HFT	FVOCI	thereof equity instruments FVOCI	thereof debt instruments FVOCI	AC/ liabilities	Other	Total
Cash and balances at central								828,685		**828,685**
banks								828,685		**828,685**
Loans and advances to credit								1,494,353		**1,494,353**
institutions								1,494,873		**1,494,873**
Loans and advances to	49,639	67,633	46,617		44,997		44,997	15,720,763		**15,883,032**
customers	49,328	67,633	46,617		44,997		44,997	15,818,013		**15,979,971**
Charges for losses on loans and								-251,474		**-251,474**
advances								-251,474		**-251,474**
Trading assets				36,159						**36,159**
				36,159						**36,159**
Financial investments	1,881,559	233,510			593,540	333,449	260,091		919,637	**3,628,246**
	1,972,137	233,510			593,540	333,449	260,091			
Intangible assets									912	**912**
Property, plant and equipment									278,696	**278,696**
Other assets				103,178					210,790	**313,968**
				103,178						
of which closed out derivatives				103,178						**103,178**
positions in the banking book				103,178						**103,178**
Total assets	**1,931,198**	**301,143**	46,617	**139,337**	**638,537**	333,449	305,088	**17,792,327**	**1,410,035**	**22,212,577**
	2,021,465	**301,143**	46,617	**139,337**	**638,537**	333,449	305,088	**17,890,097**		
Amounts owed to credit		55,222	55,222					4,332,547		**4,387,769**
institutions		55,222	55,222					4,337,091		**4,392,313**
Amounts owed to customers		438,297	438,297					11,707,427		**12,145,724**
		438,297	438,297					11,705,879		**12,144,176**
Securitised liabilities		440,497	440,497					1,075,175		**1,515,672**
		440,497	440,497					1,045,099		**1,485,596**
Provisions for liabilities and charges									383,315	**383,315**
Other liabilities				49,639					349,964	**399,603**
				49,639						
of which closed out derivatives				20,118						**20,118**
positions in the banking book				20,118						**20,118**
Subordinated debt capital		460,962	460,962					121,636		**582,598**
		460,962	460,962					133,493		**594,455**
Capital									2,797,896	**2,797,896**
Total equity and liabilities		**1,394,978**	1,394,978	**49,639**				**17,236,785**	**3,531,175**	**22,212,577**
		1,394,978	1,394,978	**49,639**				**17,221,562**		

In the financial year 2019, there were no reclassifications with respect to financial assets from the measurement category recognised at fair value plus or minus through other comprehensive income (FVOCI) to the measurement category at amortised cost (AC) and no reclassification from the measurement category at fair value through profit or loss (FVPL) to the category at amortised cost (AC) or at fair value plus or minus through other comprehensive income (FVOCI).

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to a change to the own default risk (recognised in OCI)	Change to fair value due to change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 31/12/2019	in FY 2019	cumulated	as at 31/12/2019
Amounts owed to credit institutions	-101	786	1,514	1,514
Amounts owed to customers	-850	-10,894	64,933	64,933
Securitised liabilities	-2,868	-5,003	20,860	20,860
Subordinated debt capital	-8,878	-531	27,821	27,821

In the financial year 2019, there were no reclassifications of cumulated profit or loss within equity.

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to a change to the own default risk (recognised in OCI)	Change to fair value due to change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 31/12/2018	In FY 2018	cumulated	as at 31/12/2018
Amounts owed to credit institutions	-22	1,130	2,222	2,222
Amounts owed to customers	-1,006	3,481	54,194	54,194
Securitised liabilities	-3,925	927	16,914	16,914
Subordinated debt capital	-9,966	8,578	28,378	28,378

Assets designated at fair value through profit or loss as at 31/12/2019			Change to fair value due to adjusted default risk		Change to fair value of related credit derivatives or similar instruments	
	Maximum default risk	Reduction due to related credit derivatives or similar instruments	in the reporting year	cumulated	in the reporting year	cumulated
Loans and advances to customers	41,666	-	-	-	-	-
Financial investments	280,616,670	-	562,758	562,758	-	-

Assets designated at fair value through profit or loss as at 31/12/2018			Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
	Maximum default risk	Reduction due to related credit derivatives or similar instruments	in the reporting year	cumulated	in the reporting year	cumulated
Loans and advances to customers	46,617	-	-	-	-	-

The maximum default risk for financial instruments within the scope of application of IFRS 9 to which, however, the impairment rules of IFRS 9 do not apply is as follows:

	31/12/2019	**31/12/2018**
Loans and advances to customers FVPL	56,684	67,633
Financial investments FVPL	533,355	233,510
Financial investments FVOCI	327,399	333,449
Trading assets	40,949	36,159
Derivatives in the banking book	118,657	103,178
Total	**1,077,044**	**773,929**

Fair value hierarchy for financial instruments	Carrying value							Fair value		
as at 31/12/2019 in €k	AC	FV/PL	HFT	FVOCI	AC / Liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial instruments carried at fair value										
Loans and advances to customers		56,684		41,375			**98,059**		45,806	52,253
Trading assets			40,949				**40,949**	1,890	39,059	
Financial assets - FVPL		533,355					**533,355**	305,122	228,233	
B) Financial assets FVOCI				498,185			**498,185**	255,451	3,973	238,761[1)]
Other assets			118,657				**118,657**		118,657	
of which closed out derivatives positions in the banking book			118,657				**118,657**		118,657	
Financial assets not carried at fair value										
Loans and advances to credit					1,522,984		**1,522,984**		1,524,051	
Loans and advances to customers	41,159				16,632,955		**16,674,113**		41,930	16,941,033
Financial assets - AC	1,699,022						**1,699,022**	1,695,095	74,214	
Financial liabilities carried at fair value										
Amounts owed to credit institutions		29,697					**29,697**		29,697	
Amounts owed to customers		487,754					**487,754**		487,754	
Securitised liabilities		640,164					**640,164**		640,164	
Other liabilities			73,122				**73,122**		73,122	
of which closed out derivatives positions in the banking book			35,030				**35,030**		35,030	
Subordinated debt capital		443,096					**443,096**		443,096	
Financial liabilities not carried at fair value										
Amounts owed to credit institutions					4,766,136		**4,766,136**		4,773,943	
Amounts owed to customers					11,492,897		**11,492,897**		11,491,235	
Securitised liabilities					1,022,700		**1,022,700**		1,022,480	
Other liabilities										
Subordinated debt capital					79,419		**79,419**		96,263	

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) or other methods used to measure company valuation.

Fair value hierarchy of financial instruments			Carrying value						Fair value	
as at 31/12/2018 in €k	AC	FV/PL	HFT	FVOCI	AC / Liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial instruments carried at fair value										
Loans and advances to customers		67,633		44,997			**112,630**	0	53,969	58,661
Trading assets			36,159				**36,159**	4,147	32,012	
Financial assets - FVPL		233,510					**233,510**	23,042	210,468	
B) Financial assets FVOCI				593,540			**593,540**	341,684	3,923	247,933[1)]
Other assets			103,178				**103,178**		103,178	
of which closed out derivatives positions in the banking book			103,178				**103,178**		103,178	
Financial assets not carried at fair value										
Loans and advances to credit					1,494,353		**1,494,353**		1,494,873	
Loans and advances to customers	49,639				15,720,763		**15,770,402**		49,328	15,818,013
Financial assets - AC	1,881,559						**1,881,559**	1,894,213	77,924	
Financial liabilities carried at fair value										
Amounts owed to credit institutions		55,222					**55,222**		55,222	
Amounts owed to customers		438,297					**438,297**		438,297	
Securitised liabilities		440,497					**440,497**		440,497	
Other liabilities			49,639				**49,639**		49,639	
of which closed out derivatives positions in the banking book			20,118				**20,118**		20,118	
Subordinated debt capital		460,962					**460,962**		460,962	
Financial liabilities not carried at fair value										
Amounts owed to credit institutions					4,332,547		**4,332,547**		4,337,091	
Amounts owed to customers					11,707,427		**11,707,427**		11,705,879	
Securitised liabilities					1,075,175		**1,075,175**		1,045,099	
Other liabilities										
Subordinated debt capital					121,636		**121,636**		133,493	

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) or other methods used to measure company valuation.

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 or at which a debt can be transferred.

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.

Measurement process
Responsibility for independent monitoring and communication of risks as well as the measurement of financial instruments lies with the Strategic Risk Management Department 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; in this context the model prices of the derivatives are compared to the model prices 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 measurement 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 applied is the fair value measurement approach. 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, Hull & White,...). Structured products are measured on the basis of price information obtained from third parties.

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

The fair values of non-listed securities are obtained from the Geos system. The fair value of investment fund units is obtained from the fund management companies. The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities, subordinated capital and amounts owed to banks and customers, with the cash flows of own issues being calculated using the contractual interest rate. The interest rates used for discounting are derived from the discount curve applicable to the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue. The credit rating premiums are adjusted regularly to the respective market conditions.

The fair value of level 3 assets is measured using generally-accepted valuation models. The fair value measurement of receivables from banks and customers is based on the discounted contract cash flow (based on contractually-agreed repayment structures) and the discounted expected credit loss cash flows (considers the credit rating of the customer and collateral). The exchange rates used are the reference rates published by the ECB. 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 0.6 million (pr. yr.: EUR 0.7 million).

The fair value of equity investments and shares in affiliated companies is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation.

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.

The following table shows the development of equity investments FVOCI measured at fair value and assigned to level 3. The fair value of these assets is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation.

Movements in €k	**2019**	**2018**
Carrying value as at 01/01	247,933	88,184
Additions (purchases)	105	3,378
Disposals (sales)	-19,901	-15,371
Initial recognition due to IFRS 9	0	149,758
Value changes recognised in equity	10,624	21,984
Value changes recognised in income	0	0
Carrying value as at 31/12	**238,761**	**247,933**

The item Other comprehensive income from this type of instrument increased by €k 11,843 (pr.yr.: €k 18,491).

The determination of the fair values of equity investments measured at FVOCI in stage 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 FVOCI	Discounting rate 5.00% - 7.84% (pr.yr. 5.25% - 8.83%), weighted average 5.31% (pr.yr. 5.96%)	The estimated fair value would increase (drop) if the discounting rate were lower (higher).

As regards the fair values of equity investments at FVOCI, a change that may reasonably be expected in one of the key non-observable input factors – with all other input factors being left unchanged – would have the following effects on other comprehensive income after taxes:

	31/12/2019		31/12/2018	
in €k	**Increase**	**Reduction**	**Increase**	**Reduction**
Discounting rate (0.25% change)	-4,656	4,501	-3,792	3,914

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

Movements in 2019 in €k	Loans and advances to customers
Carrying value as at 01/01	58,661
Transfer to level 2	0
Additions	0
Disposals (repayments)	-7,345
Changes in fair value	937
of which disposals	-239
of which portfolio instruments	1,176
Carrying value as at 31/12	**52,253**

There were no transfers between Level 1 and Level 2.

Movements in 2018 in €k	Loans and advances to customers
Carrying value as at 01/01	51,748
Transfer to level 2	0
Initial application of IFRS 9	19,148
Additions	0
Disposals (repayments)	-11,423
Changes in fair value	-812
of which disposals	-267
of which portfolio instruments	-545
Carrying value as at 31/12	**58,661**

There were no transfers between Level 1 and Level 2.

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

	Financial assets gross	Gross amounts offset	Recognised financial assets Net	Amounts not recognised: Effects of netting arrangements	Amounts not recognised: Financial instruments pledged	Net amount
Assets as at 31/12/2019						
Receivables from other banks	1,537,625	-14,641	1,522,984			1,522,984
Loans and advances to customers	17,062,251	-290,079	16,772,172			16,772,172
Derivatives	156,909		156,909	-42,645	-62,511	51,753
Total	**18,756,785**	**-304,720**	**18,452,065**	**-42,645**	**-62,511**	**18,346,909**
Liabilities as at 31/12/2019						
Amounts owed to credit institutions	4,810,474	-14,641	4,795,833			4,795,833
Amounts owed to customers	12,270,730	-290,079	11,980,651			11,980,651
Liabilities from central bank deposits transferred and securities repurchase agreements	1,028,031		1,028,031		-1,028,031	0
Derivatives	72,394		72,394	-42,645	-8,920	20,829
Total	**18,181,629**	**-304,720**	**17,876,909**	**-42,645**	**-1,036,951**	**16,797,313**
Assets as at 31/12/2018						
Loans and advances to customers	16,155,331	-272,299	15,883,032			15,883,032
Derivatives	134,053		134,053	-38,843	-60,846	34,364
Total	**16,289,384**	**-272,299**	**16,017,085**	**-38,843**	**-60,846**	**15,917,396**
Liabilities as at 31/12/2018						
Amounts owed to customers	12,418,023	-272,299	12,145,724			12,145,724
Liabilities from central bank deposits transferred and securities repurchase agreements	991,477		991,477		-991,477	0
Derivatives	48,583		48,583	-38,843	-1,133	8,607
Total	**13,458,083**	**-272,299**	**13,185,784**	**-38,843**	**-992,610**	**12,154,331**

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, with assets being offset 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.

32) Information on related parties

Total remuneration of the Management Board recognised in the consolidated financial statements was €k 2,266.1 (pr.yr.: € 2,044.0). The variable component therein was €k 482.0 (pr. yr. €k 417.0).
Payments to former members of the management board and their surviving dependents amounted to €k 1,205.9 (pr.yr.: € 1,251.3). There were no additional compensation payments for pension entitlements to former members of the Management Board (including surviving dependents).
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 5,391.9 (pr.yr.: €k 3,819.7). These amounts include changes recognised in equity (actuarial gains or losses from changes in the parameters used for the 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%. 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 are met: sustained attainment of strategic financial objectives in line with the defined strategy and objectives of the bank's multi-year plan; sustained compliance with the strategic risk allocation in accordance with the overall bank management strategy (ICAAP); and sustained attainment of the strategic objectives in general.

The assessment of Oberbank as a highly complex institution within the meaning of the circular issued by the Austrian Financial Market Authority (FMA) in December 2012 regarding remuneration policy implies that the variable remuneration component of Management Board members, the amount 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" at its annual meeting in March, is to be paid 50% in equity instruments and 50% in cash; the respective shares are subject to a holding period of three years and the remuneration portion to be deferred for a period of five years in accordance with RZ 260 et seq EBA Guidelines on Sound Remuneration Policies (EBA/GL/2015/22) must consist of equal parts of shares and cash.

Since variable remuneration components are always determined and granted retroactively, the corresponding provisions must be allocated in the balance sheet. However, given the very moderate policy course pursued by the Remuneration Committee, these are easy to budget. For the remuneration paid out in 2018 for the year 2017, the amount was €k 370, and for the remuneration paid out in 2019 for the year 2018, the amount was €k 450.

The remuneration to be paid out in 2020 for 2019 is €k 465 and is recognised in the balance sheet as at 31/12/2019. 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 to pay for the shares to be acquired, which are then subject to a holding period of three years. For every year the provisions created for the portions are not disbursed as mandated by law (20% in cash and 20% in equity instruments), the provisions remain unchanged. These provisions amounted to €k 204 in 2018 and to €k 239 for 2019. These amounts are distributed across the subsequent five years and are paid out following approval by the Remuneration Committee.

