Annual Report 2018

Oberbank

150 Years

Annual Report 2018

Table of contents

Oberbank at a Glance

Income statement in €m	2018	2017	Change
Net interest income	345.2	315.3	9.5%
Charges for losses on loans and advances	-25.6	-28.4	-9.9%
Net commission income	159.2	140.6	13.2%
Administrative expenses	-283.6	-266.2	6.5%
Profit for the period before tax	270.5	238.9	13.2%
Profit for the year after tax	225.6	200.5	12.5%

Balance sheet in € m	2018	2017	Change
Total assets	22,212.6	20,830.6	6.6%
Loans and advances to customers	15,883.0	14,760.3	7.6%
Primary funds	14,244.0	13,394.7	6.3%
of which savings deposits	2,684.1	2,719.0	-1.3%
of which securitised liabilities incl. subordinated debt capital	2,098.3	1,997.4	5.1%
Equity	2,797.9	2,466.8	13.4%
Customer funds under management	28,530.9	29,332.6	-2.7%

Regulatory capital in € m	2018	2017	Change
Common equity tier 1 capital	2,517.8	2,203.1	14.3%
Tier 1 capital	2,563.1	2,273.8	12.7%
Own funds	2,911.8	2,622.9	11.0%
Common equity tier 1 capital ratio	17.46%	16.50%	0.96% ppt
Tier 1 capital ratio	17.77%	17.03%	0.74% ppt
Total capital ratio	20.19%	19.64%	0.55% ppt

Performance indicators	2018	2017	Change
Return on equity before tax (RoE)	10.18%	10.06%	0.12% ppt
Return on equity after tax	8.49%	8.44%	0.05% ppt
Cost/income ratio	48.92%	49.90%	-0.98% ppt
Risk/earnings ratio (credit risk/net interest)	7.42%	9.01%	-1.59% ppt

Resources	2018	2017	Change
Average number of staff (weighted)	2,101	2,050	51
Number of branches	170	161	9

Oberbank's share	2018	2017	2016
Number of ordinary no-par 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 €	89.80/88.50	81.95/71.40	60.30/52.75
Low (ordinary/preference share) in €	82.00/72.50	60.36/52.00	52.57/37.70
Close (ordinary/preference share) in €	89.80/83.00	81.95/71.40	60.30/52.50
Market capitalization in € m	3,150.2	2,861.8	2,105.6
IFRS earnings per share in €	6.39	5.68	5.59
Dividend payout per share in €	1.10	0.90	0.65
P/E ratio, ordinary shares	14.1	14.4	10.8
P/E ratio, preference shares	13.0	12.6	9.4

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

Letter from the Chairman of the Management Board

FRANZ GASSELSBERGER

CEO Oberbank AG

Dear readers,

Oberbank is very happy to announce excellent earnings again in the year of its 150th anniversary: This is the ninth consecutive year in which we have achieved record earnings!

Despite the slight weakening of the economy in the course of the year, we achieved growth in all key business areas, thus surpassing the outstanding results of 2017.

Net profit before tax rose by 13.2% to EUR 270.5 million and after tax by 12.5% to EUR 225.6 million.

The volume of loans rose steeply by 7.6% to EUR 15.9 billion, and primary deposits by 6.3% to EUR 14.2 billion. Credit risk is at a very favourable level despite a strong rise in lending volumes.

Our capital ratios continued to perform very well: the tier 1 capital ratio (17.77%) and the total capital ratio (20.19%) are well above the mandatory levels.

The particularly attractive cost-to-income ratio of 48.9% is also evidence of our rigorous cost policy.

The financial magazine "Börsianer" awards Oberbank again to rankings

In 2018, the financial magazine "Börsianer" awarded Oberbank top rankings for the third time in a row. In 2016, we won in the category "Best Universal Bank", and in 2017 and 2018, we additionally won the designation "Best Bank" in the overall rating.

Our strong performance in a peer group comparison is evidence of the respect we enjoy in the general market.

150 years Oberbank – A very long time in the our fast-paced economy

In the past 150 years, we experienced many ups (and also downs) and have developed from a small regional bank for Upper Austria and Salzburg into an international bank with business activities in five countries. Today, we are one of the most prominent and successful banks in our region. I would like to briefly describe how we achieved this development. Join me on a short trip through time.

13 April 1869 was the founding day of the "Bank für Ober-Oesterreich und Salzburg" in Linz

At the time, general sentiment was extremely optimistic in Upper Austria. It was the era of industrialisation and the establishment of noteworthy industrial dynasties; infrastructure was built and expanded – above all railways – and with the founding of Oberbank, it became easier for Upper Austria's companies to participate in the economic boom.

First critical events in the crisis years of the 1920s

In 1920, the province of Upper Austria became a shareholder of Oberbank, followed by Bayerische Vereinsbank in 1921, and in 1929, Creditanstalt für Handel und Gewerbe (later CA) became the majority shareholder of Oberbank.

After World War II, CA reorganized its shareholdings in Oberbank, Bank für Kärnten and Bank für Tirol und Vorarlberg.

CA retained one third, and two thirds were returned to the three banks. This laid the foundation for the cooperative venture known as the "3 Banken Gruppe".

1955 was the start of an upswing in retail banking for Oberbank
By taking in deposits from private individuals and extending loans to this customer segments, the foundation was laid for Oberbank's equally strong foothold in both corporate and retail banking.

Starting in the 1970s, CEO Hermann Bell established the solid foundation on which Oberbank rests to this day.
In 1984, Hermann Bell together with the CEOS of the partner banks separated 3 Banken from the Creditanstalt and led it to independence. Independence was secured by a cooperation agreement with Generali and Wüstenrot with whom 3 Banken has established a successful cooperation up to now.
In 1986, an initial public offering opened the way to the capital market. This attracted many private investors and made it possible to carry out several highly successful capital increases.

Another milestone was the first expansion step outside of Upper Austria and Salzburg.
After going public in 1986, its independence made it possible to pursue new business and expansion strategies. We gradually moved into new market: Lower Austria, Vienna and Germany. This move also found expression in a name change. In 1998, the name was officially changed from "Bank für Oberösterreich und Salzburg AG" to "Oberbank AG".

In 1994, another major step was the establishment of the Oberbank employee share participation scheme.
Ever since, employees have been able to buy shares of Oberbank. Today, some 2,500 active and retired employees own shares with a value of EUR 100 million or almost 4% of voting shares and are the 5th largest shareholder of our Bank. This share was enlarged by the new Employee Participation Foundation for which EUR 20 million have been made available.

The success of the expansion in the 1980s encouraged us to move into other markets later on.
In 2004, we entered the Czech Republic, 2007 Hungary, 2009 Slovakia, and we planned another major move for 2018/2019. In 2018, we opened branches in Baden Württemberg and Saxony, and these two countries will be at the focus of our expansion activities in 2019 – in addition to Vienna.
In 2018, we founded eleven branches in Vienna, Germany, Czech Republic and Hungary. In 2019, nine new branches are planned for Germany. Therefore, we will have some 180 branches by the end of 2019 and will have reached the targets defined for the year 2020 already one year earlier.

The new independence 35 years ago initiated a phase of euphoria.
At the time, just like today, we did not want Oberbank to be just a small part of a large banking group. This was the origin of our vision: to preserve our autonomy and independence; to determine our fate on our own strength.
This vision has not lost any of its appeal. It is a source of support and orientation for all employees, from the management board to the works council. It illustrates what we work for every day and is one of the reasons we have been able to establish a strong position as an attractive alternative on the market.

Independence is a commitment and a challenge.
Independence means that we ourselves are responsible for our fate; that we cannot rely on anyone else and that we as a bank often have to swim against the current without giving up our vision, values or successful business model. Our success proves us right. Apparently, we have done more things right than wrong in the

way we run our banking business; on our own strength and with the fate we share as a member of the unique "3 Banken Gruppe".

Also after 150 years, we have to keep embarking on new endeavours.
Many of the values we considered a matter of course up to now are no longer valid: personal relationships in business seem to have become outdated and valuable long-standing relations are often sacrificed at the expense of short-term benefits. Trust and trustworthiness have become rare goods. However, Oberbank stands for the exact opposite. Our key assets are our credibility and the trust of our customers. This is why we offer constancy, because people want to be able to rely on things.

But reliability should not mean standstill.
We have to constantly question things, anticipate change and continue developing in order to avoid getting entrenched in the old.
In the past 20 years, the pace of change has accelerated enormously and we have developed a culture in which change is welcome and this has proven quite beneficial. We have always been a bit ahead of our times: we recognised and implemented changes faster than others, and we adapted more quickly.

This is why I am optimistic about our future, because strong regional banks like Oberbank will always have a place in the market.

Finally, on behalf of the entire Board of Oberbank, I would like to thank everyone who has made our success possible.
Our customers whose trust is our most valuable asset; our shareholders who stand for a solid, lasting and stable ownership structure; and our employees who also work a bit harder than others.
My special thanks also go to all members of the Supervisory Board. It is not only the top-most governing body, but an important advisor for the management on crucial matters.