In terms of accounting treatment, the provisions to be created for the variable remuneration components of the 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 emoluments for the members of the Audit Committee, Risk Committee and Credit Committee per member and year at EUR 6,000; for members of the Remuneration Committee per member and year at EUR 3,000; for members of the Working Committee per member and year at EUR 2,000; and for members of the Nomination Committee per member and year at EUR 1,000.
Remuneration of the Supervisory Board for the reporting year of the Group came to €k 269.

Loans were granted and guarantees were in place on behalf of the Supervisory Board of Oberbank AG in an amount of €k 799.9 (pr. yr.: €k 896.3). Loans in an amount of €k 206.7 (pr. yr.: €k 186.6) 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 2019 employee stock option plan

- Offer period: 16 May - 7 June 2019; Placing of orders until 7 June 2019;
- Number of shares limited to 56,000 ordinary non-par value shares available for purchase and up to 14,000 ordinary non-par value shares allocated free of charge ("bonus shares").
- Subscription price: maximum number of shares available for purchase: 128 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 by employees is subject to amount restrictions with respect to how much they are permitted to invest in purchasing shares.
In the reporting year, the number of shares obtained by employees within this offering was 49,908 ordinary non-par value shares for purchase and 12,477 preference shares allocated free of charge ("bonus shares").
The 12,477 preference shares acquired through the 2019 buyback programme for the purpose of issuing these to the eligible group of persons at no cost entailed expenses in an amount of €k 1,153.

2019 buyback programme

The share buyback programme for ordinary and preference shares was closed on 14 June 2019.
Within the buyback programme for ordinary shares, Oberbank repurchased a total of 51,723 ordinary non-par value shares between 3 June 2019 and 14 June 2019 through stock exchanges and over the counter which corresponds to 0.16% of voting share capital and to 0.15% of total share capital. The weighted average price per ordinary share amounted to EUR 95.20; the highest price paid per ordinary share was EUR 95.20; the lowest price paid per ordinary share was EUR 95.20. The value of repurchased ordinary shares amounted to EUR 4,924,029.60.
Within the buyback programme for preference shares, Oberbank repurchased a total of 12,477 preference shares between 3 June 2019 and 14 June 2019 through the stock exchange and over the counter which corresponds to 0.42% of non-voting share capital and to 0.04% of total share capital. The weighted average price per ordinary share amounted to EUR 92.43; the highest price paid per ordinary share was EUR 92.50; the lowest price paid per ordinary share was EUR 91.00. The value of repurchased ordinary shares amounted to EUR 1,153,306.50.
On 17 June 2019, the Management Board of the company decided to sell or transfer all 51,723 Oberbank ordinary shares repurchased in 2019 under the share buyback programme and also all 12,477 Oberbank preference shares repurchased under the share buyback programme. Specifically, to transfer 49,908 Oberbank ordinary shares and 12,477 Oberbank preference shares to employees (incl. Management Board) within the scope of the employee stock option plan of 2019, of which 49,908 shares were purchased by employees; 12,477 free-of-charge bonus shares (model 4 + 1) and 1,300 Oberbank ordinary shares were transferred to the Management Board as the share-based remuneration pursuant to Article 39b Banking Act decided at the meeting of the Remuneration Committee of the Supervisory Board of Oberbank AG on 29 March 2018.

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: http://www.oberbank.at/OBK_webp/OBK/oberbank_at/Investor_Relations/Oberbank_Aktien/Aktienrueckkaufprogramm/index.jsp.
Furthermore, 515 ordinary Oberbank shares were transferred as free-of-charge bonus shares within the scope of the internal Oberbank competition "Liga System" as additional remuneration to employees of the successful business areas. The expenses for Oberbank amounted to EUR 49,028.00.

Shares held by the Management Board and by employees
As at 31 December 2019, employees (including retirees) and the Management Board held the following shares:

	Ordinary shares	Preference shares
Employees (directly and via the "Stiftung")	1,337,779	67,420
thereof Management Board	22,826	1,215
Gasselsberger	12,460	918
Weißl	7,648	195
Hagenauer	2,718	102

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 parties included in the scope of consolidation were eliminated in the context of consolidation and are not explained in these notes.

As at 31 December 2019, business transactions with related parties were as follows:

in €k	Associates	Consolidated companies	Other related parties[1)]
Business transactions			
Loans	29,130	18,000	960
Guarantees/collateral	55,382	0	18,105
Outstanding balances			
Receivables	89,511	19,122	36,005
Loans and advances to customers pr. yr.	76,314	24,699	44,394
Securities	19,908	0	0
Securities pr. yr.	24,746	0	0
Payables	27,917	48,328	76,641
Payables in pr. yr.	46,505	63,183	84,796
Guarantees/collateral	181,055	0	26,234
Guarantees/collateral in preceding year	124,510	0	9,459
Provisions for doubtful receivables	1,287	0	0
Provisions for doubtful receivables in pr. yr.	1,474	0	0
Income items			
Interest	929	3	381
Commissions	153	1	623
Expenses			
Interest	1	0	169
Commissions	0	0	0
Allowances for doubtful receivables	0	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.

33) Segment Reporting

The basis for segment reporting is the bank's internal segment accounting system, which is represented by the separation implemented in 2003 between Personal Banking and Corporate and Business Banking and in the corresponding management remits. The segments are presented as if they were autonomous enterprises with their own equity and with responsibility for their results. Customer servicing competence was the primary criterion for defining the segments.

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 was regularly applied with respect to decisions relating to the allocation of resources to the individual segments and the assessment of their performance.

In the Oberbank Group, the following segments are defined: 'Personal Banking', 'Corporate and Business Banking' (incl. the results of leasing subgroup), 'Financial Markets' (trading activities; Treasury positions; the bank's market maker positions; term structure income; income from associates; results of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.); 'Other' (items not directly related to business segments; balance sheet items not allocated to the other 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 as at 31/12/2019 Core business area in €k	**Personal Banking**	**Corporates**	**Financial Markets**	**Other**	**Total**
Net interest income	63,774	258,797	23,224		345,795
Income from entities recognised by the equity method			29,739		29,739
Charges for losses on loans and advances	-4,034	-3,160	-5,016		-12,210
Net commission expenses	-13,121	-4,492	-115		-17,728
Net commission income	88,656	92,121			180,776
Net trading income	0	100	2,248		2,348
Administrative expenses	-93,011	-156,476	-8,703	-30,754	-288,945
Other operating income	4,481	9,598	29,565	-7,185	36,459
Extraordinary profit/loss					
Profit for the year before tax	46,745	196,488	70,941	-37,939	276,234
Average risk-weighted assets	1,865,664	10,197,107	5,499,026		17,561,796
Average allocated equity	304,450	1,664,024	897,363		2,865,837
RoE (return on equity before tax)	15.4%	11.8%	7.9%		9.6%
Cost/income ratio	64.7%	43.9%	10.3%		50.0%
Cash and balances at central banks			371,557		371,557
Loans and advances to credit institutions			1,522,984		1,522,984
Loans and advances to customers	3,507,683	13,264,489			16,772,172
Loan loss provisions	-39,479	-162,965	-1,225		-203,669
Trading assets			40,949		40,949
Financial investments			3,644,639		3,644,639
Interest in entities (equity method)			914,077		914,077
Other assets	93,289	321,813	119,937	145,358	680,397
Segment assets	3,561,493	13,423,336	5,698,841	145,358	22,829,029
Amounts owed to credit institutions			4,795,833		4,795,833
Amounts owed to customers	5,702,895	6,277,756			11,980,651
Securitised liabilities			1,662,863		1,662,863
Trading liabilities			38,092		38,092
Equity and subordinated debt capital	370,019	2,022,404	1,090,629		3,483,052
Other liabilities	38,017	269,352	35,715	525,454	868,537
Segment liabilities	6,110,931	8,569,512	7,623,131	525,454	22,829,029
Depreciation/amortisation	7,323	13,723	276	6,094	27,417

Segment reporting as at 31/12/2018 Core business areas in €k	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	60,730	245,003	39,499		345,233
Income from entities (equity method)			83,123		83,123
Charges for losses on loans and advances	-2,811	-16,134	-6,656		-25,601
Net commission expenses	-12,454	-4,317	-147		-16,918
Net commission income	86,926	89,166			176,092
Net trading income		-81	5,415		5,334
Administrative expenses	-90,232	-144,322	-8,603	-40,420	-283,577
Other operating income	4,496	-5,452	-6,993	-5,232	-13,181
Extraordinary profit/loss					
Profit for the year before tax	46,655	163,863	105,638	-45,652	270,504
Average risk-weighted assets	1,777,490	9,638,804	5,629,044		17,045,338
Average allocated equity	277,000	1,502,090	877,218		2,656,308
RoE (return on equity before tax)	16.8%	10.9%	12.0%		10.2%
Cost/income ratio	64.6%	44.5%	7.1%		48.9%
Cash and balances at central banks			828,685		828,685
Loans and advances to credit institutions			1,494,353		1,494,353
Loans and advances to customers	3,250,886	12,632,146			15,883,032
Loan loss provisions	-39,576	-211,133	-765		-251,474
Trading assets			36,159		36,159
Financial investments			3,628,246		3,628,246
Interest in entities (equity method)			919,637		919,637
Other assets				593,576	593,576
Segment assets	3,211,310	12,421,013	5,986,678	593,576	22,212,577
Amounts owed to banks			4,387,769		4,387,769
Amounts owed to customers	5,501,080	6,644,644			12,145,724
Securitised liabilities			1,515,672		1,515,672
Trading liabilities			29,521		29,521
Equity and subordinated debt capital	352,518	1,911,603	1,116,373		3,380,494
Other liabilities				753,397	753,397
Segment liabilities	5,853,598	8,556,247	7,049,335	753,397	22,212,577
Depreciation/amortisation	3,784	6,106	195	2,592	12,677

34) Non-performing loans	see Note 43, “Credit risk”

35) Assets pledged as collateral	2019	2018
Cover pool for trust money in savings deposits	25,240	29,883
Cover pool for covered bank bonds	40,871	40,808
Cover pool for mortgage-backed covered bank bonds	1,352,152	969,090
Margin cover and collateral deposits for securities transactions and derivatives	404,898	42,956
Collateral for credit line with Euroclear	0	0
Collateral for EIB global loan facility	96,011	92,516
Securities and receivables for refinancing operations with OeNB	1,028,031	991,477
Securities held as collateral for the refinancing programme with the Hungarian National Bank	38,253	39,699
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	1,371,212	1,280,573
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Germany	1,094,611	1,056,846
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Hungary	22,332	11,541
Other assets furnished as collateral to CCP Austria GmbH as the clearing agent for stock market transactions	659	576
Assets pledged as collateral	5,474,270	4,555,965

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

36) Subordinated assets	2019	2018
Loans and advances to credit institutions	0	0
Loans and advances to customers	37,513	42,932
Bonds and other fixed-interest securities	15,570	15,700
Other variable-yield securities	17,395	18,143
Subordinated assets	70,478	76,775

37) Foreign currency balances	2019	2018
Assets	3,584,499	3,269,034
Equity and liabilities	2,028,123	1,937,296

We would like to point out the Risk Report under Note 42 et seq.

38) Fiduciary assets	2019	2018
Fiduciary loans	322,017	319,808
Fiduciary investments	0	0
Fiduciary assets	322,017	319,808

39) Genuine repurchase agreements	2019	2018
Carrying value of securities underlying genuine repo agreements	0	0

40) Contingent liabilities and commitments	2019	2018
Other contingent liabilities (guarantees and letters of credit)	1,275,336	1,371,306
Contingent liabilities	1,275,336	1,371,306
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,045,352	4,102,696
Credit risks	4,045,352	4,102,696

41) Group of consolidated companies

The following list presents the group of consolidated companies within the Oberbank Group as at 31 December 2019.

Group parent
Oberbank AG, Linz

Consolidated entities	Percentage in %
3-Banken Kfz-Leasing GmbH, 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 Bergbahnen Leasing GmbH, Linz	100.00
Oberbank Ennshafen Immobilienleasing GmbH, Linz	94.00
Oberbank Eugendorf Immobilienleasing GmbH, Linz	100.00
Oberbank FSS Immobilienleasing GmbH, Linz	100.00
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	100.00
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	100.00
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	95.00
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	100.00
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	general partner
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 Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	general partner
Oberbank Leasing GmbH Bayern, Neuötting	100.00
Oberbank Leasing JAF Holz, s.r.o., Prague	95.00
Oberbank Leasing Palamon s.r.o., Prague	100.00
Oberbank Leasing Prievidza s.r.o., Bratislava	100.00
Oberbank Leasing s.r.o., Bratislava	100.00
Oberbank Leasing spol. s.r.o., Prague	100.00
Oberbank Leobendorf 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 Reder Immobilienleasing GmbH, Linz	100.00
Oberbank Riesenhof Immobilienleasing GmbH, Linz	100.00
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	100.00
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100.00
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen	100.00
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	100.00
Oberbank Wien Süd 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

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
voestalpine AG, Linz	8.04

Non-consolidated entities	Share in %
A. SUBSIDIARIES	
“AM" Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
“LA” Gebäudevermietung und Bau - Gesellschaft m.b.H., Linz	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
“VB“ Gebäudeerrichtungs- und -vermietungsgesellschaft m.b.H., Linz	100.00
Banken DL Servicegesellschaft m.b.H., Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	58.69
Oberbank Beteiligungsholding Gesellschaft m.b.H., 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
Samson České Budějovice spol. s r.o., Budweis	100.00
TZ-Vermögensverwaltungs GmbH, Linz	100.00
B. ASSOCIATES	
3 Banken IT GmbH, Linz (formerly DREI-BANKEN-EDV Gesellschaft m.b.H.)	40.00
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	40.00
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	20.57
3-Banken Beteiligung Gesellschaft m.b.H., Linz	40.00
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	40.00
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	49.00
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	33.11
Gain Capital Private Equity III SCSp, Luxembourg	35.21
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	27.19

Herold NZ Verwaltung GmbH, Mödling	24.90
Nutzfahrzeuge Beteiligung GmbH, Vienna	36.94
OÖ HightechFonds GmbH, Linz	24.70
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50

Information on subsidiaries

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Consolidation policies. The table below presents a list of the key subsidiaries of the Oberbank Group in 2019 and 2018.

Name	**Country of main activity**	**Equity interest in %**	
		2019	**2018**
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
Donaulände Invest GmbH	Austria	100.00	100.00

As at 31 December 2019, 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 Consolidation policies. The Oberbank Group had three associated companies accounted for by the equity method as at 31 December 2019.

	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 industrial goods company
Headquarters of business activity	Austria	Austria	Austria
Share in capital	18.52% (2018: 18.52%)	13.22% (2018: 13.22%)	8.04% (2018: 8.14%)
Voting shares	19.29% (2018: 19.29%)	14.27% (2018: 14.27%)	8.04% (2018: 8.14%)
Fair value of ownership share (if exchange-listed)	€k 127,213 (2018: €k 133,606)	€k 130,461 (2018: €k 107,068)	€k 356,969 (2018: €k 374,774)

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 prepared in accordance with IFRS.

	Credit institutions				Other	
	BKS		BTV		voestalpine	
in €k	2019	2018	2019	2018	2019	2018
Revenues	238,714	220,663	337,054	300,950	13,428,300	13,269,500
Profit/loss from continuing operations	88,206	72,215	121,134	96,121	207,800	704,300
Profit/loss after taxes from discontinued operations	0	0	0	0	0	0
Other comprehensive income	-7,642	10,941	-8,163	1,543	-125,200	-74,700
Consolidated net profit	80,564	83,156	112,971	97,664	82,600	629,600
Short-term assets	223,177	533,049	1,496,735	936,596	6,827,300	6,434,300
Long-term assets	8,572,199	7,651,315	10,640,631	10,221,720	9,290,600	8,736,700
Short-term debts	760,043	800,101	1,634,066	1,403,127	4,862,300	4,845,100
Long-term debts	6,753,461	6,193,826	8,775,243	8,209,191	5,260,900	3,775,000
Group's share in the net assets of associated companies at the beginning of the year	213,816	183,360	208,540	175,565	494,003	463,737
Profit/loss attributable to parent	15,595	21,929	15,161	24,284	-14,063	50,368
Dividends received in the reporting year	1,829	1,800	1,350	1,227	15,795	20,103
Additions in the reporting year	0	10,328	0	9,917	0	0
Group's share in the net assets of associated companies at the end of the year	227,582	213,816	222,350	208,540	464,144	494,003

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 syndicate agreements 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 are included in the consolidated financial statements is based on these 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 material 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, the cut-off date 30 September was applied when recognising associates.

Any effects of significant transactions or other events between the reporting date and the consolidated financial statements' reporting date were taken into account. Therefore, the consolidated financial statements of Oberbank AG as at 31 December 2019 included the extraordinary burden on results already published in an ad hoc release made by voestalpine AG on 16 December 2019.

Additionally, one associated company which is not of material importance in terms of the above disclosures was recognised applying the equity method until it was liquidated in October 2019. The profit from continuing operations attributable to this company was €k 305 (pr. yr.: €k 314) until its liquidation.

The associates not included in the consolidated financial statements reported the following figures as at the balance sheet date (Austrian Business Code):

in €k	2019	2018
Assets	290,772	260,114
Liabilities	185,208	161,793
Revenues	162,659	146,314
Profit/loss for the period	27,263	9,570

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

Disclosures regarding jointly controlled operations

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

The Oberbank Group holds a 50% interest in ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H, a joint arrangement entered into together with its partner 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 partner banks. The company has its headquarters in Austria. ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H is classified as a joint arrangement by the Oberbank Group and its partner banks, 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 available exclusively 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: limited activities, a clearly and precisely defined objective, insufficient equity to permit it 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 interests 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 FVPL in the item Other operating income.

Maximum exposure to loss

The maximum exposure to loss resulting from these interests corresponds to the carrying value at which the assets are reported on the balance sheet. Collateral deposited is not taken into account as deduction items.

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.

Financial support

During the financial year, the Oberbank Group provided no support to non-consolidated structured entities other than as required under contractual obligations. No such support is planned for the future either.

The table below 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	2019	2018
Financial assets		
Financial assets - FVPL	20,632	14,579
Consolidated net profit		
Other operating income	1,354	1,349
Net income from financial assets - FVPL	-353	-7,311
Other operating income	1,707	8,660
Maximum exposure to loss	**20,632**	**14,579**

Risk Report

42) 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, risk management and 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 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. 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 management basis for the Asset/Liability Management (ALM) Committee. 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 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 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 Supervisory Board, the Management Board, the ALM Committee as well as to the respective department heads and employees. The 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 uniformly 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.

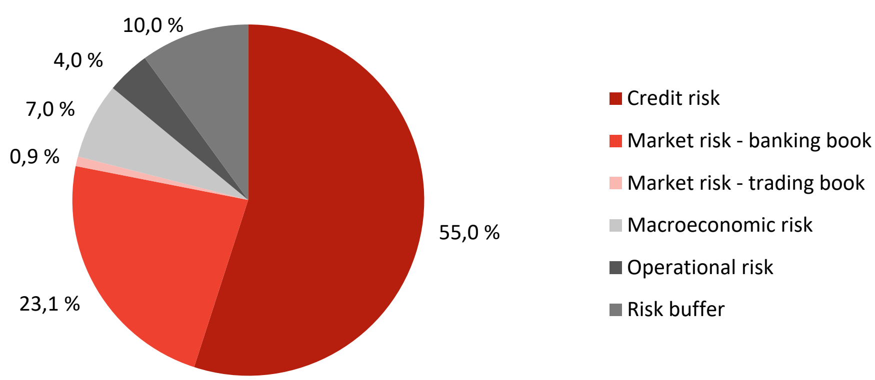
Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

Oberbank has chosen the Internet as the publicly accessible medium for disclosures required pursuant to CRR Part 8. Disclosures are available at the Oberbank website www.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, 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), transfer 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 operational risk management.

Share of assigned risk limits in total available economic capital



(Note: The commas in the pie chart represent decimal points.)

On 31 December 2019, limit utilisation stood at 56.7% (31/12/2018: 57.0%). The credit risk limit was utilised to 61.6% (31/12/2018: 64.9%), the limit for market risk in the banking book to 44.4% (31/12/2018: 45.4%), the market risk limit in the trading book to 25.6% (31/12/2018: 19.1%), the limit for the macro-economic risks to 55.3% (31/12/2018: 39.1%) and the limit for operational risk to 68.7% (31/12/2018: 68.1%).

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 (slowing GDP growth, increase in the unemployment rate and business failures, price drops on stock markets, declines on the real estate markets and higher interest rates, etc.). This is simulated, for example, by higher default probabilities 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 2019. In the scenario with the highest quantitative effects, total limit utilisation was 70.6% (31/12/2018: 70.3%).

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 management of equity investments. Operational management of equity investments is the responsibility of the Corporate Secretary & Communication department. Equity investments representing direct credit substitutes are subject to the rules 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. Treasury & Trade is responsible for the foreign currency risk of the entire Oberbank Group, the market risk in the trading book and the interest rate risk within the scope of money market trading. 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 methodology applied. The management of operational risks is performed by the respective operating departments and the regional sales units (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 Treasury & Trade.

Risk concentration

Risk concentrations constitute a concentration risk with a potential to cause losses large enough to threaten the stability of a credit 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 primarily 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 gathered 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 12.86% (pr.yr.: 18.45%). Around 82% of the 12.86% are attributed to receivables from the public sector in the home market of Oberbank.
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 43) – as well as further quantitative information on concentration risk.

The volume of each large-loan exposure was far below the regulatory cap in the reporting period.

43) 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 is in a region covered by the branch network of Oberbank.
In Austria and in Germany, the principal focus is on lending to industrial companies 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 June 2017, new foreign currency loans to consumers are 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

Areas of responsibility in the lending decision process are clearly defined, with standardised work processes in place to avoid redundancies, thus creating a sound foundation for loan applications to be processed swiftly and smoothly. The lending decision process encompasses all workflows up to the granting of a loan or the establishment of a credit line. These processes are based on standardised procedures in compliance with the bank's risk strategy.

Internal rating and assessment of creditworthiness

An efficient system for the assessment of a customer's creditworthiness 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 competencies. 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 (before the loan decision) 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 procedure for new retail customers is an application scoring (negative information, income and structural data) and for existing customers, 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.
Credit ratings of credit institutions and sovereigns and the respective limits are assigned on the basis of external ratings and/or balance sheet analyses combined with qualitative criteria.

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.

Subsequently, the rating process is carried out in the run up to the granting of a loan at least once annually. The authority to approve the ratings lies with the Credit Management department.

There is a logical correlations between the risk 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 shortfalls 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 forecast is updated accordingly.

Proximity to 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 higher in crisis years. This enables the bank to adjust customers' credit ratings to their actual business situations very quickly in critical years.

Presentation of the portfolio

Credit risk exposure is made up of the item Loans and advances to central banks included in the line item Cash and balances at central banks and of the items Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities of financial investments, Credit risk exposure from derivatives and Contingent liabilities, including non-utilised credit lines as well as receivables from operating leasing of the entire Oberbank Group, and is shown gross, i.e. before charges for losses on loans and advances. The items of the leasing subgroup as at 31 Dec. 2019 are presented in order to obtain as current a view as possible of the risk situation.

in €k	Total exposure as at 31/12/2019	Total exposure as at 31/12/2018
Loans and receivables	18,429,945	17,734,109
Fixed-income securities	2,242,755	2,241,409
Credit risks from derivatives and contingent liabilities	5,544,177	5,651,820
Total exposure	**26,216,877**	**25,627,338**

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; the category "weak" includes the rating grades 4a and 4b. The category "non-performing" comprises exposures to which a default definition within the meaning of Basel III applies. Rating grade 5a refers to exposures not yet transferred to the workout process; the exposures in the rating grades 5b and 5c are already in debt collection proceedings. Owing to excess cover by stable-value collateral, non-performing credit risk exposure includes EUR 61.4 million (pr.yr.: EUR 50.7 million) in non-impaired receivables.

Rating category as at 31/12/2019 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Very strong	8,132,467	2,167,451	2,897,685	13,197,603
Strong	9,374,256	75,305	2,491,733	11,941,294
Weak	539,914		108,116	648,030
Non-performing	383,308		46,643	429,952
Total exposure	**18,429,945**	**2,242,755**	**5,544,177**	**26,216,877**

Rating category as at 31/12/2018 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Very strong	8,115,958	2,177,004	3,036,746	13,329,708
Strong	8,798,746	64,405	2,486,353	11,349,503
Weak	394,695		75,157	469,851
Non-performing	424,710		53,564	478,275
Total exposure	**17,734,109**	**2,241,409**	**5,651,820**	**25,627,338**

Distribution by region

The credit risk volume in geographical terms is presented on a country-of-debtor basis. The following table shows the credit risk exposure of the Oberbank Group as at 31 Dec. 2019 and 31 Dec. 2018 broken down by Oberbank market and other regions.

Geographic distribution as at 31/12/2019 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Austria	10,452,183	882,471	3,997,248	15,331,902
Germany	3,409,992	104,039	1,111,664	4,625,696
Eastern Europe (CZ, HU, SK)	4,138,175	401,761	346,410	4,886,347
Western Europe (ex DE)	239,154	295,230	34,449	568,834
PIGS countries	39,374	40,871	798	81,043
Other countries	151,066	518,382	53,608	723,056
Total exposure	**18,429,945**	**2,242,755**	**5,544,177**	**26,216,877**

Geographic distribution as at 31/12/2018 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Austria	10,474,581	998,455	4,179,659	15,652,695
Germany	3,218,085	179,980	1,018,145	4,416,210
Eastern Europe (CZ, HU, SK)	3,640,826	124,219	407,846	4,172,891
Western Europe (ex DE)	206,804	297,063	34,373	538,240
PIGS countries	34,839	46,568	1,040	82,446
Other countries	158,974	595,123	10,757	764,854
Total exposure	**17,734,109**	**2,241,409**	**5,651,820**	**25,627,338**

The table below shows the PIGS countries in detail:

as at 31/12/2019 in €k	Loans and advances to credit institutions and customers	Loans and receivables to sovereigns	Fixed-income securities	Credit risks from derivatives Contingent liabilities	Total
Portugal	0	-	0	151	151
Italy	31,049	-	15,473	405	46,927
Greece	149	-	0	13	162
Spain	8,176	-	25,398	229	33,803
Total exposure	**39,374**	**-**	**40,871**	**798**	**81,043**

as at 31/12/2018 in €k	Loans and advances to credit institutions and customers	Loans and receivables to sovereigns	Fixed-income securities	Credit risks from derivatives Contingent liabilities	Total
Portugal	0	-	0	8	8
Italy	23,837	-	31,252	807	55,895
Greece	72	-	0	19	91
Spain	10,930	-	15,316	206	26,452
Total exposure	**34,839**	**-**	**46,568**	**1,040**	**82,446**

Distribution by sector

The following tables show the credit risk exposure as at 31 Dec. 2019 and as at 31 Dec. 2018 broken down by sector.

Sector as at 31/12/2019 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	439,210	757,733	339,040	1,535,982
Public sector	1,999,135	1,394,156	138,104	3,531,395
Raw materials processing	676,953	16,031	293,796	986,780
Metals processing	975,792	10,259	531,662	1,517,712
Manufacture of goods	1,069,957		415,562	1,485,520
Trade	1,289,040		867,249	2,156,289
Services	2,321,157	17,348	725,877	3,064,382
Construction	772,087	4,100	477,061	1,253,248
Real estate	1,654,635		315,442	1,970,077
Transportation	838,095		84,725	922,821
Utilities	127,014	7,076	61,029	195,119
Agriculture and forestry incl. mining	133,117		19,131	152,249
Holding and investment companies	1,759,694	36,053	497,209	2,292,956
Individuals and self-employed	3,699,185		680,325	4,379,510
Other	674,872		97,964	772,837
Total exposure	**18,429,945**	**2,242,755**	**5,544,177**	**26,216,877**

Sector as at 31/12/2018 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	623,100	801,856	270,351	1,695,307
Public sector	2,387,762	1,265,346	172,556	3,825,664
Raw materials processing	660,149	15,944	382,303	1,058,395
Metals processing	857,757	45,794	561,574	1,465,124
Manufacture of goods	941,358		497,659	1,439,017
Trade	1,326,980		872,343	2,199,323
Services	2,278,854	47,172	675,507	3,001,533
Construction	710,473	6,091	527,760	1,244,324

Real estate	1,423,997			246,217	1,670,214
Transportation	749,111			94,694	843,805
Utilities	136,747	10,601		92,495	239,843
Agriculture and forestry incl. mining	120,374			14,539	134,913
Holding and investment companies	1,354,739	48,605		424,029	1,827,373
Individuals and self-employed	3,388,816			622,951	4,011,768
Other	773,893			196,841	970,734
Total exposure	**17,734,109**	**2,241,409**		**5,651,820**	**25,627,338**

Collateral

Strategies and processes applied in measuring 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 units 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 so 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, accepts primarily collateral located in the bank's catchment area. Physical collateral is accepted subject to the rule that the term of the loan must correspond to the useful life of the collateral. Important valuation criteria are the intrinsic value of collateral assets and the possibility of rapid realisation. 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 cover shortfall. In duly substantiated cases, the valuation of a collateral asset may be adjusted downward by the respective 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 measurement methods are reviewed annually within the scope of the LGD validation and adjusted as necessary. 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 0) 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, no collateral assets 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 (excluding personal collateral) at 91.49% (pr.yr.: 90.36%); the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" with 8.51% (pr.yr.: 9.64%).