Only constructive cooperation among all of these persons has made it possible for us to achieve exceptionally good earnings again. Let us continue together on this path of mutual trust and success.

Linz, in March 2019

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 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. the information on the mode of operation of the management boards and of the supervisory boards of these companies, on the measures to promote the underrepresented gender, 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 is also a strategic goal of Oberbank, and therefore, the establishment of effective corporate governance is a matter of course for us.
In its internal corporate governance principles, Oberbank takes guidance in this endeavour from the Guidelines of the European Banking Authority (EBA) on internal governance and from the rules of the Austrian Code of Corporate Governance.

Austrian Code of Corporate Governance / Declaration of Conformity

As a listed company, Oberbank is committed to the Austrian Code of Corporate Governance (ÖCGK), as amended. The Code of Corporate Governance is available for downloading from the website of Oberbank at www.oberbank.at and serves as valuable guidance for developing internal mechanisms and rules. The Supervisory Board of Oberbank gave 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 is also reviewed and confirmed by the Supervisory Board at each first meeting in March.

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

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

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

Rule 31 C: In compliance with legal requirements, the remuneration paid to the members of the Management Board is disclosed as a total amount for each Board member. For reasons of data protection and the privacy of the Management Board members, no breakdown is given of the remuneration of individuals in fixed and variable components. 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 twelve shareholder representatives elected by the Annual General Meeting, the upper limit of a maximum of ten recommended by the Austrian Working Group of Corporate Governance (ÖCGK) is only marginally exceeded; thus, efficient and effective performance of the tasks assigned to the Supervisory Board is guaranteed. Oberbank values the expert knowledge of its supervisory body comprising senior members and leading experts from the Austrian business community.

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

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

In the case of the fully consolidated companies (see also Chapter "Consolidated Financial Statements, note 40), apart from the managing directors of the direct leasing subsidiaries in Austria (Oberbank LEASING GESELLSCHAFT MBH, Linz; 3 Banken Kfz-Leasing GmbH, Linz), Germany (Oberbank Leasing GmbH Bayern, Neuötting), Czech Republic (Oberbank Leasing spol. s.r.o., Prague), Hungary (Ober Lizing Kft, Budapest) and Slovakia (Oberbank Leasing s.r.o., Bratislava), the mandates of the management boards, managing directors and, if required, supervisory boards are assumed by current Management Board members and heads of department of Oberbank or of one of the partner banks (e.g. 3 Banken Wohnbaubank AG).

Regular reports on the development of business of the operational subsidiaries are sent to the Management Board. These subsidiaries are also covered by the Group rules on money laundering and compliance.

Members of the Management Board

In the 2018 financial year, the Management Board of Oberbank consisted of three members.

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

CEO Franz Gasselsberger

Having obtained a doctorate in law from Paris-Lodron University in Salzburg, Franz Gasselsberger started his career at Oberbank in 1983. Parallel to his management function in the Bank's Salzburg operations, he completed the MBA program at the International Management Academy, earning an International Executive MBA degree.

In April 1998, the Supervisory Board appointed him to the Management Board of Oberbank AG; on 1 May 2002, he was appointed Board Spokesman; on 1 May 2005 he was designated Chairman of the Management Board with the title "Generaldirektor" (CEO).

In November 2007, the German Federal President appointed Franz Gasselsberger Honorary Consul of the Federal Republic of Germany in Upper Austria. 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

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

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

Josef Weißl, Management Board Member

Upon his graduation from the University of Linz, where he studied business administration and law, Josef Weißl started his career at Oberbank in 1983. Concurrently with his management function in the Bank's Salzburg operations, he completed the LIMAK General Management Programme in 2002 and the LIMAK MBA Programme in 2005.

The Supervisory Board appointed him to the Management Board of Oberbank AG in May 2005.

He is also a 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

Member of the Supervisory Board of CEESEG Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

none

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

Florian Hagenauer, Management Board Member

After graduation from the University of Vienna, where he studied business administration, Florian Hagenauer started his career at Oberbank in 1987. In 1987, he joined Oberbank where he worked in what was then the Foreign Business 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 he became Deputy Head of the Organisation department. He graduated from 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 international companies:

- Member of the Supervisory Board of Wüstenrot Wohnungswirtschaft registrierte Genossenschaft mit beschränkter Haftung
- Member of the Supervisory Board of Energie AG Oberösterreich

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.

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

Mode of operation of the Management Board

The Management Board has the obligation to uphold the interests of the company in its work in order to optimally achieve the sustainable value added defined in the corporate strategy for the benefit of all involved stakeholders. The mode of operation of the Management Board is defined by the legal framework and the Articles of Association in addition to the defined areas of competence in the Rules of Procedure of the Management Board.

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

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

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

Current Management Board Remits

CEO Franz Gasselsberger	Management Board Member Josef Weißl	Management Board Member Florian Hagenauer
General Business Policy		
Internal Audit		
Compliance		
Business and Service Departments		
CIF (Corporate & International Finance)	PKU (Personal Banking)	KRM (Credit Management)
GFM (Global Financial Markets)	PAM (Private Banking & Asset Management)	RIS (Strategic Risk Management)
HRA (Human Resources)		SEK (Corporate Secretary & Communication)
RUC (Accounts & Controlling)		ORG (Organisational Development, Strategy and Process Management)
		ZSP (Payment Systems and Central Production CEE[1)], securities settlement)
		BDSG[2)] (Payment Systems and Central Production)
Regional Business Divisions		
Linz Nord	Linz Süd	
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

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.

The remuneration policies of Oberbank provide 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 basic 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.

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

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

In compliance with the circular issued by the Austrian Financial Market Authority (FMA) in December 2012, the Remuneration Committee determined that Oberbank, on the basis of the parameters defined by the FMA (total assets), is to be viewed as a highly complex institution and that the guidelines on remuneration policies and practices are therefore fully applicable.
This implies that the variable remuneration component of Management Board members for the financial year 2018, the size of which is determined by the Remuneration Committee on the basis of the "Parameters for the assessment of variable remuneration components for Management Board members", is to be paid 50% in equity instruments and 50% in cash. The respective equity instruments are subject to a holding period of three years, and the portion that has to be deferred for a period of five years under paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors has to consist of equity instruments and cash in equal parts.
The total remuneration paid to the Management Board members in the reporting year was EUR 2,044,000, of which EUR 1,627,000 were attributable to fixed salary components and EUR 417,000 constituted variable remuneration components for the financial year 2017.

Total remuneration 2018:	Franz Gasselsberger	EUR 958,000
	Josef Weißl	EUR 584,000[1)]
	Florian Hagenauer	EUR 502,000[1)]

1) Including pension fund contributions

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 have been in compliance with the limits 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 of the Austrian Code of Corporate Governance.

All members of the Management Board and the Supervisory Board are covered by a Directors and Officers Insurance policy, the costs of which are borne by the Company.
In the case of fully consolidated companies (see Chapter "Consolidated Financial Statements, note 40), only the direct leasing subsidiaries in Austria (incl. car leasing), Germany, Czech Republic, Hungary and Slovakia have managing directors that receive remunerations worthy of mention.
In the risk identification process, these were identified as risk buyers and were analysed by the Remuneration Committee regarding their variable remuneration.
Given the low volume of variable remuneration, which is below the relevant threshold defined by the FMA, and the very restricted scope of autonomous decision-making powers, the payout methods defined in paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors do not apply. One part of the variable remuneration was set aside for five years for the concerned employee.

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 Austrian Code of Corporate Governance, all Supervisory Board mandates and similar functions in domestic and international listed companies are listed here.

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

Presidency:

Herta Stockbauer 1960 / 13 May 2014 / AGM 2019

Vice Chairwoman of the Supervisory Board of Bank für Tirol und Vorarlberg AG
Member of the Supervisory Board of Österreichische Post Aktiengesellschaft
Member of the Supervisory Board of SW Umwelttechnik Stoiser & Wolscher AG
Member of the Supervisory Board of Österreichische Kontrollbank Aktiengesellschaft
Member of the Supervisory Board of Einlagensicherung AUSTRIA Ges.m.b.H.