The figures in the tables below show the reported value of eligible collateral used within the framework of ICAAP quantification of credit risks.

in €k	Collateralised exposure	
Collateral category	**31/12/2019**	**31/12/2018**
Financial collateral	**1,141,342**	**1,214,348**
Cash deposits	969,023	1,038,312
Bonds	45,676	48,362
Shares and other variable-yield securities	126,643	127,674
Real estate collateral	**5,986,309**	**5,523,962**
Residential real estate	3,002,751	2,726,776
Commercial property	2,983,557	2,797,186
Physical collateral	**639,938**	**864,169**

Personal guarantees accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 86.86% (pr.yr: 86.47%) of the entire volume of personal guarantees, are listed below.

as at 31/12/2019 in €k	External rating	Collateralised exposure	in %
Personal collateral		**918,879**	**100.0 %**
of which Austria	AA+	601,940	65.5%
of which Slovakia	A+	64,749	7.0%
of which City of Graz	AA	50,000	5.4%
of which Province of Upper Austria	AA+	44,196	4.8%
of which Germany	AAA	20,002	2.2%
of which LfA Förderbank Bayern	AAA	17,255	1.9%

as at 31/12/2018 in €k	External rating	Collateralised exposure	in %
Personal collateral		**999,940**	**100.0 %**
of which Austria	AA+	626,446	62.2%
of which Slovakia	A+	64,629	6.5%
of which City of Graz		50,000	5.0%
of which Province of Upper Austria	AA+	47,307	4.7%
of which Germany	AAA	39,996	4.0%
of which Province of Lower Austria	AA	36,242	3.6%

Impairment provisions and non-performing loans

Charges for loans and advances (impairment allowances and provisions)

Impairment allowances are created throughout the Group in the amount of the expected loss whenever there are grounds for believing that customers are unlikely to repay their credit obligations in full.

For non-performing loans, impairment allowances are created pursuant to IFRS 9 5.5 using the discounted cash flow method in the amount of the expected loss in relation to remaining time to maturity (lifetime-expected credit loss, ECL). For all non-performing loans of minor significance, an impairment allowance is created for the shortfall using a special procedure. 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 depending on the default reason and the default status. Non-performing loans are assigned to ECL stage 3.

For performing loans, an impairment allowance for 'expected credit losses' (ECL) pursuant to IFRS 9 5.5 is calculated using a dual approach. This means an impairment either in the amount of the 12-month expected credit loss or of the lifetime expected credit loss. Non-performing loans are assigned to ECL stage 1 or 2. For more details on impairment allowances pursuant to IFRS 9 5.5 and the categorisation in the ECL stages, see Note 2.7).

The portion of the impairment allowance allocated to on-balance transactions is reported as a deduction on the assets side of the balance sheet. The risk provisions associated with off-balance-sheet transactions (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 or collateral; debt rescheduling including discount granted (composition agreement).

Development of impairment provisions

The balance of impairment provisions for loans and advances decreased by EUR 13.4 million to EUR 12.2 million versus the year 2018.

Movements in loan loss provisions (income statement view)

in €k	31/12/2019	31/12/2018
Addition to charges for losses on loans and advances	98,748	123,571
Reversals of loan loss provisions	-83,875	-96,741
Direct write-offs of receivables	1,101	805
Recoveries of written-off receivables	-2,860	-3,360
Result from non-significant modifications	-2	-29
Impairment gain from POCI	-902	0
Reconciliation from entities accounted for by proportionate consolidation	0	1,355
Total	**12,210**	**25,601**

Movements in impairment provisions (balance sheet view)

in €k	As at 1/1/2019	Additions	Reversed	Used	Other effects[2)]	As at 31/12/2019
for receivables from credit institutions Stage 1 + 2	408	491	-72	0	0	827
for receivables from credit institutions Stage 3	0	0	0	0	0	0
for receivables from customers Stage 1 + 2	40,643	1,590	-4,619	0	-4	37,610
for receivables from customers Stage 3	209,391	74,829	-49,718	-63,298	-6,844	164,360
for debt securities Stage 1 + 2	1,032	0	-154	0	-6	872
Loan loss provisions[1)]	**251,474**	**76,910**	**-54,563**	**-63,298**	**-6,854**	**203,669**
for off-balance sheet items Stage 1 + 2	8,807	2,735	0	0	0	11,542
for off-balance sheet items Stage 3	120,553	19,103	-29,312	-97	-25	110,222
Total risk provisions	**380,834**	**98,748**	**-83,875**	**-63,395**	**-6,879**	**325,433**

1) Loan loss provisions are recognised in line item 4 on the asset side of the balance sheet; risk provisions for off-balance sheet transactions are recognised in the item provisions (balance sheet liabilities 4).
2) Thereof from transfers POCI + €k 6,967; from ALGAR consolidation + €k 28; the rest from gains/losses on exchange rate fluctuations.

Change to risk provisions pursuant to IFRS 9 in the reporting year

The tables below show the impairments of gross carrying values as well as risk provisions in the reporting year 2019 for balance sheet assets under the impairment rules of IFRS 9.

Financial assets recognised at amortised cost:

Gross carrying values of assets at AC in €k	Stage 1: 12-m ECL	Stage 2: LT-ECL	Stage 3:	POCI	Total
As at 31/12/2018	**15,591,502**	**2,864,917**	**421,684**	**787**	**18,878,890**
Transfer to Stage 1	318,521	-315,922	-2,599		0
Transfer to Stage 2	-462,406	468,443	-6,038		0
Transfer to Stage 3	-52,719	-71,810	124,529		0
Changes based on newly granted or acquired assets incl. POCI reclassification	4,356,803	850,776	-8,579	8,579	5,207,579
Repayments	-3,102,334	-343,489			-3,445,824
Modifications due to model changes					
Modifications based on risk parameters	-469,911	-241,247	-170,796	234	-881,721
Modifications without derecognition	0	0	1		2
Modifications due to derecognition				-6,971	-6,971
Modifications due to depreciation/amortisation					
Exchange rate changes and other adjustments	5,067	3,657	84		8,809
As at 31/12/2019	**16,184,523**	**3,215,327**	**358,286**	**2,629**	**19,760,765**

Impairments of financial assets at AC in €k	Stage 1: 12-m ECL	Stage 2: LT-ECL	Stage 3:	POCI	Total
As at 31/12/2018	**14,715**	**27,231**	**209,390**	**0**	**251,336**
Transfer to Stage 1	2,284	-2,048	-236		0
Transfer to Stage 2	-572	1,148	-576		0
Transfer to Stage 3	-307	-1,111	1,417		0
Changes based on newly granted or acquired assets incl. POCI reclassification	5,486	6,571	-7,960	7,960	12,056
Repayments	-2,390	-1,465	-114,992		-118,847
Modifications due to model changes					
Modifications based on risk parameters	-2,472	-7,904	76,308		65,932
Modifications without derecognition	-0	-0	-1		-2
Modifications due to derecognition				-6,971	-6,971
Modifications due to depreciation/amortisation					
Exchange rate changes and other adjustments	3	14	21		37
As at 31/12/2019	**16,747**	**22,435**	**163,372**	**989**	**203,543**

Financial assets recognised in income at fair value:

Gross carrying values of assets at FVOCI in €k	Stage 1: 12-month ECL	Stage 2: LT-ECL	Stage 3:	POCI	Total
As at 31/12/2018	**305,088**				**305,088**
Transfer to Stage 1					0
Transfer to Stage 2					0
Transfer to Stage 3					0
Changes based on newly granted or acquired assets incl. POCI reclassification	35,256				35,256
Repayments	-134,470				-134,470
Modifications due to model changes					
Modifications based on risk parameters	6,287				6,287
Modifications without derecognition					
Modifications due to derecognition					
Modifications due to depreciation/amortisation					
Exchange rate changes and other adjustments					
As at 31/12/2019	**212,160**				**212,160**

Gross carrying values of assets at FVOCI in €k	Stage 1: 12-m ECL	Stage 2: LT-ECL	Stage 3:	POCI	Total
As at 31/12/2018	**138**			**0**	**138**
Transfer to Stage 1					
Transfer to Stage 2					
Transfer to Stage 3					
Changes based on newly granted or acquired assets incl. POCI reclassification	18				18
Repayments	-30				-30
Modifications due to model changes					
Modifications based on risk parameters	1				1
Modifications without derecognition					
Modifications due to derecognition					
Modifications due to depreciation/amortisation					
Exchange rate changes and other adjustments					
As at 31/12/2019	**126**				**126**

The Oberbank Group's maximum default risk arises from the receivables recognised in 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 from operating leasing receivables and amounts to EUR 26,217 million (pr.yr.: EUR 25,627 million). This value is offset by collateral in an amount of EUR 10,918.3 million (pr.yr. EUR 10,257.1 million) of which EUR 195.4 million (pr.yr.: EUR 198.1 million) are allocated to impaired and non-performing loans and advances. Interest and similar income includes an amount of EUR 11.0 (pr.yr.: EUR 10.9 million) 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 2.5 “Impairment losses on debt securities”.

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 indications that a claim is unlikely to be settled in the full amount:

1. Waiving current interest;
2. New credit risk adjustment in stage 3 due to the 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, fraud or for other reasons;
5. Factoring with material losses due to deteriorated credit rating;
6. Insolvency.

These receivables are recognised in the category of non-performing loans and are part of the balance sheet items below. Furthermore, the development of the key indicators "non-performing loans ratio" is presented in the table below.

in €k €[1)]	NPL before deduction of impairment allowance		NPL after deduction of impairment allowance	
Balance sheet item	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	358,286	421,684	195,082	212,293
Non-performing loans ratio gross	1.96%	2.43%	-	-
Non-performing loans ratio net	-	-	1.08%	1.24%

1) The figures given are carrying values.

The non-performing credit risk exposure – Note 43) Credit Risk, Breakdown by Credit Rating – is compared to loan loss provisions and collateral assets by sector in the table below.

Sector as at 31/12/2019 in €k	Non-performing credit risk volume	Impairment allowance stage 3		
		On-Balance	Off-Balance	Collateral
Credit and insurance industry	861	584	23	256
Public sector	18	18	0	0
Raw materials processing	23,772	10,649	2,487	7,594
Metals processing	70,270	11,294	5,002	29,769
Manufacture of goods	33,679	17,397	2,476	13,155
Trade	58,147	25,021	1,473	26,366
Services	63,702	19,662	9,257	33,067
Construction	29,115	16,419	2,341	7,334
Real estate	16,207	6,163	1,284	9,850
Transportation	29,671	4,380	723	22,721
Utilities	9,705	6,399	1,857	2,819
Agriculture and forestry incl. mining	1,459	560	53	858
Holding and investment companies	5,897	945	127	3,008
Individuals and self-employed	71,032	38,150	47	30,583
Other	16,414	6,719	1,438	8,008
Impairment provisions not assignable to a specific sector			81,634	
Total	**429,952**	**164,360**	**110,222**	**195,388**

Sector as at 31/12/2018 in €k	Non-performing credit risk volume	Impairment allowance stage 3		
		On-Balance	Off-Balance	Collateral
Credit and insurance industry	2,114	275	0	1,740
Public sector	19	19	0	0
Raw materials processing	19,799	9,384	4,679	4,875
Metals processing	78,790	18,119	6,916	36,516
Manufacture of goods	32,050	14,251	7,428	16,766
Trade	96,680	45,606	5,385	33,476
Services	82,847	39,546	8,114	31,852
Construction	26,862	16,698	3,528	6,978
Real estate	16,144	5,563	1,063	8,157
Transportation	14,420	5,463	650	8,470
Utilities	10,323	6,825	1,879	3,117
Agriculture and forestry incl. mining	2,439	1,652	64	805
Holding and investment companies	9,463	3,590	104	4,747
Individuals and self-employed	71,882	37,357	3	31,904
Other	14,443	5,045	2,008	8,691
Impairment provisions not assignable to a specific sector			78,731	
Total	**478,275**	**209,391**	**120,553**	**198,094**

The table below shows non-performing credit risk exposure, impairment provisions and collateral assets by region.

Geographic distribution as at 31/12/2019 in €k	Non-performing credit risk exposure	Impair allowance stage 3		Collateral
		On-Balance	Off-Balance	
Austria	199,093	66,981	14,455	86,978
Germany	126,152	54,193	12,679	54,460
Eastern Europe (CZ, HU, SK)	102,742	42,838	1,448	52,412
Western Europe (ex DE)	63	34	0	21
PIGS countries	8	7	0	0
Other countries	1,895	306	6	1,517
Impairment provisions not assignable to a specific region Loan loss provisions			81,634	
Total	**429,952**	**164,360**	**110,222**	**195,388**

Geographic distribution as at 31/12/2018 in €k	Non-performing credit risk exposure	Impair allowance stage 3		Collateral
		On-Balance	Off-Balance	
Austria	251,574	95,800	22,124	107,020
Germany	141,106	74,954	13,158	47,674
Eastern Europe (CZ, HU, SK)	83,275	37,857	6,536	41,891
Western Europe (ex DE)	99	59	0	23
PIGS countries	70	8	0	59
Other countries	2,150	713	4	1,425
Impairment provisions not assignable to a specific region			78,731	107,020
Total	**478,275**	**209,391**	**120,553**	**198,094**

In addition, there are impairment allowances for ECLs in stage 1 and 2 for performing categories with a volume of €k 50,851 (pr.yr.: €k 50,890).

Impairment allowances pursuant to IFRS 9 by rating structure

Impairment allowances pursuant to IFRS 9 are calculated for all exposure items measured at amortised cost or directly in equity at fair value. This includes lines of credit and loans, and debt securities, receivables from finance leases and from trade receivables. Provisions for financial guarantees and unused lines of credit are calculated provided they are subject to the IFRS 9 impairment rules.