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 Supervisory Board of BKS Bank AG
Chairman of the Supervisory Board of Silvretta Montafon Holding GmbH
Vice Chairwoman of the Supervisory Board of Moser Holding Aktiengesellschaft

Representatives of shareholders:

Wolfgang Eder 1952 / 9 May 2006 / AGM 2021
Chairman of the Supervisory Board of voestalpine High Performance Metals GmbH
Chairman of the Supervisory Board of voestalpine High Performance Metals GmbH
Chairman of the Supervisory Board of voestalpine Metal Forming GmbH
Chairman of the Supervisory Board of voestalpine Stahl GmbH
Chairman of the Supervisory Board of Infineon AG (München)

Gregor Hofstätter-Pobst 1972 / 16 May 2017 / AGM 2020
Chairman of the Supervisory Board of UNIVERSALE International Realitäten GmbH
Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg AG
Chairman of the Supervisory Board of BKS Bank AG
Chairman of the Supervisory Board of BKS Bank AG
Chairman of the Supervisory Board of DC Bank AG

Stephan Koren (from 15 May 2018) 1957 / 15 May 2018 / AGM 2020
Chairman of the Supervisory Board of BWA Beteiligungs- und Verwaltungs-Aktiengesellschaft
Chairman of the Supervisory Board of Bausparkasse Wüstenrot Aktiengesellschaft
Vice Chairman of the Supervisory Board of Wüstenrot Versicherungs-Aktiengesellschaft

Barbara Leitl-Staudinger 1974 / 13 May 2014 / AGM 2022

Alfred Leu 1958 / 18 May 2016 / AGM 2021
Member of the Supervisory Board of BAWAG P.S.K. Versicherung AG
Member of the Supervisory Board of Europäische Reiseversicherung Aktiengesellschaft
Member of the Supervisory Board of FK Austria Wien AG
Member of the Supervisory Board of Generali Bank AG

Peter Mitterbauer 1942 / 15 April 1991 / AGM 2020

Karl Samstag 1944 / 22 April 2002/AGM 2022
Member of the Supervisory Board of BKS Bank AG
Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg AG
Member of the Supervisory Board of Karl Handl Familien Beteiligung GmbH
Member of the Supervisory Board of SIGNA Prime Selection AG
Member of the Supervisory Board of VAMED Aktiengesellschaft

Barbara Steger 1980 / 13 May 2014 / AGM 2022

Herbert Walterskirchen *(until 15 May 2018)* 1937 / 20 May 1997 / AGM 2020

Martin Zahlbruckner 1966 / 18 May 2016 / AGM 2021
Chairman of the Supervisory Board of Wattenser gemeinnützige Wohnungs-Verwaltungs-Gesellschaft m.b.H.

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 Dept.
Stefan Prohaska, first delegated: 28 March 2013; Oberbank Salzburg-Taxham (until 31 Dec. 2018)
Herbert Skoff, first delegated: 28 March 2011; Oberbank Wien (until 15 May 2018)

State Commissioners:
Angelika Schlögel, State Commissioner, appointed as of 1 August 2017
Jutta Raunig, Deputy State Commissioner appointed as of 1 July 2017

Mode of operation of the Supervisory Board
The Supervisory Board consists of twelve elected shareholder representatives and six staff representatives delegated by the Works Council.
The Supervisory Board held four regular meetings in the financial year 2018 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 Austrian Code of Corporate Governance).

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

In order to accomplish its extensive tasks, the Supervisory Board establishes a certain number of committees that include the relevant experts who deal with the topics defined by law, the Articles of Association or 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 and Credit Committee, an Audit Committee, a Nomination Committee and a Remuneration Committee. Their members are elected by the full Supervisory Board from among the shareholder representatives and supplemented by the required number of members from among staff representatives.

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

Audit Committee

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

With the entry into force on 17 June 2016 of the new Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public interest entities, the Audit Committee was assigned additional monitoring obligations regarding auditor independence; the Audit Committee also discussed this topic at its meetings of 20 March 2018 and 20 September 2018.

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. In the report to the Audit Committee at its meeting of 20 September 2018, the bank auditor confirmed that the risk management system set fully functional in all material aspects.

<u>Committee Members:</u>
Ludwig Andorfer (Chairman), Herta Stockbauer, Gerhard Burtscher, Herbert Walterskirchen (until 15 May 2018), Stephan Koren (from 15 May 2018), Alfred Leu, Wolfgang Pischinger, Alexandra Grabner, Susanne Braun (from 15 May 2018), Herbert Skoff (until 15 May 2018)
With Ludwig Andorfer, Herta Stockbauer, Gerhard Burtscher and Stephan Koren, four committee members have specialist knowledge and practical experience in banking operations in the areas of finance and accounting (financial experts).

Working Committee
The Working Committee takes decisions on matters of special urgency which are not assigned to either the plenary meeting of the Supervisory Board or the Risk and Credit Committee under the Rules of Procedure. These include, in particular, the acquisition and divestment of shareholdings of significant size and the acquisition, sale or encumbrance of real estate and investments exceeding defined threshold amounts, which are exactly specified in the Rules of Procedure of the Management Board and the Supervisory Board. In urgent matters requiring prompt decisions, the Working Committee, in accordance with the Articles of Association, exercises its decision-making power by resolutions reached by written 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 2018, the Working Committee approved seven time-critical resolutions.
Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.
For all decisions usually reached by written circular due to urgency, Oberbank relies on the banking expertise of the members of the Working Committee.

<u>Committee Members:</u>
Ludwig Andorfer (Chairman), Herta Stockbauer, Gerhard Burtscher, Herbert Walterskirchen (until 15 May 2018), Stephan Koren (from 15 May 2018), Wolfgang Pischinger, Susanne Braun (from 15 May 2018), Herbert Skoff (until 15 May 2018)

Risk and Credit Committee
The approval of the Risk and Credit Committee is required for every loan exceeding the threshold amount specified in the Rules of Procedure of the Management Board unless such loan is approved directly by the full Supervisory Board at one of its meetings. Large exposures in the meaning of Article 392 of EU Regulation No. 575/2013 (CRR) must be presented to the Supervisory Board and the Credit Committee for a decision.
In urgent matters requiring prompt decisions, the Credit and Risk Committee, in accordance with the Articles of Association, exercises its decision-making power by resolutions reached by written circulation, and, in

addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone.
In 2018, the Risk and Credit Committee approved 57 time-critical resolutions. It also dealt with direct applications subsequently approved by the plenary meeting of the Supervisory Board.
Business matters decided by the Risk and Credit Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

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

- Advising the Management Board with respect to the current and future risk appetite and risk strategy of the credit institution;
- Monitoring implementation of the risk strategy in connection with the management, monitoring and containment of risks pursuant to § 39 (2b) nos. 1 to 14, with capital adequacy and with liquidity;
- Reviewing the pricing policy for the services and products offered by the credit institution to check if it adequately takes the business model and risk strategy of the credit institution into account, and if necessary, presenting a plan for remedial measures;
- Regardless of the tasks of the Remuneration Committee, conducting checks to ascertain whether 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), Ludwig Andorfer, Gerhard Burtscher, Wolfgang Pischinger, Susanne Braun (from 15 May 2018), Herbert Skoff (until 15 May 2018)
Apart from the Chairwoman, who prior to her appointment as Chairwoman of BKS Bank was board member for risk management there, Ludwig Andorfer, former board member for back office, and Gerhard Burtscher as board member of Oberbank also have the required expertise for monitoring implementation of the Bank’s risk strategy as required by law.

Nominations Committee

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

- Find candidates for appointment to any vacant positions on the Management Board and present the relevant proposals to the Supervisory Board;
- If required by the respective legal form of the credit institution, provide support to the Supervisory Board in preparing proposals for the Annual General Meeting for appointments to vacant positions on the Supervisory Board;
- Within the scope of its tasks pursuant to nos 1 and 2, consider a balance and the differences in the levels of knowledge, skills and experience of all members of a relevant entity, prepare a description of the tasks and an applicant job profile and state the time required for the tasks;

- Within the scope of its tasks pursuant to nos. 1 and 2, define a target ratio for 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 as is contrary to the interests of the credit institution;
- Regularly, in any case when events occur that indicate the need for a re-assessment, evaluate the structure, size, composition and performance of the Management Board and the Supervisory Board, and, if necessary, present proposals for changes to the Supervisory Board;
- Regularly, in any case at least yearly, conduct an assessment of the knowledge, skills and experience of both the Management Board members and of each of the members of the Supervisory Board as well as of the respective body as a whole and report its findings to the Supervisory Board;
- Review the course of the Management Board with respect to the selection of senior management staff and support the Supervisory Board in preparing recommendations for the Management Board.

Among other things, the Nomination Committee regulates the relations between the company and the members of the Management Board, submits proposals regarding appointments to (to be vacated) Management Board positions and takes care of addressing succession planning issues. The full Supervisory Board takes decisions on these proposals.
In November 2013, the Nomination Committee, in compliance with the statutory provisions applicable from 1 January 2014, by a resolution through written circulation, among other things, worked out task descriptions and applicant profiles for Management Board and Supervisory Board members to be newly appointed, defined a target quota for women on the Management Board and the Supervisory Board and developed strategies to attain the target quota. Any need for adjustments is evaluated at the annual meetings.
The new members of the Supervisory Board were assessed by the Nomination Committee at its meeting of 19 March 2018 based on these applicant profiles and the candidates were deemed excellently qualified for their tasks on the Supervisory Board of Oberbank.

Committee Members:
Herta Stockbauer (Chairwoman), Ludwig Andorfer

Remuneration Committee
The Remuneration Committee performs the tasks assigned to it by law. In this function, the Committee defined the basic parameters of the Bank's remuneration policy and performing a proportionality analysis documented in writing with respect to the members of the Management Board and with respect to the proportionality principles laid down in § 39b of the Banking Act and the appertaining Annex, are recognised as falling under the remuneration policy provisions laid down in § 39b of the Banking Act, and also determined the parameters for the measurement and review of variable remunerations.
In compliance with the relevant legal provisions, the Remuneration Committee annually examines the practical implementation of the remuneration policy approved by the Committee and reports on the result to the full Supervisory Board at its next meeting.
In November 2013, the Remuneration Committee adjusted the proportionality assessment process in compliance with the statutory regulations applicable from 1 January 2014.

At its meeting of 29 March 2016, the Remuneration Committee identified the group of persons to which the Remuneration Guidelines apply based on the policy implemented for the identification of risk buyers pursuant to Delegated Regulation (EU) No. 604/2014. Due to the low volume of variable remuneration offered to employees at the level below the Management Board with an impact on the risk profile of the Bank, the payout methods apply only to the Management Board in accordance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors.
The new EBA Guidelines for sound remuneration policies (EBA/GL/2015/22) that entered into force on 1 January 2017 have already been integrated into the Remuneration Policy of Oberbank. Due to the very sound remuneration policy already in place at Oberbank, the material effects of these Guidelines are limited in their implementation for Oberbank.

Committee Members:
Herta Stockbauer (Chairwoman), Ludwig Andorfer, Herbert Walterskirchen (until 15 May 2018), Stephan Koren (from 15 May 2018), Wolfgang Pischinger
Based on her many years of experience as head of department and bank manager, the Chairwoman has sufficient expert knowledge and experience in remuneration policy. She is supported by two long-serving managers who also have vast experience in this area.

Remuneration of the Supervisory Board
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 set the annual emoluments per committee member effective as of the financial year 2017 at EUR 6,000 for the members of the Audit Committee and the Risk and Credit Committee per person and year, at EUR 3,000 per person and year for the members of the Remuneration Committee, at EUR 2,000 per person and year for the members of the Working Committee, and at EUR 1,000 per person and year for the members of the Nomination Committee.
There is no separate attendance fee for committee members.

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

Remuneration in € for FY 2018	Supervisory	Committees	Attendance	Meetings
Herta Stockbauer	24,000	18,000	600	42,600
Ludwig Andorfer	20,000	18,000	600	38,600
Gerhard Burtscher	20,000	14,000	600	34,600
Wolfgang Eder	18,000		300	18,300
Gregor Hofstätter-Pobst[1)]	0		0	0
Alfred Leu[2)]	18,000	6,000	600	24,600
Peter Mitterbauer	18,000		600	18,600
Karl Samstag	18,000		600	18,600
Herbert Walterskirchen (until 15 May2018)	18,000	11,000	600	29,600
Stephan Koren (from 15 May 2018)	0	0	0	0
Barbara Leitl-Staudinger	18,000		600	18,600
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) This remuneration or attendance fees go to Generali Holding Vienna AG due to an internal group rule.

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

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

In compliance with Rule C 53 of the Austrian Code of Corporate Governance, the Supervisory Board has defined the following criteria to ensure its members' independence; the criteria can be found at www.oberbank.at:

- A Supervisory Board member shall be considered independent if he or she has not served as a member of the Management Board or as a management staff member of the Company or one of its subsidiaries in the past three years. A previous Management Board mandate shall not be deemed to qualify a person as lacking independence, above all, when considering all of the circumstances set out in § 87 (2) Joint Stock Companies Act there is no doubt as to the independent exercise of the mandate.
- The Supervisory Board member shall not maintain or have maintained, in the past year, any business relations with the company or one of its subsidiaries to any extent of significance for such member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a material economic interest. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is qualified as not being independent. The conclusion or existence of agreements with the Company that are customary in banking shall not be deemed to prejudice the Supervisory Board member's independence.
- The Supervisory Board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the management board of another company in which a member of the Management Board of the company is a supervisory board member unless the two companies are part of the same group or are associated with one another through a shareholding.
- The Supervisory Board member shall not be closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) to a member of the Management Board who holds one of the aforementioned positions.

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

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

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

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

Status as at 31/12/2018

Governing body	Number of women	Number of men	Minority ratio
Management Board	0	3	0%
Supervisory Board (shareholder represen.)	3	9	25%
Supervisory Board (employee represen.)	4	2	66%

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

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

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

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

In accordance with the one-third parity rule, six employee representatives are on the Supervisory Board of the Bank, these being four women and two men from various areas of the Bank, including one person from the Central Works Council exempted from work to represent employee interests and persons from the sales and internal audit departments.

As regards compliance with the statutory ratio requiring at least 30% women and at least 30% men on the Supervisory Board, the shareholder representatives and employee representatives agreed at the AGM meeting of 25 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 18 = 5.4; rounding to 5 permitted), and is currently 39%.

Target ratios and implementation strategy

Second-level management positions

The project initiated in 2011 “Zukunft Frau 2020” in which Oberbank also aimed for certification as a family-friendly company was officially completed in 2018.

The parts of the project that remain in place include financial support for childcare (also during the holiday months), the opportunity for staff on childcare leave to participate in further education events, targeted careers development for women, flexible working time and work organisation models to ease women's return to work, home office offers and special seminars for women as (potential) executives.

Certification as a family-friendly company that was started in 2011 with the “Grundzertifikat Audit berufundfamilie” (“Basic Certificate Audit berufundfamilie”) by the Federal Ministry for Economy, Family and Youth and awarded for a period of three years continues to be externally evaluated by TÜV SÜD Landesgesellschaft Österreich GmbH. In 2014 and 2017, this government quality certificate was awarded for a further three years in each case.

As at 31 December 2018, the Oberbank Group (including Leasing) employed 93 women in executive positions (up to team leader level); this corresponds to a share of 22.1% (2017: 88 women or 21.67%).

Due to a development that lagged behind expectations because of the age structure of the three board members and one third of the second level management staff, and because a generation change had to be prepared in the upcoming years, the project “Gender Balance - Next Generation” was conducted in 2018 with external support.

Within the scope of this project, a detailed survey was made for the first time about which management positions would have to be filled with successors in the coming years in each of the departments.

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

This quota mechanism is supported by a wide range of measures in recruiting, sabbatical and development management as well as internal and external communication.

Management Board

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

The goal envisaged by the Nominations Committee is 25% (for a 4-person Board) or 33% (if the 3-person Board is retained).
With a view to in-house management grooming for management board positions, but also for any new Board members coming from outside, the Nominations Committee has prepared job descriptions and applicant profiles for the Board members responsible for both sales and the back office matters; in the event of potential being developed from the Bank's own ranks, these can also serve as guidelines for development.
The priority defined for women candidates in the recruiting process when the qualifications are the same will also apply here as well.

Supervisory Board (shareholder representatives)

When filling expiring mandates, the Chair of the Supervisory Board and the Nominations Committee of Oberbank always endeavour to find qualified women to take on Supervisory Board mandates.
Since the target quota of 25% was defined in 2013 – at the time there was one woman on the board as a shareholder representative – this figure has increased to three, 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 also for the representatives of the capital lastingly despite the agreement defining an overall view that includes employee representatives.

Supervisory Board (employee representatives)

Since 2018, two thirds of the employee representatives on the Supervisory Board have been women.

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

In accordance with Rule 62 of the Austrian Code of Corporate Governance, the Supervisory Board assigned KPMG in 2017 the task of evaluating Oberbank AG's compliance with the C Rules of the Austrian Code of Corporate Governance in accordance with C Rule 62 of the Austrian Code of Corporate Governance on the basis of the Corporate Governance Report for the financial year 2016 and to assess if the statement of compliance by the Management Board presented an essentially true view of the implementation and compliance with the relevant C Rules of the Austrian Code of Corporate Governance.

Audit activities:

- Interviews of persons responsible for reporting on compliance with the Austrian Code of Corporate Governance;

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

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

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

Linz, 5 March 2019
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

Investor Relations and Compliance

Share and shareholder structure

Oberbank's top priority is to safeguard its independence. This is achieved by securing robust earnings, pursuing a sound risk policy and having shareholders committed to preserving the independence of Oberbank.
No single shareholder of Oberbank AG is in a position to acquire a direct or indirect controlling interest. A syndicate agreement between BKS, BTV and Wüstenrot Genossenschaft specifically aims at ensuring Oberbank's independence. Further stabilising elements of the shareholder structure is the fact that the employees also own shares and the long-standing relations with business partners like Wüstenrot and Generali.

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

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

Oberbank shares hit all-time high in 2018

In 2018, ordinary shares reached a record level of EUR 89.80 on 21 December 2018, while preference shares were quoted at EUR 88.50 on 2 October 2018.
Annual performance (price trend and dividend) was + 10.7% for ordinary shares in 2018 and + 17.5% for preference shares. Market capitalisation of Oberbank AG was EUR 3,150.2 million at the end of 2018, as compared to EUR 2,861.8 million at the end of the preceding year, which is an increase in the company’s value by 10.1%.