Default risk of financial assets by rating category as at 31/12/2019 in €k	Stage 1:	Stage 2:	Stage 3:		
	12-m ECL		LT-ECL	POCI	Total
Very strong	9,130,192	722,614			9,852,806
Strong	7,210,907	2,235,853			9,446,760
Weak	168,631	379,975			548,606
Non-performing			358,286	2,629	360,915
Gross carrying value	**16,509,730**	**3,338,443**	**358,286**	**2,629**	**20,209,087**
Loan loss provisions	-16,873	-22,435	-164,361		-203,669
Net carrying value	**16,492,856**	**3,316,008**	**193,925**	**2,629**	**20,005,418**

Default risk of financial assets by rating category as at 31/12/2018 in €k	Stage 1: 12-m ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	9,402,430	797,418			10,199,848
Strong	6,835,825	2,126,249			8,962,074
Weak	110,514	287,000			397,514
Non-performing			421,684	788	422,472
Gross carrying value	**16,348,769**	**3,210,666**	**421,684**	**788**	**19,981,908**
Loan loss provisions	-13,443	-25,972	-209,391	0	-248,806
Net carrying value	**16,335,326**	**3,184,694**	**212,293**	**788**	**19,733,101**

Default risk of credit commitments by rating category as at 31/12/2019 in €k	Stage 1: 12-m ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	1,908,334	61,973			1,970,307
Strong	1,642,658	258,858			1,901,515
Weak	25,496	21,749			47,245
Non-performing			16,426		16,426
Contingent obligation, gross	**3,576,488**	**342,579**	**16,426**		**3,935,493**
Loan loss provisions	-6,695	-1,901	-1,197		-9,793
Contingent obligation, net	**3,569,793**	**340,678**	**15,229**		**3,925,700**

Default risk of credit commitments by rating category as at 31/12/2018 in €k	Stage 1: 12-m ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	2,031,445	86,831			2,118,277
Strong	1,616,959	169,635			1,786,594
Weak	18,084	28,301			46,385
Non-performing			21,975		21,975
Contingent obligation, gross	**3,666,488**	**284,767**	**21,975**		**3,973,230**
Loan loss provisions	-6,512	-2,294	-17,517		-26,324
Contingent obligation, net	**3,659,976**	**282,473**	**4,485**		**3,946,906**

Default risk of financial guarantees by rating category as at 31/12/2019 in €k	Stage 1: 12-m ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	668,791	32			668,823
Strong	473,546	48,084			521,630
Weak	3,390	55,100			58,490
Non-performing			26,419		26,419
Contingent obligation, gross	**1,145,728**	**103,216**	**26,419**		**1,275,363**
Loan loss provisions	-1,582	-1,365	-9,756		-12,702
Contingent obligation, net	**1,144,146**	**101,851**	**16,663**		**1,262,660**

Default risk of financial guarantees by rating category as at 31/12/2018 in €k	Stage 1: 12-m ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	692,909	12,809			705,718
Strong	553,817	49,905			603,722
Weak	3,971	23,330			27,300
Non-performing			34,616		34,616
Contingent obligation, gross	**1,250,696**	**86,044**	**34,616**		**1,371,356**
Loan loss provisions	-1,410	-1,259	-11,618		-14,287
Contingent obligation, net	**1,249,286**	**84,785**	**22,998**		**1,357,069**

All financial assets that do not belong to the 'non-performing' category are no more than 90 days overdue.

If the remaining 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 31/12/2019 in €k[1]			
Overdue since	Loans and receivables	Credit risks from derivatives and contingent liabilities	Total
Less than 30 days	140,686	16,459	157,144
From 30 to 60 days	10,854	262	11,115
From 60 to 90 days	5,093	18	5,111
Total	**156,633**	**16,738**	**173,371**

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 31/12/2018 in €k[1]			
Overdue since	Loans and receivables	Credit risks from derivatives and contingent liabilities	Total
Less than 30 days	102,394	13,260	115,654
From 30 to 60 days	17,442	2,297	19,739
From 60 to 90 days	628	1	629
Total	**120,463**	**15,558**	**136,021**

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/respite (forbearance)

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 in accordance with the method described in Note 2.7).

If there is no default and a 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, a deferment or other concession may be granted.

In the event that an agreement is reached with customers in payment difficulties that grants terms unusual for new loans, 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 31/12/2018	No longer categorised as deferment/respite	Decline in volume[1]	Newly categorised as deferment/respite	As at 31/12/2019	Interest received in the reporting period
Term extension for loan	66,568	1,993	31,458	19,396	52,513	1,653
Deferment	36,962	2,335	17,701	10,054	26,980	628
Waiver of other contractual rights	10,035	355	131	51	9,600	317
Restructuring	16,624	2,039	5,490	7,596	16,691	543
Other	221	0	91	14	144	3
Total	**130,411**	**6,722**	**54,872**	**37,111**	**105,929**	**3,144**

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 31/12/2019 in €k Rating category	Exposure	Impairment provisions[1)]	Collateralised exposure
Very strong	135	0	109
Strong	23,114	59	18,977
Weak	21,446	346	10,380
Non-performing	61,233	31,545	20,275
Total	**105,929**	**31,950**	**49,741**

1) The impairment provisions shown within the performing categories are attributable to portfolio impairment provisions for ECL under IFRS 9.

as at 31/12/2018 in €k Rating category	Exposure	Impairment allowance[1)]	Collateralised exposure
Very strong	50	0	0
Strong	15,011	58	9,421
Weak	32,355	214	22,211
Non-performing	82,996	47,222	26,931
Total	**130,411**	**47,495**	**58,564**

1) The impairment provisions shown within the performing categories are attributable to portfolio impairment provisions for ECL under IFRS 9.

44) 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. The investments of Oberbank in 3 Banken-Generali Investment-Gesellschaft m.b.H., 3 Banken IT GmbH and Banken DL Servicegesellschaft m.b.H. belong to this segment.

The equity investment portfolio of Oberbank AG furthermore includes 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 investment fund, ‘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 arrangement. Investments in other mezzanine and equity capital providers are made with the objective of utilising their expertise and entering new markets

In the real estate business, Oberbank holds equity interests in special purpose vehicles set up for the purpose, for example, of 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 carrying values and fair values of equity investments are shown below:

as at 31/12/2019 in €k	Carrying amounts	
Groups of equity instruments by type of measurement	Carrying value	Fair value
Fair value through OCI		
Exchange-traded items	0	0
Non-exchange traded	238,760	238,760
Fair value through profit and loss		
Non-exchange traded	20,632	20,632
Interests in entities accounted for by the equity method		
Exchange-traded items	914,077	614,643
Non-exchange traded		
Total	**1,173,469**	**874,035**

as at 31/12/2018 in €k	Carrying amounts	
Groups of equity instruments by type of measurement	Carrying value	Fair value
Fair value through OCI		
Exchange-traded items	0	0
Non-exchange traded	247,933	247,933
Fair value through profit and loss		
Non-exchange traded	14,579	14,579
Interests in entities accounted for by the equity method		
Exchange-traded items	916,359	615,449
Non-exchange traded	3,278	3,278
Total	**1,182,149**	**881,239**

45) 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. 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 Treasury & Trade department with regard to managing market risks

The Treasury & Trade 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 Treasury & Trade department.

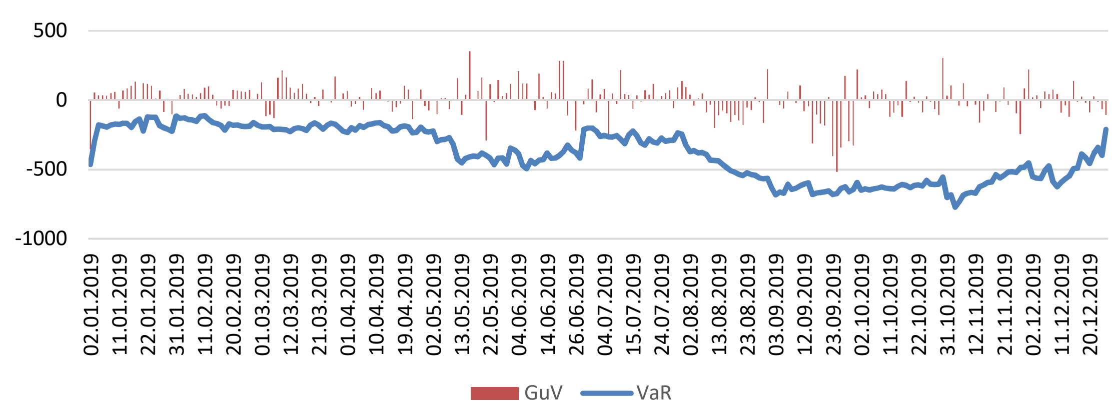
The table below shows the development of value-at-risk in the reporting period:

Value at risk 2019 in €k	31/12/2018	MAX	MIN	Average	31/12/2019
	1,336	2,442	355	1,212	673

Value at risk 2018 in €k	31/12/2017	MAX	MIN	Average	31/12/2018
	1,822	5,353	897	2,462	1,336

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.

Back-testing by VaR model 2019 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 Treasury & Trade department is also responsible for managing the foreign currency risk, which is part of market risk. The table below shows open currency positions of Oberbank.

	Volume in €k			Volume in €k	
	31/12/2019	31/12/2018		31/12/2019	31/12/2018
AUS	73	59	**PLN**	95	53
CHF	-537	345	**RUB**	63	71
USD	-2,203	350	**SGD**	182	168
GBP	199	384	**JPY**	99	-30
HUF	-641	-1,702	**TRY**	115	47
SEK	72	71	**RON**	35	3
CAD	51	59	**NZD**	-34	0
CNY	-132	-82	**CZK**	4,407	-6,798
DKK	104	-14	**Other currencies, long**	235	211
HKD	100	3	**Other currencies, short**	-39	-64
HRK	9	41	**Gold**	2,307	2,161
NOK	68	44			

Determination of market risk – which is the remit of the Treasury & Trade department – 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 a holding period of 90 days. As at 31 December 2019, the market risk in the remit of Treasury & Trade was EUR 7.2 million (pr.yr.: EUR 6.7 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, USD, CZK and HUF positions (rate commitments >12 months), for strategic stock and investment fund positions in the banking book as well as for the credit spread risk.

Das 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, Treasury & Trade, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Corporate Secretary & Communication, Internal Audit and Compliance.

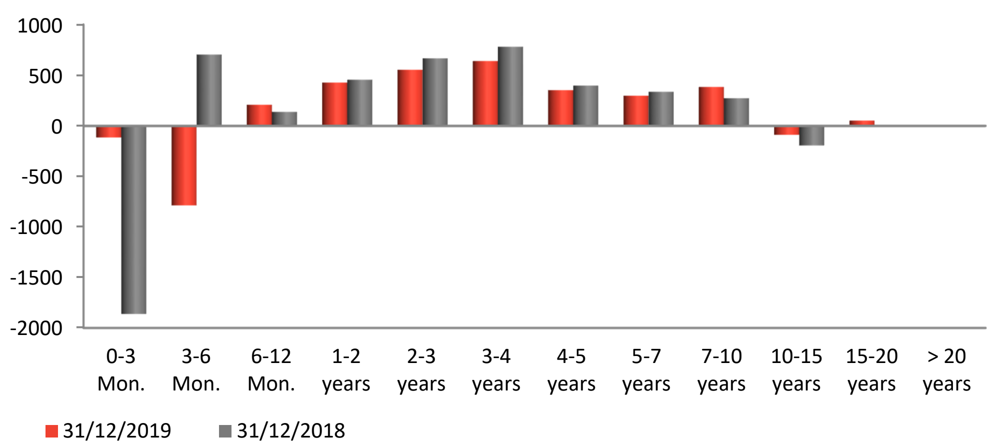
Interest rate risk in the banking book

Taking interest rate risks, which account 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 aims at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. As a way to stabilize interest income and to earn additional net interest income from maturity transformation, the investment strategy invests in positions 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 2018/02. The magnitude of the interest rate risk is analysed based on changes to the present value of the positions in the banking book, using as basis the various interest rate scenarios. Apart from the present value view, a quarterly simulation of interest returns is carried out using various adverse scenarios. To this end, the deviation of profit and loss from projections is presented for each scenario and for every year as well as for a cumulated a three-year period.

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

Interest rate gap - banking book positions (comparison 31/12/2019 with 31/12/2018)



Determination of the interest rate risk in the ICAAP liquidity approach 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 2019, the interest rate risk in the banking book came to EUR 113.39 million (pr.yr.: EUR 116.87 million).

Equity price risk in the banking book

The equity price risk in the banking book (for shares, listed equity investments 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 174.48 million on 31/12/2019 (pr.yr.: EUR 185.43 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 2019, the risk thus determined amounted to EUR 35.48 million (pr.yr.: EUR 19.77 million).

46) 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, declines in stock markets and real estate markets, etc.).

The effects of a macroeconomic crisis are taken into account by mapping scenarios with a higher probability of default, declines in market values of real estate and downturns 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 2019, the macroeconomic risk thus estimated was EUR 122.0 million (pr.yr.: EUR 109.11 million).

47) 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, human error and systems or as a consequence of external events. This definition includes legal risks (including the risk of money laundering and terrorist financing), but does not comprise strategic risks and reputational risks. The 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 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 adjustment of the applied methodology.

The management of operational risks is performed by the respective operating departments and the regional sales units (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 the occurrence 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 damage incidents 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).

Based on the increasing significance of digitalisation, IT risks and cyber risks play a key role among operational risks. The strategy of the bank in this case consists of ensuring a state-of-the-art level of security. This is achieved operationally by 3 Banken IT GmbH which has been charged with the implementation.

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 2019, the risk was EUR 86.7 million (pr.yr.: EUR 84.4 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 9.1%.

48) 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).

The primary objectives of liquidity risk management are therefore to ensure that the bank is solvent at all times and to optimise the bank's refinancing structure in terms of risk and results.

To limit the risk of refinancing being dependent on the volatile money markets for banks, the ratio of customer loans to total primary deposits, own issues and the deposits of the special banks handling subsidised loan schemes is restricted to a strategic limit of 110%. The loan/deposit ratio was 99.1% (pr.yr.: 93.6%) on 31 December 2019.
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.

Regulatory liquidity indicators

The liquidity cover ratio (LCR) defines the minimum volume of (highly) liquid assets that the bank must hold as liquidity reserve in order to be able to cover net payment obligations in the event of distressed market conditions for a period of 30 days. LCR as at 31 December 2019 was EUR 170.4% (31 Dec. 2018: 135.0%).
The net stable funding ratio (NSFR) is the minimum standard for lowering refinancing risk over a longer period of time. The purpose of the structural liquidity ratio is to secure a sustainable refinancing structure by limiting the maturity transformation between the lending business, on the one hand, and refinancing, on the other, and thus mitigate the risk of future refinancing problems. The NSFR as at 31 December 2019 was EUR 119.3% (31 Dec. 2018: 119.8%)

Responsibility for liquidity risk management

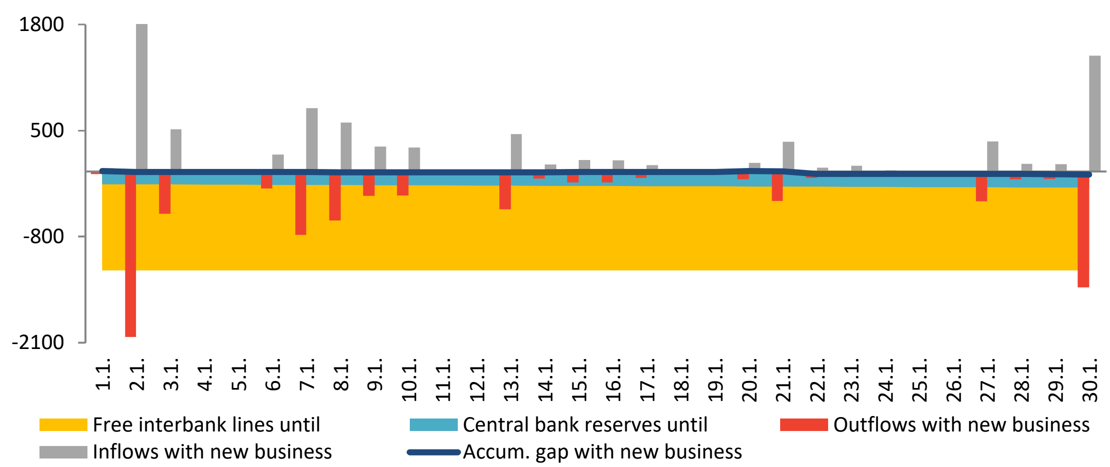
Strategic Risk Management is responsible for the operational risk reporting and for defining and monitoring the relevant risk limits. It is likewise responsible for the further development and maintenance of the risk management models used, for the parameters for the liquidity gap analysis and for back-testing the models.