Oberbank shares – key figures	2018	2017	2016
Number of ordinary no-par 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 €	89.80/88.50	81.95/71.40	60.30/52.75
Low (ordinary/preference share) in €	82.00/72.50	60.36/52.00	52.57/37.70
Close (ordinary/preference share) in €	89.80/83.00	81.95/71.40	60.30/52.50
Market capitalization in € m	3,150.2	2,861.8	2,105.6
IFRS earnings per share in €	6.39	5.68	5.59
Dividend payout per share in €	1.10	0.90	0.65
P/E ratio, ordinary shares	14.1	14.4	10.8
P/E ratio, preference shares	13.0	12.6	9.4

Oberbank ordinary shares have been listed on the Vienna Stock Exchange since 1 July 1986. Ever since, the value of the share has risen steadily: Shareholders who acquired Oberbank shares in 1986 and participated in all capital increases have achieved an average yield of 9.6% per year (before withholding tax) and taking into account dividend distributions.

Attractive valuation, constant dividends

Earnings per share rose significantly in 2018 from EUR 5.68 to EUR 6.39. Based on the shares' closing prices, the price/earnings ratio (PER) for ordinary shares was 14.1, and for preference shares 13.0.
At the 139th Annual General Meeting on 14 May 2019, the Board will recommend a dividend payout of EUR 1.10 per qualifying share; this is EUR 0.20 higher than in the preceding year.

Oberbank shareholder structure at 31/12/2018	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	3.94%	3.77%
CABO Beteiligungsgesellschaft m. b. H., Vienna	25.97%	23.76%
Free float	31.23%	35.99%

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 2018, Oberbank published one such disclosure.

Investor Relations Contact:

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www.oberbank.at

Financial Calendar 2019	
Publication of the annual financial statements in the official gazette “Wiener Zeitung”	25 March 2019
Record date in respect of Oberbank shares	4 May 2019
Annual General Meeting	14 May 2019
(Dividends) ex day	20 May 2019
Record date dividend	21 May 2019
Dividend distribution date	22 May 2019
Publication of quarterly reports	
Q1	15 May 2019
HY1	30 Aug. 2019
Q1-3	29 Nov. 2019

138th Annual General Meeting of Oberbank on 15 May 2018 / resolutions passed

Agenda item 2 Resolution on the use of the net profit for financial year 2017
YES: 25,573,785 votes; NO: 0 votes; ABSTENTIONS: 0 votes

Agenda item 3 Resolution on the discharge of the Management Board for the financial year 2017
YES: 25,552,705 votes; NO: 564 votes; ABSTENTIONS: 0 votes

Agenda item 4 Resolution on the discharge of the members of the Supervisory Board for the financial year 2017
YES: 24,677,137 votes; NO: 2,347 votes; ABSTENTIONS: 0 votes

Agenda item 5 Supervisory Board elections

Alfred Leu: YES: 25,454,397 votes; NO: 1,783 votes; ABSTENTIONS: 0 votes

Martin Zahlbruckner: YES: 25,454,397 votes; NO: 1,783 votes; ABSTENTIONS: 0 votes

Stephan Koren: YES: 25,456,180 votes; NO: 0 votes; ABSTENTIONS: 0 votes

Agenda item 6 Appointment of the bank auditor for the financial year 2019

YES: 25,437,406 votes; NO: 0 votes; ABSTENTIONS: 18,348 votes.

Agenda item 7 Resolution regarding the revocation of the authorisation passed by the 136th Annual General Meeting on 18 May 2016 for the repurchase of own shares pursuant to Article 65 (1) no 4 Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase, within a period of 30 months from the date of the resolution taken by the 138th Annual General Meeting and to the extent of up to 5% of the share capital, own shares to be offered to the staff, top executives and members of the Management Board or the Supervisory Board of the company or an associated company pursuant to Article 65 (1) no 4 Austrian Joint Stock Companies Act.

YES: 25,411,157 votes; NO: 41,841 votes; ABSTENTIONS: 19 votes

Agenda item 8 Resolution regarding the revocation of the authorisation passed by the 136th Annual General Meeting on 18 May 2016 for the repurchase of own shares pursuant to Article 65 (1) no 7 Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase, to the extent of up to 5% of the share capital within a period of 30 months from the date of the resolution taken by the 138th Annual General Meeting for the purpose of trading pursuant to Article 65 (1) no 7 Austrian Joint Stock Companies Act.

YES: 25,454,585 votes; NO: 0 votes; ABSTENTIONS: 19 votes

Agenda item 9 Resolution regarding the revocation of the authorisation passed by the 136th Annual General Meeting on 18 May 2016 for the repurchase of own shares pursuant to Article 65 (1) no 8 of the Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase own shares without a specified purpose to the extent of up to 10% of the share capital pursuant to Article 65 (1) no 8 Austrian Joint Stock Companies Act within a period of 30 months from the date of the resolution taken by the 138th Annual General Meeting.

YES: 25,453,335 votes; NO: 0 votes; ABSTENTIONS: 19 votes

Agenda item 10: Resolution on the supplement to § 4 of the articles of association – issuance of instruments of common equity tier 1 capital pursuant to § 26a Banking Act (non-voting instruments)

YES: 25,453,478 votes; NO: 0 votes; ABSTENTIONS: 19 votes

Agenda item 11 Resolution regarding the amendment to § 11 (1) of the articles of association (supervisory board).

YES: 25,452,865 votes; NO: 0 votes; ABSTENTIONS: 19 votes

Directors' Dealings

Persons discharging managerial responsibilities within an 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 58 such reports through the euro-adhoc-system in 2018.

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 an 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 and watch lists, areas of confidentiality, and the register of conflicts of interest. This IT tool thus enables the professional management of (potential) securities compliance incidents by documenting all incidents seamlessly, centrally and without delay.

Oberbank also has an extensive internal set of rules and regulations on compliance in place. 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 company 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 training courses on a regular basis. The training courses include mandatory annual e-learning courses as well as the relevant 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 the Securities Compliance Audits

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

In the year 2018, Oberbank did not report any suspicious securities orders or trades to the Financial Market Authority (FMA) on the grounds of market abuse.

Money laundering

Oberbank AG is committed to the comprehensive fight against money laundering and terrorism financing. If, on the basis of the relevant list of predicate offences of § 165 Criminal Code (money laundering), there is a case of suspected money laundering, this shall result in an immediate notification of suspicious activities to the competent authority. The internal processes at Oberbank require the termination of the business relationship with the customer reported. A number of extensive automated and manual audit processes are in place at Oberbank to recognize such cases. In 2018, Oberbank notified 52 cases of suspected money laundering in Austria to the competent authority. Furthermore, in the meaning of an enhanced due diligence, the AML Officer must conduct an extensive manual ex ante audit: With respect to the execution of diverse transactions with higher AML risk, for example, due to the place of residence, venue of registered office, the ownership and investee structure, the legal form and the nature of the customer (e.g. PEP), the approval of the AML Officer is required. In many transactions requiring AML approval, it is also necessary to obtain the approval of the Chief Risk Officer of Oberbank.

The detailed guidelines are known to all employees and they attend regular training courses on these topics. Moreover, compliance withe processes is ensured by an independent central account office. The account office only activates an account when all conditions are met.

The efficient compliance with all anti-money laundering tasks is reviewed once yearly by the internal audit department as well as half-yearly by an auditor. Compliance and AML risks are evaluated in the relevant risk analyses conducted, and adequate measures are taken to mitigate risk at the company, customer and transaction levels.

A major concern of Oberbank is to train all staff members in the prevention of money laundering and terrorism financing, with the training having varying degrees of intensity depending on the risk level. The training is accomplished through specific e-learning modules and webinars as well as through seminars and roadshows on specific topics (onsite training by the Compliance Department for all employees in the financial years 2017, 2018 and 2019).

Group Management Report

Global economy grows by 3.7%

The global economy grew at around same pace as in the preceding year at +3.7% in 2018.

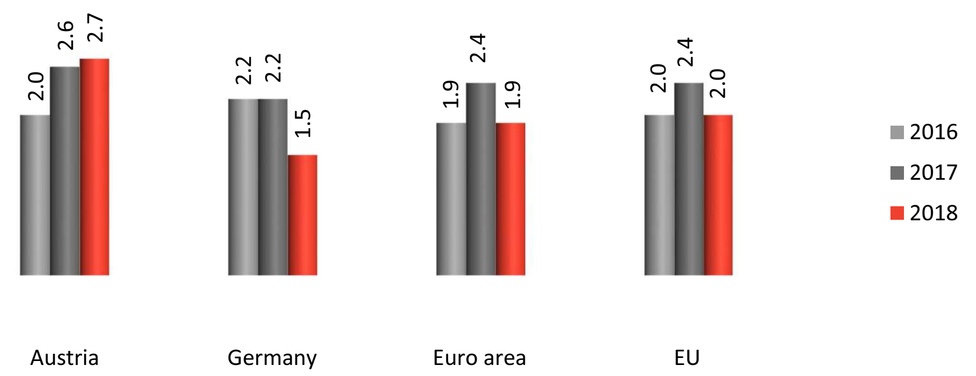
The US economy expanded by 2.9%, which is much higher than in the previous year (2.2%), while China's economy slowed to 6.6% year on year despite a nominally high growth rate (+6.9%).

European Union with a GDP growth rate of 2.0% did slightly better than the euro area (1.9%)

In the euro area, economic growth was 1.9% in 2018 and thus not as strong as in 2017 (2.4%), and also in the entire EU (2.0% vs. 2.4%). Economic growth trends were relatively strong in the member states of Central and Eastern Europe.

Germany's economic growth was clearly below the average of the euro countries at 1.5%, while Austria's economy grew by 2.7% in 2018, thus faster than the average.

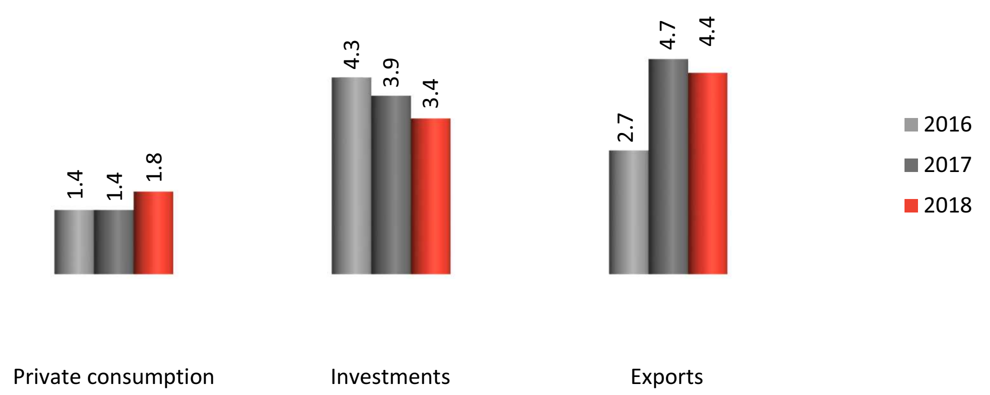
GDP growth in %



Austria's economy grew by 2.7% in 2018

Growth was driven primarily by spending on capital goods (+3.4% vs. +3.9%) and by exports (+4.4% vs. +4.7%). Private consumption continued to be subdued at + 1.8% (vs. + 1.4%).

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



Interest rates stay at low levels

The US central bank, the Fed, raised the federal funds rate in 2018 in four steps (22 March, 14 June, 27 September, 20 December) by 0.25 percentage points each time until the range was 2.25% to 2.50%. The ECB left key lending rates unchanged at 0.00 in the reporting year.

Money market and capital market rates also stayed at very low levels in 2018.

The annual average for the 3-month Euribor was -0.32% and the 3-month USD Libor was 2.31%. The 10-year SWAP rate for the euro was on average 0.96% and for the USD 2.93% in 2018.

Currency trends

The EUR/USD exchange rate rose from 1.22 (January average) to 1.14 (December average) in 2018. On an annual average, the exchange rate was slightly higher at 1.18 than in the previous year (1.13).

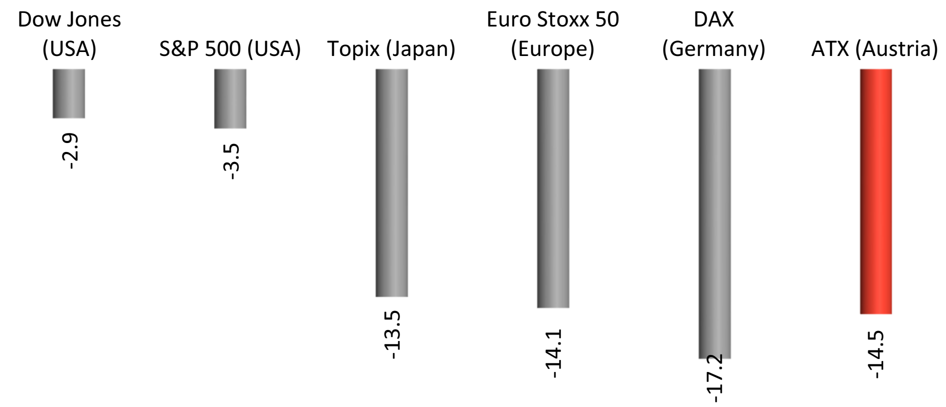
The EUR/CHF exchange rate came to 1.16 on average, which is slightly above last year's average of 1.11.

International stock markets anticipate weakening economy

In 2018, stock markets experienced a steep downturn.

The US Dow Jones Index and the S&P 500 advanced in the first three quarters of 2018 before reversing downwards in Q4 due to a cooling economy. The drops seen in the European indices started around mid-year, because apart from BREXIT, Italy's debt problems and the difficulties of the German automotive industry, Europe's heavily export-oriented industry suffered from the international trade conflicts originating in the US.

Stock market index trends, Dec. 2017 – Dec. 2018, in %



General Information on Reporting

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

The Oberbank group of consolidated companies

Besides Oberbank AG, the group of consolidated companies in 2018 included 36 domestic and 18 foreign subsidiaries.

Compared to 31 December 2017, the group of consolidated companies changed as follows:

- Foundation of Oberbank Ennshafen Immobilienleasing GmbH, Linz (this entailed an increase by €k 4,433 in the item Other liabilities, an increase in Receivables from customers by €k 8 and an increase by €k 7,080 in Other assets).
- Establishment of Oberbank Wien Süd Immobilienleasing GmbH, Linz (this entailed an increase by €k 1 in Other liabilities and no changes to Loans and advanced to customers and to an increase in Other assets by €k 4);
- Liquidation of TUELLA Finanzierung GmbH, Linz (this did not result in any changes to Other liabilities and to a change in Other assets by €k 263).

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

Besides Drei-Banken Versicherungsagentur GmbH (formerly Drei-Banken Versicherungs-Aktiengesellschaft), BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for in the consolidated financial statements according to the equity method.

Not included in the group of consolidated companies were 23 subsidiaries and 15 associated companies, which have no significant influence on the group's assets and its financial and earnings position.

Segmentation

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

In regional terms, the 170 branch offices of Oberbank are spread over the following markets: Austria (99 branches), Germany (34), Czech Republic (21), Hungary (13) and Slovakia (3).

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

Oberbank once again achieved outstanding earnings in the financial year 2018.

Net profit for the year before tax went up by 13.2% to EUR 270.5 million. Net profit after tax rose by 12.5% to EUR 225.6 million due to the higher taxation by 17.1% in the preceding year.

IFRS consolidated income statement in €m	**2018**	**2017**	**Change**
Net interest income	345.2	315.3	9.5%
Investments in entities accounted for by the equity method	83.1	72.2	15.1%
Charges for losses on loans and advances	-25.6	-28.4	-9.9%
Net commission income	159.2	140.6	13.2%
Net trading income	5.3	9.9	-46.4%
Administrative expenses	-283.6	-266.2	6.5%
Other operating income	-13.2	-4.5	> 100.0%
Profit for the year before tax	**270.5**	**238.9**	**13.2%**
Income taxes	-44.9	-38.4	17.1%
Net profit for the year after tax	**225.6**	**200.5**	**12.5%**
of which attributable to the owners of the parent company and the owners of additional equity	224.9	200.1	**12.4%**
of which attributable to non-controlling interests	0.7	0.5	44.4%

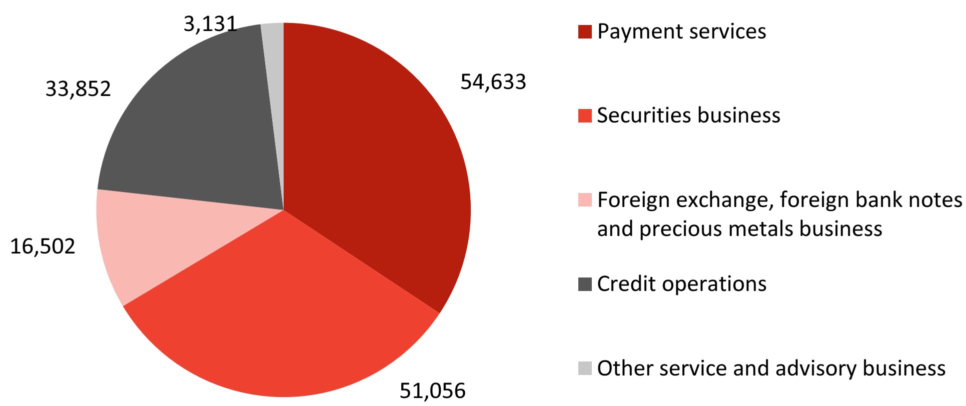
Net interest income increased by 9.5% to EUR 345.2 million.

Net interest income rose by 7.5% to EUR 446.8 million and interest expenses by 1.1% to EUR 101.5 million. Income from investees measured by the equity method rose by 15.1% to EUR 83.1 million.

Adequate provisions were set up for all discernible risks.