Short-term liquidity management

Treasury & Trade is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by conducting a short-term liquidity gap analysis. 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. Amounts held with central banks less the minimum reserve requirements and 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.

Furthermore, a 30-days forward liquidity gap analysis for day-to-day liquidity management is prepared based only on the contractual cash flows of Oberbank.

Accumulated 30-days forward liquidity gap analysis incl. assumptions for new business as at 31/12/2019 in €m

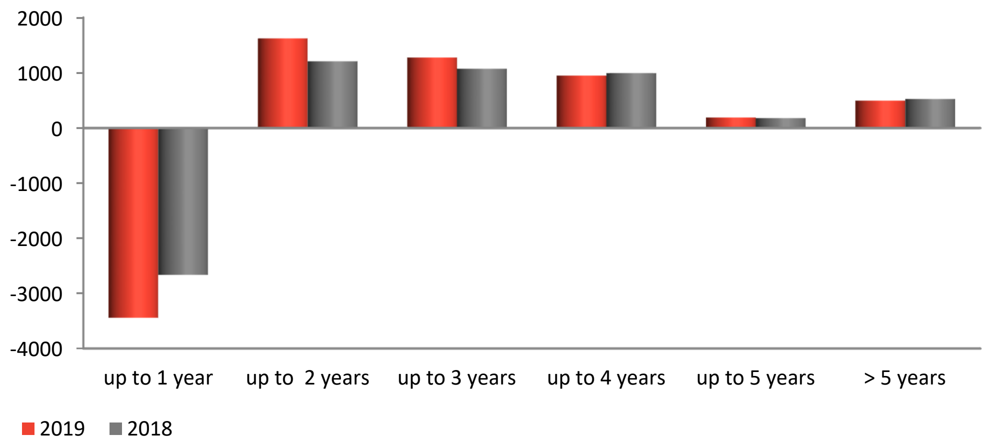


Long-term and strategic liquidity management

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 comprehensive forward liquidity gap analysis is drawn up for the purpose of the medium and long-term liquidity risk management of the bank that sums up the payment flows per maturity band resulting from banking transactions.

To manage the liquidity risk in each of the currencies, the liquidity gaps for the major currencies are reported individually (EUR, USD, CZK and HUF).

Medium to long-term liquidity gap analysis for all currencies as at 31/12/2019 and 31/12/2018 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 3.3 billion (pr. yr.: EUR 2.8 billion) as at the end of the first year. This corresponds to a funding ratio of 72.8% (pr.yr.: 76.0%) and is hence in compliance with the internally defined limit of 70%.

The following table shows the maturity structure of securities and loans eligible for repo transactions:

in €k per 31/12/2019	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	17,056	594,883	1,304,298	281,719

in €k per 31/12/2018	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	45,974	324,182	1,406,693	537,124

Additionally, as at 31 December 2019, Oberbank had collateral assets with a cover value of EUR 1,200.9 million (pr.yr.: EUR 1,030.0 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 of reputation deterioration, market crisis, and, as the worst case scenario, a combination of both of these factors are simulated. A contingency plan is in place for the eventuality of extreme market conditions.

Contractual cash flows of financial liabilities purs. to IFRS 7/39 a and b

as at 31/12/2019 in €k	Carrying value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	4,795,833	4,895,021	1,832,225	749,167	1,676,164	637,465
of which deposits for subsidised loans	2,561,437	2,602,189	456,323	330,363	1,181,101	634,403
Amounts owed to customers	11,980,651	12,034,184	10,517,258	531,989	563,143	421,794
Securitised liabilities	1,662,863	1,792,271	1,150	195,244	711,590	884,287

Subordinated liabilities	522,515	567,754	39,001	61,385	236,467	230,900
Derivative liabilities IRS/CCS	41,889	53,164	37	8,877	30,811	13,439

as at 31/12/2018 in €k	Carrying value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	4,387,769	4,346,521	1,410,820	218,202	2,103,024	614,475
of which deposits for subsidised loans	2,463,969	2,517,099	454,647	209,314	1,238,663	614,475
Amounts owed to customers	12,145,724	12,192,629	10,631,475	573,710	587,781	399,662
Securitised liabilities	1,515,672	1,699,607	27,644	327,786	717,183	626,994
Subordinated liabilities	582,598	631,701	3,618	142,515	236,543	249,025
Derivative liabilities IRS/CCS	30,956	36,852	736	7,805	19,562	8,749

49) Other risks

The category Other risks covers risks which are classified as non-material within the framework of the business model of Oberbank and for which no individual limit is derived from the economic coverage 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. The damage to the good reputation of the bank (e.g. among customers, business partners, shareholders, authorities, ...) and the resultant loss of confidence may lead to lower earnings or losses.
- Business risks are risks that result from unexpected changes in earnings due to a change in the general business environment (e.g. lower earnings that cannot be offset by 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.
- Sustainability risk comprises physical risks that result from extreme weather events and transition risks that result from the changeover to a low-carbon economy. It was assessed as of low significance, because it does not have any major effects on the assets and financial position of Oberbank. The special topics of sustainability risks are already covered in risk management under primary risks. Furthermore, Oberbank also deals with this topic within the framework of a project aimed at obtaining a prime rating for sustainability.
- Oberbank measures the risk of incurring excessive debt 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 10.94% on 31 December 2019 (31 Dec. 2018: 10.68%).

50) Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The MREL requirement has the purpose of ensuring that a bank has at all times a minimum ratio of own funds and MREL-eligible liabilities (sufficient buffer of loss absorption capital for the event of resolution). This ratio is expressed either as a percentage of the total risk exposure amount (TREA) or as a percentage of the total liabilities and own funds (TLOF).

The prescribed amount of the ratios is not defined uniformly for all credit institutions in the EU, but rather on a case-by-case basis. The FMA has defined the following ratios for Oberbank AG:

- mandatory TREA ratio as of mid-2019: 21.81%;
- mandatory TLOF ratio as of mid-2019: 14.07%

As at 31 December 2019, the TREA ratio was 27.64% and the TLOF ratio was 18.57%.

51) 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.

For each material risk within the Oberbank Group there are defined remits for management and control processes as well as economic capital allocated to specific risks (limits) or defined management processes.

52) 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). 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 and borrowers' notes used to secure liquidity are hedged using interest rate swaps.
- In specific cases, fixed-interest securities for the banking book are hedged by 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			2019			2018		
	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	21,676	29,920	2,450	54,046	28		72,633	51	
Put	14,464	31,200	3,150	48,814		-29	67,814		-57
Swaptions									
Call							27,600	577	
Put							27,600		-577
Interest rate swaps									
Call	7,405	155,732	365,810	528,947	113	-38,463	527,758	448	-29,509
Put	131,868	604,867	1,180,079	1,916,814	142,492	-355	1,795,123	117,339	-911
Bond options									
Call									
Put									
Currency contracts									
Currency options									
Call	34,541			34,541	203		54,059	338	
Put	33,564			33,564		-193	54,059		-338
Currency forwards									
Call	2,672,017	119,393	2,024	2,793,434	11,312		1,977,156	13,102	
Put	2,693,827	118,793	2,208	2,814,828		-30,283	1,982,998		-16,655
Cross Currency Swaps									
Call			188,917	188,917	268	-387			
Put		128,579	4,682	133,261	2,493	-2,684	132,808	2,198	-536

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 measured using implicit volatilities.

53) Letters of comfort on behalf of subsidiaries

Oberbank AG has an interest in the companies listed below 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

54) 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 2,085.5 million (pr.yr.: EUR 1,959.9 million) of which share capital EUR 105.8 million (pr.yr.: EUR 105.8 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 2019, a maximum amount of EUR 1,182.9 million would be distributable. The net distributable profit is EUR 40.8 million.

55) Human resources

Averaged over the year, the Oberbank Group had the following staff capacities in 2019:

Full-time equivalents, without management board / managing directors	2019	2018
Salaried employees	2,150	2,101
Blue-collar	9	11
Total resources	2,159	2,112

56) Breakdown of securities holdings pursuant to the Austrian Banking Act in €k

	Unlisted	Listed	Measured as fixed assets	Other measurement method	Total
Bonds and other fixed-interest securities	163,967	2,104,426	2,022,709	245,684	2,268,393
Shares and other variable-yield securities	159,113	64,397	54,420	169,090	223,510
Equity investments	125,941	297,693	423,634	0	423,634
Investments in subsidiaries	132,777	0	132,777	0	132,777
	581,798	**2,466,516**	**2,633,540**	**414,774**	**3,048,314**

57) 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 Regulation (EU) No 575/2013 - pillar I in €k	2019	2018	Change absolute	Change in %
Subscribed capital	99,622	100,522	-900	-0.9
Capital reserves	505,523	505,523	-	-
Retained earnings[1)]	2,181,127	2,023,438	157,689	7.8
Minority interests	0	0	-	-
Accumulated other comprehensive income	70,069	71,103	-1,034	-1.5
Regulatory adjustment items	6,530	7,695	-1,165	-15.1
Deductions from common equity tier 1 capital items	-203,899	-190,467	-13,432	7.1
COMMON EQUITY TIER 1 CAPITAL	**2,658,972**	**2,517,814**	**141,158**	**5.6**
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments purs. to national implementation rules	0	0	-	-
Deductions from AT1 capital items	0	-4,707	4,707	-100
Additional tier 1 capital	**50,000**	**45,293**	**4,707**	**10.4**
TIER 1 CAPITAL	**2,708,972**	**2,563,107**	**145,865**	**5.7**
Qualifying supplementary capital instruments	352,382	347,583	4,799	1.4
Nominal capital preference shares purs. to transition rules	6,300	5,400	900	16.7
AT1 capital instruments purs. to transition rules	0	0	-	-
Supplementary capital (tier 2) items purs. to national impl. rules	9,406	15,892	-6,486	-40.8
General credit risk adjustments	0	0	-	-
Deductions from tier 2 capital items	-18,992	-20,230	1,238	-6.1
Supplementary capital (tier 2)	**349,096**	**348,645**	**451**	**0.1**
OWN FUNDS	**3,058,068**	**2,911,752**	**146,316**	**5.0**
Total risk exposure purs. Art. 92 CRR				
Credit risk	13,978,718	13,338,275	640,443	4.8
Market risk, settlement risk and CVA risk	52,758	27,551	25,207	91.5
Operational risk	1,083,459	1,055,408	28,051	2.7
Total exposure	**15,114,935**	**14,421,234**	**693,701**	**4.8**
Own funds ratio purs. Art. 92				
Common equity tier 1 capital ratio	17.59%	17.46%	0.13% ppt	
Tier 1 capital ratio	17.92%	17.77%	0.15% ppt	
Total capital ratio	20.23%	20.19%	0.04% ppt	
Regulatory own capital ratios purs. to transition rules in %				
Common equity tier 1 capital ratio	7.134%	6.474%	0.661% ppt	
Tier 1 capital ratio	8.634%	7.974%	0.660% ppt	
Total capital ratio	10.634%	9.974%	0.661% ppt	
Regulatory capital requirements purs. to trans. rules in €k				
Common equity tier 1 capital	1,078,299	933,559	144,741	15.5
Tier 1 capital	1,305,023	1,149,877	155,146	13.5
Total capital	1,607,322	1,438,302	169,020	11.8
Free capital components				
Common equity tier 1 capital	1,580,673	1,584,255	-3,583	-0.2
Tier 1 capital	1,403,949	1,413,230	-9,281	-0.7
Total capital	1,450,746	1,473,450	-22,704	-1.5

1) Incl. allocation to retained earnings 2019 subject to approval by the Supervisory Board on 18 March 2020.

58) Other disclosures required pursuant to the Austrian Banking Act and Austrian Business Code

A nominal total of EUR 178.8 million of bonds issued by Oberbank will mature in the financial year 2020. As at 31 December 2019, there was one subordinated liability in an amount of EUR 50.0 million that exceeded 10% of aggregate amount of subordinated liabilities. Other subordinated borrowings individually coming to 10% or less of aggregate subordinated liabilities totalled €k 489,921.0 (nominal). They included supplementary capital subject to interest rates from 0.0% to 5.5% and maturities in the financial years 2020 to 2029. In the reporting year, expenses on subordinated liabilities were €k 19,707.0. Applying market prices, the trading book was valued at a total of EUR 71.4 million as at 31 December 2019. This breaks down into securities (fair value) EUR 2.0 million and other financial instruments EUR 69.4 million (fair value). The lease portfolio was worth EUR 1,508.8 million as at 31 December 2019.

Expenses for the auditor amounted to €k 1,286.9 in the financial year (incl. VAT and incl. leasing companies and subsidiaries). Of this total, the audit of the annual financial statements accounted for €k 801.2 and €k 82.5 for other audit certificate services as well as €k 275.0 for tax advisory services and €k 128.2 for other audit services.

Disclosure regarding branch establishments pursuant to § 64 (1) no. 18 Banking Act in €k

Name of establishment (incl. leasing companies)	Regional Division Germany	Regional Division Czech Republic	Regional Division Hungary	Regional Division Slovakia
Business Areas	Southern Germany Central Germany			
State of registered office	Federal Republic of Germany	Czech Republic	Hungary	Slovakia
Net interest income	33,235	35,006	21,267	8,603
Operating profit	43,665	42,518	28,118	9,603
Number of employees (full-time basis)	268.4	201.9	123.3	49.6
Profit for the period before tax	2,182	23,910	11,576	4,617
Income taxes	-1,048	-6,056	-1,190	-973
Public subsidies received	0	0	0	0

The return on investment pursuant to § 64 para 1 no 19 Banking Act is 0.94%.

59) List of equity investments purs. to the Austrian Business Code

As at 31 December 2019, the Company held stakes of 20% or more in the following companies, minimum stake 20%:	Consoli-dation method*	Share in capital in %[5] direct	total	Equity[3]	Result of last financial year[4]	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 IT GmbH, Linz	N	40.00	40.00				6
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	N	40.00	40.00				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	8,191	69	2019	1
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	8,894	0	2019	
Banken DL Servicegesellschaft m. b. H., Linz	N	100.00	100.00				1,6
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
Donaulände Holding GmbH, Linz	V	100.00	100.00	360	-5	2019	1
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	N	33.11	33.11				6
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	N	58.69	58.69				1,6
GAIN CAPITAL PRIVATE EQUITY III SCSp, Luxembourg	N	35.21	35.21				6
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	N	32.62	32.62				6
Ober Finanz Leasing gAG, Budapest	V	1.00	100.00	18,514	2,866	09/2019	1
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	V	1.00	100.00	1,384	25	09/2019	1
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	V	6.00	100.00	2,081	8	09/2019	1
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
OBERBANK LEASING GESELLSCHAFT MBH., Linz	V	100.00	100.00	52,978	18,173	09/2019	1,2
Oberbank Leasing Prievidza s.r.o., Bratislava	V	15.00	100.00	1	-1	09/2019	1
BKS-Leasing s.r.o., Bratislava	V	0.10	100.00	6,600	863	09/2019	1
Oberbank Leasing spol. s.r.o., Prague	V	1.00	100.00	41,828	1,044	09/2019	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 Vsetaty Immobilienleasing s.r.o., Pilsen (formerly Oberbank Leasing	V	10.00	100.00	5	9	09/2019	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
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	24,082	2,047	09/2019	1
Donaulände Garagen GmbH, Linz	V		100.00	27	10	2019	1
Donaulände Invest GmbH, Linz	V		100.00	419	9	2019	1
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	N		27.19				6
Herold NZ Verwaltung GmbH, Mödling	N		24.90				6
Nutzfahrzeuge Beteiligung GmbH, Wien	N		36.94				6
Oberbank airplane 2 Leasing GmbH, Linz	V		100.00	35	-3	09/2019	1
Oberbank Bergbahnen Leasing GmbH, Linz (formerly Oberbank airplane Leasing	V		100.00	35	207	09/2019	1
Oberbank Ennshafen Immobilienleasing GmbH, Linz	V		94.00	35	255	09/2019	1
Oberbank Eugendorf Immobilienleasing GmbH, Linz	V		100.00	35	195	09/2019	1
Oberbank FSS Immobilienleasing GmbH, Linz	V		100.00	35	103	09/2019	1
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	V		100.00	12	-1	09/2019	1
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	V		100.00	25	2,430	09/2019	1
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	V		95.00	1,275	46	09/2019	1
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	V		100.00	741	2,453	09/2019	1
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	V		6.00	0	18	09/2019	1
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	N		100.00				1,6
Oberbank KB Leasing Gesellschaft m.b.H., Linz	V		100.00	69	464	09/2019	1
Oberbank Kfz-Leasing GmbH, Linz	V		100.00	35	1,454	09/2019	1
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	V		6.00	597	-8	09/2019	1
Oberbank Leasing GmbH Bayern, Neuötting	V		100.00	7,602	4,504	09/2019	1
Oberbank Leasing JAF HOLZ, s.r.o., Prague	V		95.00	4,955	275	09/2019	1
Oberbank Leasing Palamon s.r.o., Prague	V		100.00	7,288	94	09/2019	1
Oberbank Leobendorf Immobilienleasing GmbH, Linz	V		100.00	35	462	09/2019	1
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	V		99.80	35	69	09/2019	1
Oberbank Operating Mobilienleasing GmbH, Linz	V		100.00	35	563	09/2019	1

Oberbank Operating OPR Immobilienleasing GmbH, Linz	V	100.00	35	578	09/2019	1
Oberbank PE Beteiligungen GmbH, Linz	N	100.00				1,6
Oberbank Pernau Immobilienleasing GmbH, Linz	V	100.00	35	-105	09/2019	1
Oberbank Reder Immobilienleasing GmbH, Linz	V	100.00	35	70	09/2019	1
Oberbank Riesenhof Immobilienleasing GmbH, Linz	V	100.00	35	116	09/2019	1
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	35	174	09/2019	1
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	V	100.00	18	79	09/2019	1
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	V	100.00	35	107	09/2019	1
Oberbank Wien Süd Immobilienleasing GmbH, Linz	V	100.00	35	-2	09/2019	1
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	V	100.00	35	65	09/2019	1
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	168	303	09/2019	1
OBK Ahlten Immobilien Leasing GmbH, Neuötting	V	94.00	1,000	96	09/2019	1
OBK München 1 Immobilien Leasing GmbH, Neuötting	V	100.00	27	-2	09/2019	1
OBK München 2 Immobilien Leasing GmbH, Neuötting	V	100.00	30	-7	09/2019	1
OBK München 3 Immobilien Leasing GmbH, Neuötting	V	100.00	30	115	09/2019	1
POWER TOWER GmbH, Linz	V	99.00	70	19	09/2019	1
Techno-Z Braunau Technologiezentrum GmbH, Braunau	N	21.50				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. 21 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.

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 2019 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.

Important events since the close of the financial year
We refer the reader to chapter 2.5 Discretionary decisions, assumptions and estimates for details on the extraordinary general shareholders' meeting of 4 February 2020 and the legal disputes of 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Statement pursuant to § 124 para 1 no 3 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 development, 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, 9 March 2020
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

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 2019, 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 2019 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" of 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.

Recoverable value of loans and advances to customers, and measurement of loan loss provisions

The risk for the financial statements

Loans and advances to customers in the consolidated balance sheet are €k 16,772,172; the loan loss provisions for this purpose amounted to €k 201,970, and provisions for credit risks were €k 121,764.

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").

Impairment losses are recognised for defaulted borrowers in the amount of the lifetime expected credit loss (Stage 3 Loan loss provisions). The identification of impairment events and the determination of the amount of the lifetime expected credit loss as well as the measurement of provisions for losses on loans and advances are subject to substantial assessment uncertainties and room for discretion. Impairment losses in the amount of the lifetime expected credit loss for nonsignificant borrowers in default are based on models and statistical parameters, and therefore, also include discretionary decisions and assessment uncertainties.
Performing loans are assigned to stage 1 (impairment allowance in the amount of the 12-month expected credit loss) or to stage 2 when there is a significant rise in the default risk (impairment allowance in the amount of the expected lifetime expected credit loss). If the transfer criterion is not designed and applied properly, there is a risk of an assignment being made to a wrong stage, and consequently, an inappropriate amount of risk provisions being defined. When determining expected credit losses in stage 1 and 2, extensive estimates and assumptions are made that take into account rating-based default probabilities, loss ratios, current and forward-looking information.
The risk to the financial statements arises from the fact that the amount of the expected credit loss and the provisions for losses on loans and advances depend 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 calculation methods defined by the bank in guidelines for impairment losses and the calculation of provisions for losses on loans and advances for conformity with the accounting standards. We surveyed and evaluated the lending and monitoring processes of Oberbank AG as to whether these are suitable for identifying impairment events in a timely manner. To this end, we conducted interviews with all responsible staff members and critically reviewed the internal guidelines. We examined the key controls in this context with respect to their design and implementation, and also took random samples to ascertain their effectiveness.
- Based on individual cases, we examined if ratings were 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 default cases ascertained, 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 parameters to determine the provisions for nonsignificant, non-performing borrowers (lump sum impairment allowances) and analysed these for suitability for determining provisions in adequate amounts. We verified the correctness of the calculation of the risk provisions.
- For impairment charges calculated at the portfolio level (Stage 1 and 2), we evaluated the underlying calculation models including the parameters applied and macroeconomic forecasts to assess if these are suitable for adequately determining the required impairment allowances. We replicated the calculation of the impairment allowances (Stage 1 and 2). We used the services of internal specialists for this purpose.
- Finally, an assessment was made to ascertain if the information given in the Notes on impairment allowances is appropriate.

Classification and measurement 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 carrying value of €k 914,077. With respect to the classification of an investee as an associated company, there is room for discretion. 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 by critically reviewing the internal documentation and the available contracts, and thus, their classification as an associated company.
- In the case of impairment indicators, we employed our own measurement specialists to audit the measurement of the shares in the associated companies. The specialists reviewed the measurement models and the measurement parameters used for market conformity. We checked the extent to which the company complied 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 1,289,205. The measurement of financial instruments in amount of €k 291,014 was done based on unobservable measurement parameters (Level 3 category).

In the Notes, the Management Board of Oberbank AG describes the accounting and valuation policies (see Chapter "Discretionary decisions, assumptions and estimates" and the Chapter "Fair value of financial instruments").

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 due to the strong dependence on valuation models and parameter estimates, making it a highly discretionary process.

Our procedure for the audit

- We used the expert concept and the internal procedures of Oberbank AG for the classification of financial assets to evaluate if these are consistent with the requirements of IFRS 9 and are suitable for adequately representing the classification of loans and advances to customers.
- 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 assigned.
- We employed specialists for the audit of the financial instruments belonging to Level 3 who analysed the measurement models and assumptions applied. The measurement models were checked to ascertain if these were widely recognised market models and if the parameters were comparable to market data and if 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 relevant information in the Notes to the consolidated financial statements with respect to the procedures for classification and measurement are appropriate.

Legal dispute of 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

The risk for the financial statements

In the Notes, the Management Board of Oberbank AG describes the status of the legal dispute of 3 Banken (Oberbank AG, BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft) with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m. b. H. as well as the current assessment of the matter (Note "Discretionary decisions, assumptions and estimates").

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. filed a petition with the Takeover Commission requesting an investigation of compliance with takeover law (mandatory bid).

The Management Board must make an assessment of the legal risks and effects on the financial statements based on the estimates of external legal experts, expert opinions and the current status of proceedings.

The risk for the financial statements results from the assessment of the aforementioned factors, in particular, the further decisions taken in the ongoing proceedings and the assessment with respect to any claims of shareholders should the bank (as a member of the syndicates of BVT and BKS) be obliged to make a mandatory offer. This led to uncertainties in the assessment of the risk provisions that would potentially be needed due to the legal proceedings with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Our procedure for the audit

- In our audit, we inspected relevant documents, verified the assessments regarding risk provisions to be set aside and checked the presentation in the financial statements.
- We verified the assessment of the Management Board, in particular, the assumptions made and the conclusions drawn for the financial reporting. To this end, we obtained and analysed the expert opinions and statements submitted by the plaintiff to the law office contracted by the bank to deal with the legal proceedings to ascertain if the assessments of the Management Board are consistent with the current status of the legal proceedings.
- Finally, an assessment was made as to whether the pertinent information in the Notes to the consolidated financial statements are appropriate.

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 of the financial statements in accordance with the EU Regulation 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 EU Regulation and 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 draw conclusions on 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 Group'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 would not be 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.

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 includes all information in the annual report, with the exception of the consolidated financial statements, the Group management report and the audit certificate.

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 15 May 2018, and on 22 May 2018, we were contracted by the Supervisory Board to conduct an audit of the consolidated financial statements of Oberbank AG.

We were appointed as auditors of the financial statements at the Annual General Meeting of 14 May 2019, and on 20 May 2019, 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 Regulation) 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, 9 March 2020

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 2019 financial year of Oberbank AG was EUR 162.3 million. After the allocation of EUR 121.7 million to reserves and including the profit brought forward of EUR 0.2 million, the profit available for distribution amounted to EUR 40.8 million.

Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 1.15 per eligible share on the share capital of EUR 105.9 million; this dividend is EUR 0.05 higher than in 2018.

Given a total of 32,307,300 ordinary and 3,000,000 preference shares, the distribution is EUR 40,603,395.00. Furthermore, the Management Board proposes to carry the remainder of EUR 164,553.50 forward to the new account.

Linz, 9 March 2020

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

Report of the Supervisory Board

Preamble

Oberbank achieved an exceptionally good year also in 2019. 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.
In addition to my two deputies Ludwig Andorfer and Gerhard Burtscher, who are both reputed banking experts, every member of the 17-person Supervisory Board (including the representatives of the Works Council) contributed their knowledge and experience in lively discussions.

Mode of operation of the Supervisory Board

The Supervisory Board held four meetings during the financial year 2019. 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 the Banking Act. The Supervisory Board regularly communicated with the Management Board regarding the business situation and important business transactions both in writing and orally. As Chairwoman 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.

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. In 2019, the content of the training was dominated by the necessity to address highly complex legal topics in connection with the legal dispute with UniCredit Bank Austria. At every meeting, the members of the Supervisory Board were informed of the legal issues involved in the dispute by Oberbank's lawyers. It was thus not necessary to use budgeted amount of EUR 25,000 allocated for fit & proper courses in 2019. Nonetheless, in the light of the importance and to further intensify training in this area the budget was left unchanged for 2020 for the planned continuation of the fit & proper courses.

Committees of the Supervisory Board

The **Working Committee** approved one resolution by way of written circular in 2019. The business transaction decided by the Working Committee was subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

The **Credit Committee** approved a total of 67 loan applications by way of written circular in 2019. There were no direct instructions decided by the plenary meeting of the Supervisory Board. Business matters decided by the Credit Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

In accordance with banking law, the **Risk Committee** held a meeting in the presence of the staff member responsible for independent risk management at Oberbank and the competent 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.

HERTA STOCKBAUER

Chairwoman of the Supervisory Board of Oberbank AG

The **Nomination Committee** held one meeting in 2019 in the presence of the State Commissioner and fulfilled all tasks stipulated by law. At its meeting of 19 March 2019, the Nomination Committee raised the target ratio of 25% defined for underrepresented gender on the supervisory board to the statutory percentage of 30% and confirmed the 25% ratio for the management board.
Since 1 January 2018, the law has defined a minimum ratio of 30% women and 30% men for supervisory boards. Shareholder representatives and employee representatives agreed at the Supervisory Board meeting of 25 September 2017 to work together to fulfil the ratio stipulated by law and to waive any objections in this respect for a period of five years. As at 31 December 2019, with seven female Supervisory Board members in total, Oberbank exceeded the mandated statutory ratio of 30% thus reaching 41%.

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 Nomination Committee requested all members of the Management Board and Supervisory Board to submit certified fit & proper statements, which it also audited. At the meeting of 19 march 2019, all members of the management board and of the supervisory board were confirmed to meet the fit & proper requirements, especially with respect to the candidates for the supervisory board to be elected or re-elected by the Annual General Meeting.

At this meeting, the Nomination Committee discussed in detail the prolongation of the terms of office of Management Board members Mr. Hagenauer and Mr. Weißl, and proposed to the Supervisory Board at its meeting of 20 March 2019 to prematurely prolong Mr. Hagenauer's period of office for another term, i.e., until 30 November 2024 and at the Supervisory Board meeting of 14 May 2019, it proposed to prematurely prolong Mr. Weißl's period of office for another term, i.e., until 30 April 2025.
The full Supervisory Board subsequently passed the resolutions to prematurely prolong the periods of office.

Furthermore, the Nomination Committee approved by circular vote an additional supervisory board mandate for Mr. Hagenauer and Mr. Weißl and informed the full Supervisory Board of this decision at the next meeting on 14 May 2019.

At its meeting of 19 March 2019, the **Remuneration Committee** dealt in detail with issues relating to the implementation of the remuneration policy approved by the Committee in the presence of the State Commissioner. The Remuneration Committee fixed the variable remuneration components of the Management Board members for the financial year 2018 based on documented long-term goals and, in compliance with RZ 260 et seq EBA Guidelines on Sound Remuneration Policies (EBA/GL/2015/22), decided to pay this component at a ratio of 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 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 "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 2018.
With respect to two management staff members, a carry agreement that is slightly higher than the internal thresholds took effect. It was decided to postpone 40% of this premium for five years, with the decision on the payout of one-fifth being decided annually.

Apart from this, the variable remuneration to employees at levels below the management board with an influence on the risk profile of the bank are low. Therefore, the payout modalities decided are limited to the Management Board members as set out in RZ 260 et seq EBA Guidelines for Sound Remuneration Policy (EBA/GL/2015/22).

In the reporting year, the Committee worked intensely on the remuneration policies for the Management Board and for the Supervisory Board to be presented to the annual general meetings starting in 2020. These are to be presented to the Supervisory Board at the March meeting in 2020 for a decision and will also be presented as a separate agenda item to the Annual General Meeting in May 2020.