In the financial year 2018, the new impairment model pursuant to IFRS 9 was applied for the first time. Including write-offs of receivables, the net charges for losses on loans and advances came to EUR 25.6 million in 2018. In relation to receivables from customers of EUR 15,883.0 million, this results in an impairment allowance ratio of 0.16%.

Structure of net commission income in €k



Net commission income rose by 13.2% to EUR 159.2 million in FY 2018

Commission income from payment services rose by 9.9% to EUR 54.6 million, and from the securities business by 10.0% to EUR 51.1 million. Commission income from foreign exchange, foreign notes and coins increased by

15.9% to EUR 16.5 million, while commission income from lending operations were 29.9% higher year on year at EUR 33.9 million.

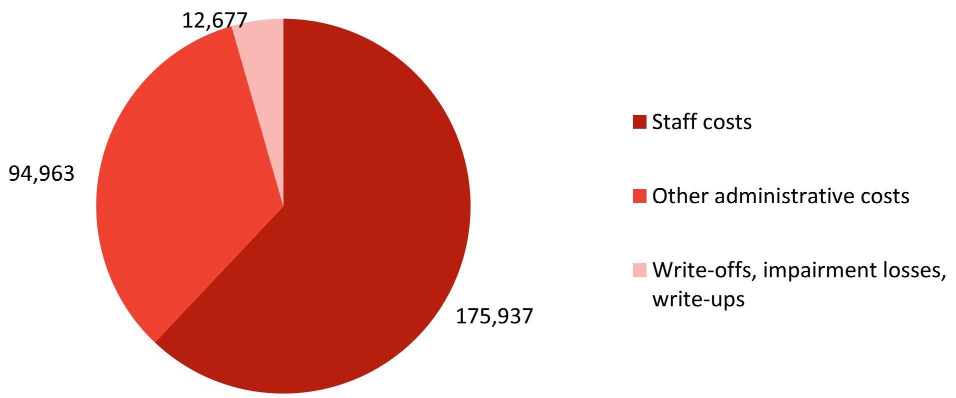
Net trading income

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 2018, net trading income was EUR 5.3 million which is 46.4% lower than in the preceding year.

Administrative expenses

In the financial year 2018, administrative expenses increased year-on-year by 6.5% to EUR 283.6 million.
Staff costs rose by 7.0% to EUR 175.9 million; other administrative costs increased by 6.0% to EUR 95.0 million; depreciation/amortisation and impairment charges by 3.3% to EUR 12.7 million.
The cost/income ratio remained very favourable at 48.92%.

Structure of administrative expenses in €k



Excellent development of profit before and after taxes

At EUR 270.5 million, the profit for the year before tax and after charges for losses on loans and advances increased by 13.2% year on year.
The income taxes of EUR 44.9 million were 17.1% higher than in the preceding year.
This resulted in an increase of net profit after tax by 12.5% to EUR 225.6 million.
Minority interests in net profit for the year were EUR 676,000; therefore, Oberbank's consolidated net profit for the year was EUR 224.9 million (+12.4%).

Proposed appropriation of profit

Distributable profit is determined on the basis of the single-entity financial statements of the Group parent, Oberbank AG. Profit for the 2018 financial year of Oberbank AG came to a total of EUR 156.8 million. After the allocation of EUR 118.0 million to reserves and including the profit brought forward of EUR 0.2 million, the profit available for distribution amounted to EUR 39.0 million.
Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 1.10 per eligible share on the share capital of EUR 105.9 million; this dividend is EUR 0.20 higher than in 2017.

Given a total of 32,307,300 ordinary and 3,000,000 preference shares, the distribution is EUR 38,838,030.00. The Management Board proposes to carry the remainder of EUR 211,958.00 forward to the new account.

Analysis of key performance indicators

The return on equity (ROE) before tax increased slightly due to the strong rise in earnings before tax from 10.06% to 10.18%, and after tax from 8.44% to 8.49%.

The average number of Oberbank AG shares in circulation was 35,281,321. Earnings per share amounted to EUR 6.39, after EUR 5.68 in the previous year.

The cost/income ratio stayed at an excellent level of 48.92% in 2018. The risk/earnings ratio was very good at 7.42% due to the better-than-average risk situation.

Key performance indicators, IFRS	2018	2017
Return on equity before tax (RoE)1)	10.18%	10.06%
Return on equity after tax1)	8.49%	8.44%
IFRS earnings per share in €	6.39	5.68
Cost/income ratio (cost/income coefficient)2)	48.92%	49.90%
Risk/earnings ratio (credit risk/net interest)3)	7.42%	9.01%

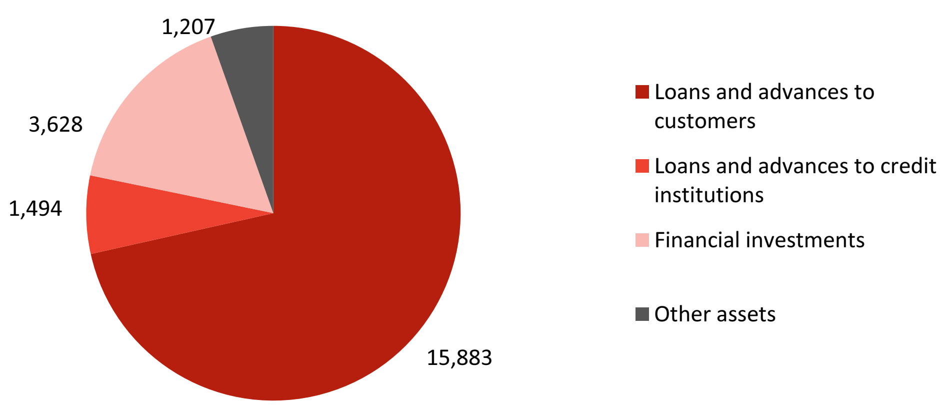
1) Return on equity before/after tax shows the return on equity of the company within a defined period. The calculation is based on the ratio of the net profit before / after taxes versus the average equity available on the quarterly cut-off dates of the period and adjusted for planned dividend distributions.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

Assets, Earnings, and Financial Position

Total assets of the Oberbank Group amounted to EUR 22,212.6 million at the close of 2018, thus 6.6% higher than on the previous year's balance sheet date.

Total assets

Structure of balance sheet assets in €m



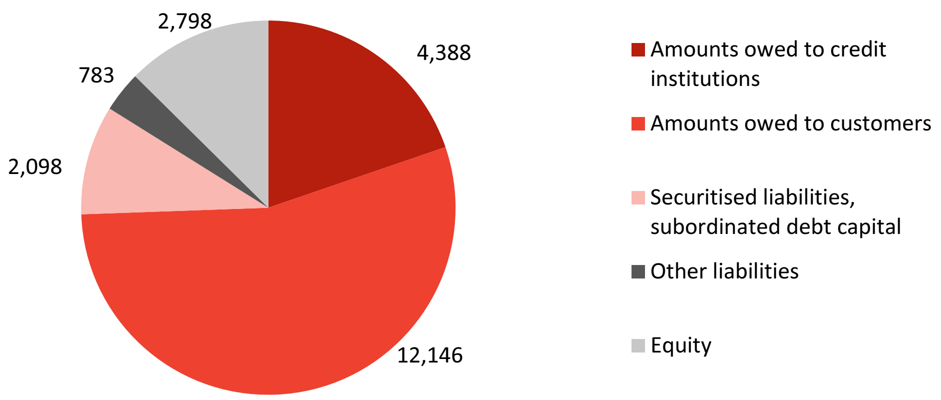
Loans and advances to credit institutions rose by 19.2% to EUR 1,494.4 million in 2018.

Loans and advances to customers increased substantially by 7.6% to EUR 15,883.0 million.
While loans and advances to domestic customers increased by 5.0% to EUR 9,547.5 million, loans and advances to foreign customers rose by 11.8% to 6,335.6 million.
The decrease in risk provisions by 36.0% to EUR 251.5 million results from the reconciliation of risk provisions from IAS 39 to IFRS 9 as well as from the balance of allocations and reversals for impairment allowances in accordance with IFRS 9 in the financial year 2018.

In 2018, financial assets decreased slightly by 2.6% to 3,628.2 million (financial assets FVPL (at fair value through profit or loss) EUR 233.5 million, assets FVOCI (at fair value through other comprehensive income) EUR 593.5 million, assets AC (at amortized cost) EUR 1,881.6 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 decreased by 3.8% to EUR 36.2 million, intangible assets declined by 1.8% to EUR 0.9 million. At EUR 278.7 million, property, plant and equipment declined by 4.9% year on year.
The line item Other assets (e.g. positive fair values of derivatives in the banking book, down payments on lease contracts as well as lease contracts not yet in force, other receivables of leasing companies as well as deferred tax assets and other deferred items) increased by 2.4% to EUR 314.0 million.

Balance sheet equity and liabilities

Structure of balance sheet equity and liabilities in €m



Amounts owed to credit institutions rose in 2018 by 5.6% to EUR 4,387.8 million.