The **Audit Committee** held two meetings in 2019 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 20 March 2019, 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 2018, which are thus final for the purposes of § 96 (4) of the Joint Stock Companies Act. The Audit Committee examined the consolidated financial statements for the financial year 2018 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 1.15 per share out of the net profit for 2019 of EUR 40.8 million and to carry the balance forward to the new account, and reported thereon to the Supervisory Board.

Legal Committee

On account of the lawsuit filed by UniCredit Bank Austria (which is represented on the Supervisory Board of Oberbank by two members) against Oberbank contesting resolutions passed by the Annual General Meeting, the Supervisory Board took the decision to set up a special committee at its meeting of 17 September 2019 to deal with this legal dispute with UniCredit Bank Austria and all related legal proceedings. This became necessary because confidential information from the Supervisory Board was passed on to the lawyers of the major shareholder filing the lawsuit.

Furthermore, the company is represented in these proceedings by the Management Board and the Supervisory Board. This may require swift decisions in some circumstances by circular vote that would otherwise take too long to reach by the full supervisory board. The Legal Committee met two times in the reporting year 2019 in the presence of the State Commissioner. Additionally, information conferences were held over the phone and by video.

Bank auditor

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the annual financial statements of Oberbank AG for 2019 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 2019 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 2019 as well as of the result of operations and cash flows during the year from 1 January to 31 December 2019. 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

Wolfgang Eder resigned from his mandate on the Supervisory Board of Oberbank AG at the close of the Annual General Meeting of 14 May 2019. Herta Stockbauer's mandate ended due to expiry of period of office; Stephan Koren, the third candidate whose mandate ended, was selected by a drawing of lots. The mandates of Herta Stockbauer and Stephan Koren were prolonged to the maximum period of five years until the Annual General Meeting 2024, however, it was not possible to prolong the term of office of the third candidate due to a resolution of the Annual General Meeting to reduce the number of shareholder representatives by one person. The largest individual shareholder raised an objection to this resolution, because its motion to elect a minority candidate to a third mandate was thus rendered obsolete.
Subsequently, the resolution was contested by a complaint filed with the District Court Linz (Landesgericht Linz). The decision in the first instance is still outstanding.

The Supervisory Board gives its thanks to 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 special appreciation for the outstanding achievement of excellent earnings, which were better than the overall market.

Linz, 18 March 2020
The Supervisory Board

Herta Stockbauer
Chairwoman of the Supervisory Board

Governing Bodies of the Bank as at 31 December 2019

Supervisory Board

Honorary President	Hermann Bell
Chairwoman	Herta Stockbauer
Vice Chairmen	Ludwig Andorfer Gerhard Burtscher
Members	Gregor Hofstätter-Pobst Stephan Koren Barbara Leitl-Staudinger Alfred Leu Peter Mitterbauer Karl Samstag Barbara Steger Martin Zahlbruckner
Staff representatives	Wolfgang Pischinger, Chairman of the Central Works Council of Oberbank AG Susanne Braun Alexandra Grabner Elfriede Höchtel Doris Pirner Sven Zeiss
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 by Voting Share

Organisational Structure of Oberbank AG

Management Board Members

Chairman of the Management Board, CEO
Franz Gasselsberger
Phone: +43/(0)732/7802 ext. 37204
franz.gasselsberger@oberbank.at

Management Board Member
Josef Weißl
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Management Board Member
Florian Hagenauer
Phone +43-732/78 02 ext. 37206
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Banking Departments

Corporate & International Finance: Dietmar Holzinger-Böcskör, ext. 37565, dietmar.holzinger@oberbank.at

Global Financial Institutions: Helmut Edlbauer, ext. 32630, helmut.edlbauer@oberbank.at

Treasury & Trade: Robert Musner, ext. 32640, robert.musner@oberbank.at

Credit Management: Volkmar Riegler, ext. 37340, volkmar.riegler@oberbank.at

Private Banking & Asset Management: Erich Stadlberger, ext. 37550, erich.stadlberger@oberbank.at

Personal Banking: Thomas Harrer, ext. 37260, thomas.harrer@oberbank.at

Service Departments

Human Resources: Bernhard Wolfschütz, ext. 37231, bernhard.wolfschuetz@oberbank.at

Accounts & Controlling: Harald Hummer, ext. 32401, harald.hummer@oberbank.at

Internal Audit: Cornelis Gerardts, ext. 32169, cornelis.gerardts@oberbank.at

Organisational Development, Strategy and Process Management: Wolfgang Kern, ext. 37648, wolfgang.kern@oberbank.at

Strategic Risk Management: Andreas Lechner, ext. 32420, andreas.lechner@oberbank.at

Corporate Secretary & Communication: Andreas Pachinger, ext. 37460, andreas.pachinger@oberbank.at

Central Services and Production: Konrad Rinnerberger (until 30 June 2019) Brigitte Haider (from 1 July 2019), phone: +43/(0)732/7802 ext. 37271, brigitte.haider@oberbank.at

Compliance: Michaela Gerschpacher, ext. 37397, michaela.gerschpacher@oberbank.at
Compliance Officer (pursuant to Austrian Banking Act): Michaela Gerschpacher
Compliance Officer (pursuant to Austrian Securities Supervision Act): Peter Richtsfeld
Money Laundering and Sanctions Officer: Claudia Raml

Oberbank Leasing Group

Hans Fein
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Hans Fein
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Slovakia
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Real Estate Services

Oberbank Immobilien-Service Gesellschaft m.b.H.,
Matthias-Munir Midani
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Private equity and mezzanine capital

Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz
Roland Leitinger
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Banken DL Servicegesellschaft m.b.H.

Konrad Rinnerberger (until 30 June 2019)
Brigitte Haider (from 1 July 2019)
Phone +43/(0)732/7802 ext. 37271
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3 Banken Joint Ventures

3 Banken Versicherungsmakler Gesellschaft m.b.H. Main Branch Linz
Walter Schwinghammer
Phone: +43/(0)5 05 333 ext. 82000
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3 Banken IT GmbH, Linz
Karl Stöbich
Phone +43/(0)732/7802 ext. 32609
karl.stoebich@3bankenit.at

3 Banken-Generali Investment-Gesellschaft m.b.H., Linz
Alois Wögerbauer
Phone +43/(0)732/7802 ext. 37424
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3-Banken Wohnbaubank AG, Linz
Erich Stadlberger
Phone +43/(0)732/7802 ext. 37550
erich.stadlberger@3banken-wohnbaubank.at
Gerald Straka
Phone +43/(0)732/7802 ext. 37221
gerald.straka@3banken-wohnbaubank.at

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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 4
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-4030 Linz – Kleinmünchen, Wiener Straße 382
A-4020 Linz – Neue Heimat, Wegscheider Straße 1 – 3
A-4020 Linz – Spallerhof-Bindermichl, Einsteinstraße 5
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 29
A-4050 Traun, Linzer Straße 12
A-4050 Traun – St. Martin, Leondinger Straße 2

Business Areas and Branches

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-4950 Altheim, Stadtplatz 14
A-5280 Braunau, Stadtplatz 40
A-5230 Mattighofen, Stadtplatz 16
A-4780 Schärding, Silberzeile 12

Main Branch Wels, 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
Martin Seiter, Phone: +43/(0)7612/62871 ext. 12, martin.seiter@oberbank.at (from 1 Jan. 2019)

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 1
A-4840 Vöcklabruck, Stadtplatz 31 – 33

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. Ybbs, Unterer Stadtplatz 17
A-2700 Wiener Neustadt, Wiener Straße 25
A-3910 Zwettl, Kuenringer Straße 3

Main Branch Vienna, A-1030 Vienna, 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-1120 Wien – Meidling, Meidlinger Hauptstraße 33 – 35
A-1070 Wien – Neubau, Neubaugasse 28 – 30
A-1140 Wien – Penzing, Linzer Straße 413
A-1010 Wien – Schottengasse, Schottengasse 2
A-1230 Wien – Süd, Laxenburger Straße 244
A-1180 Wien – Währing, Gersthofer Straße 10
A-1040 Wien – Wieden, Rilkeplatz 8
A-1100 Wien – Wienerberg, Wienerbergstraße 9
A-2120 Wien – Wolkersdorf, Wienerstraße 5
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

Regional Division Southern Germany, D-80333 München, Oskar-von-Miller-Ring 38
Robert Dempf, Phone: +49/(0)89/55989 ext. 201, robert.dempf@oberbank.de

Affiliated branches:
D-73430 Aalen, Bahnhofstraße 10
D-86150 Augsburg, Maximilianstraße 55
D-71032 Böblingen, Stuttgarter Straße 10
D-84307 Eggenfelden, Fischbrunnenplatz 11
D-73728 Esslingen, Küferstraße 29
D-79104 Freiburg, Merianstraße 16
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-88212 Ravensburg, Eichelstraße 14
D-93047 Regensburg, Bahnhofstraße 13
D-72764 Reutlingen, Gartenstraße 8
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

Regional Division Germany Central, D-90443 Nürnberg, Zeltnerstraße 1
Bernd Grum, Phone +49/(0)911/72367 ext. 10, bernd.grum@oberbank.de

Affiliated branches:
D-63739 Aschaffenburg, Weißenburger Straße 16
D-96047 Bamberg, Franz-Ludwig-Straße 7 a
D-95444 Bayreuth, Kanalstraße 17
D-09111 Chemnitz, An der Markthalle 3 – 5
D-64283 Darmstadt, Neckarstraße 12 – 16
D-01067 Dresden, Wallstraße 8
D-99084 Erfurt, Krämpferstraße 6
D-06108 Halle, Große Steinstraße 82 – 85
D-63450 Hanau, Nussallee 7a
D-74072 Heilbronn, Lohtorstraße 27
D-07743 Jena, Kirchplatz 6
D-04109 Leipzig, Dittrichring 18 – 20
D-68165 Mannheim, Friedrichsplatz 8
D-92318 Neumarkt i. d. Oberpfalz, Ringstraße 5
D-74523 Schwäbisch Hall, Neue Straße 19
D-97421 Schweinfurt, Schultesstraße 5 – 7
D-92637 Weiden, Sedanstraße 6
D-97070 Würzburg, Schweinfurterstraße 4

Regional Division Czech Republic, CZ-12000 Praha 2, nám. I.P.Pavlova 5
Filip Vavruška, Phone +420-224-1901 ext. 15, filip.vavruska@oberbank.cz

Affiliated Branches: CZ-11000 Praha 1 Klimentská 1246/1
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-18600 Praha 8 – Karlín, Křižíkova 52/53
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-77100 Olomouc, Dolni nám. 1
CZ-70200 Ostrava, Stodolní 1
CZ-39701 Písek, Budovcova 2530
CZ-30100 Plzeň, Prešovská 20
CZ-39001 Tábor, Pražská 211
CZ-40001 Ústí nad Labem, Hrnčířská 4
CZ-76001 Zlín, Osvoboditelů 91

Regional Division Hungary, H-1062 Budapest, Váci út 1 – 3
Peter Szenkurök, Phone: +36/(06)1/29829 ext. 37, peter.szenkuroek@oberbank.hu

Affiliated branches: H-1027 Budapest, Henger utca 2
H-1095 Budapest Dél, Soroksári út 30-32
H-1143 Budapest, Hungária körút 17 – 19
H-4026 Debrecen, Bem tér 14
H-9024 Gyõr, Hunyadi u. 16
H-6000 Kecskemét, Kisfaludy utca 8
H-3530 Miskolc¸ Mindszent tér 3
H-8800 Nagykanizsa, Erzsébet tér 23
H-7621 Pécs, Tímár u.2
H-6720 Szeged, Klauzál tér 2
H-8000 Székesfehérvár, Rákóczi út 1
H-9700 Szombathely, Berzsenyi Dániel tér 2

Regional Division Slovakia, SK-821 09 Bratislava, Prievozská 4/A
Yvonne Janko, Phone: +421/(02)/581068 ext. 10, yvonne.janko@oberbank.sk

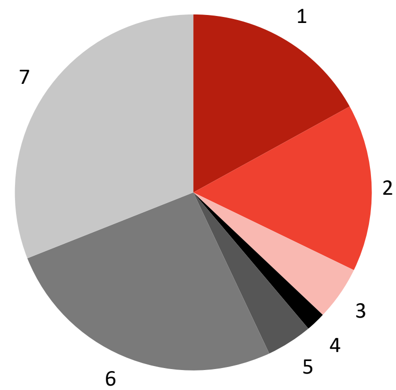
Affiliated branches: SK-949 01 Nitra, Mostná ulica 70
SK-010 01 Žilina, Jána Kalinčiaka 22

Service Information

Shareholders of 3 Banken Group by voting share

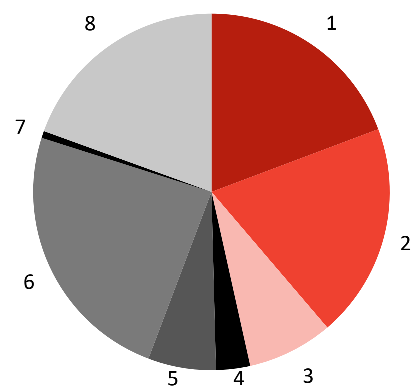
Oberbank

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	1.77%
5	Employees	4.14%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	25.97%
7	Free float	31.03%



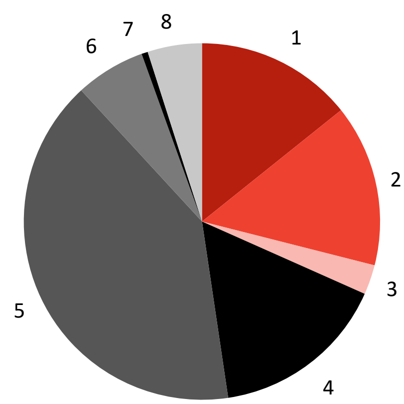
BKS

1	Oberbank AG, Linz	19.29%
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	19.45%
3	Generali 3 Banken Holding AG, Wien	7.77%
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	3.08%
5	UniCredit Bank Austria AG, Wien	6.14%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	24.16%
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	0.62%
8	Free float	19.47%



BTV

1	Oberbank AG, Linz	14.27%
2	BKS Bank AG, Klagenfurt	14.67%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.70%
4	Generali 3 Banken Holding AG, Wien	16.01%
5	CABO Beteiligungsgesellschaft m. b. H., Wien	40.51%
6	UniCredit Bank Austria AG, Wien	6.34%
7	BTV Privatstiftung, Innsbruck	0.56%
8	Free float	4.94%



There is a syndicate agreement with each of the shareholders shown in shades of red.

Publication Details

Media owner and publisher:

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Routing code: 15000
OeNB-ID No.: 54801
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Companies Register: FN 79063 w, District Court Linz.
VAT ID: ATU22852606
ISIN Oberbank ordinary shares: AT0000625108; ISIN Oberbank preference share: AT0000625132

Internet: www.oberbank.at; E-Mail: sek@oberbank.at

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Copy deadline: 18 March 2020

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Oberbank abstains from producing a resource-intensive printed version of the Annual Report.
The full version of the Bank's Annual Reports can be accessed on our website www.oberbank.at.

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. 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