Primary funds rose by 6.3% to EUR 14,244.0 million.
Amounts owed to customers of EUR 12,145.7 million included in this item were 6.6% higher year on year. Savings deposits decreased by 1.3% to EUR 2,684.1 million due mainly to continued low interest rates. By contrast, other liabilities rose by 9.0% to EUR 9,461.6 million.
Securitised liabilities rose by 10.8% to EUR 1,515.7 million, while subordinated capital was EUR 7.4% lower year on year at EUR 582.6 million.

The rise in equity capital by 13.4% to EUR 2,797.9 million resulted from the substantial allocations to reserves due to the excellent profits and to the effects of the transition to IFRS 9.

The item Other liabilities includes provisions and other liabilities.
At EUR 383.3 million, provisions remained practically unchanged (+0.6%). These consist mainly of provisions for termination and post-employment benefits (EUR 183.1 million) and loan loss provisions (EUR 129.4 million).
Other liabilities decreased by 7.7% to EUR 399.6 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	**2018**	**2017**	**Change**
Amounts owed to customers	12,145.7	11,397.4	6.6%
Securitised liabilities	1,515.7	1,368.2	10.8%
Subordinated debt capital	582.6	629.1	-7.4%
Primary deposits including subordinated debt	**14,244.0**	**13,394.7**	**6.3%**
Amounts owed to credit institutions	4,387.8	4,155.3	5.6%
Total	**18,631.8**	**17,550.0**	**6.2%**

Statement of changes in equity

Equity on the balance sheet in € m	**2018**	**2017**	**Change**
Subscribed capital	105.8	105.9	-0.1%
Capital reserves	505.5	505.5	-
Retained earnings (incl. net profit)	2,128.3	1,797.3	18.4%
Negative goodwill	1.9	1.9	-
Additional equity capital components	50.0	50.0	-
Minority interests	6.4	6.2	3.0%
Equity on the balance sheet	**2,797.9**	**2,466.8**	**13.4%**

Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013[1]) – Pillar I	**2018**	**2017**	**Change**
Common equity tier 1 capital	2,517.8	2,203.1	14.3%
Tier 1 capital	2,563.1	2,273.8	12.7%
Own funds	2,911.8	2,622.9	11.0%
Common equity tier 1 capital ratio	17.46%	16.50%	0.96% ppt
Tier 1 capital ratio	17.77%	17.03%	0.74% ppt
Total capital ratio	20.19%	19.64%	0.55% ppt

1) Subject to approval by the Supervisory Board on 20 March 2019.

Equity on the consolidated balance sheet of the Oberbank Group increased in the financial year 2018 by 13.4% to EUR 2,797.9 million. The share capital of EUR 105.8 million remained at the same level of the preceding year. Consolidated common equity tier 1 capital of the Oberbank Group amounted to EUR 2,517.8 million on 31 December 2018 and exceeded the statutory requirement of EUR 933.6 million by EUR 1,584.3 million or 169.7%. Tier 1 capital was EUR 2,563.1 million and exceeded the required level of EUR 1,149.9 million by EUR 1,413.2 million or 122.9%. Own funds stood at EUR 2,911.8 million and were EUR 1,473.5 million or 102.4% higher than required.
In 2018, the common equity tier 1 capital ratio was 17.46%; the tier 1 capital ratio was 17.77% and the total capital ratio 20.19%.

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 296,152 of its own ordinary shares at an average price of EUR 87.51 as well as 36,410 of its own preference shares at an average price of EUR 82.82; these were offset by the sale of 263,714 own ordinary shares at an average price of EUR 87.48 and by the sale of 38,061 own preference shares at an average price of EUR 80.58.
The proceeds from the sale were allocated to working capital.
As of the balance sheet date, Oberbank held 39,488 own ordinary shares and 11,425 own preference shares in its portfolio.
The highest level in the course of the year 2018 was 0.25% 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.

Important events since the end of the financial year

No material events occurred after the close of the 2018 financial year.

Slowing economy in major industrialized countries

The global economic growth rate is expected to slow slightly to 3.5% in 2019 according to recent forecasts following a growth rate of 3.7% in 2018.

The economic growth rate for the US is estimated at 2.5%, while the rates for the EU and the euro area are prognosticated at much lower levels of 1.7%.

In Central and Eastern Europe, the economy is projected to again grow faster than in Western Europe in 2019. In the "Oberbank countries" of Czech Republic, Hungary and Slovakia, GDP is anticipated to rise by around 3% to 4%.

At 6%, the economy in China is expected to continue to grow more strongly than in Western industrialised countries: Compared to the average of the previous years, a further slowing of growth is on the horizon.

Growth in Austria precisely in line with EU average

Austria's economy is expected to grow by 1.7% in 2019, which is within the average range of the euro area. At +1.5%, private consumption developed slightly below the level of 2018 and corporate spending is expected to be well below the level of 2018 at +1.9% (+3.4%).

Inflation is estimated to reach 2.1% and therefore almost in line with the ECB's target. Unemployment will decline slightly from 4.9% to 4.8%, and the budget balance is estimated to improve to a positive 0.2% of GDP.

Interest rates and exchange rates

Key lending rates in the euro area are estimated to remain unchanged at 0% in 2019. Short-term interest rates (3-month Euribor) will probably stay negative, while long-term interest rates (10- year swap) are set to rise gradually over the course of the year.

In the US, the Fed funds rate is expected to be raised by one or two notches in 2019 up to 3%, and a stabilisation of short-term interest rates (3-month Libor) at 3% is expected. Long-term interest rates (10=year swap) have probably already reached their zenith.

Due to the expected decrease in the interest rate spread between the euro and the US dollar, the euro is expected to recover in the second half-year of 2019.

Focus of Oberbank's business activities

The slowing, but nonetheless still robust economic growth provides a solid environment for companies in the Bank's regions. This means that Oberbank still has good prospects both within Austria and in its foreign markets. Oberbank expects demand for loans to continue to develop well also in 2019. The Bank expects further growth especially with respect to capital expenditure and residential construction loans, albeit not as much as in the past year. As regards customer deposits, the trend to sight deposits is likely to continue due to the sustained low interest rates.

The path of organic growth to continue in 2019

Nine new branches are being prepared in Germany: in Dresden, Mannheim, Heilbronn, Mainz, Schwäbisch-Hall, Böblingen, Freiburg, Karlsruhe and Ravensburg. This will raise the total number of branches of Oberbank to 179 by the end of 2019.

Earnings development in 2019

Considering the nascent slowdown of the national and global economy, Oberbank is not likely to break a new record. However, the management of Oberbank is confident that it will attain excellent results again in 2019.

Knowingly assuming risks is a key element of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term. Responsibility for defining the Group's central risk management strategy, the risk management and the risk controlling throughout the Oberbank Group lies with Oberbank AG. The basis for the risk strategy of Oberbank is the Bank's positioning as a regional bank. The Management Board and all of the Bank's employees act in accordance with the principles laid down in the Bank's risk policy, and decisions are made on the basis of these guidelines.

Organisation of risk management

At Oberbank, risk management is an integral element of the Bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for risk management lies with the Management Board of Oberbank AG as a whole. Management competencies as well as the economic coverage capital allocated to a specific risk (limits) or predefined management and control processes are specified for every material risk within the Oberbank Group. The overall risk management process is the responsibility of the Bank’s Asset/Liability Management Committee (ALM Committee), which meets once a month and reviews the relevant materials prepared for it by the Risk Management department. The Management Board member responsible for risk management is the chair of the Committee and has a veto right in the decision-making process relating to risks.

Risk management pursuant to § 39 (5) Banking Act

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

Internal Control System

Oberbank's Internal Control System (ICS) is in compliance with the internationally recognised COSO Framework Standard. A detailed description of ICS processes and procedures is available; all risk-relevant processes of the Bank and the pertinent control measures are consistently documented. Responsibilities and functions relating to the ICS are clearly defined. Internal control activities are reported regularly in a multi-layered process regarding efficacy and maturity. Control activities are documented and reviewed and ICS-relevant risks are regularly evaluated and adjusted. This ongoing optimisation process contributes to quality assurance. The Internal Audit department of Oberbank AG serves as an independent monitoring body and in this capacity performs audits of the internal control system. It examines the effectiveness and adequacy of the ICS and reviews compliance with work instructions.

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

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

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

Control Environment

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

Control Procedures

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

Monitoring Procedures

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

Overall Risk Management Process and Calculation of Risk-bearing Capacity

At Oberbank AG, compliance with the regulatory requirements for high-quality risk management resulting from the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) is ensured by the risk-bearing capacity calculation as well as by a system of reports and limits for liquidity management. The basis for the assessment of the Bank's risk-bearing capacity is a quantification of all material banking risks and the economic capital allocated to each of them. Within the framework of the risk-bearing capacity calculation, ICAAP risk limits for material banking risks resulting from the business model of Oberbank are derived from the economic coverage capital. This is done for credit risk (within which default risk, counterparty default risk, foreign currency loan risk, risk of credit valuation adjustments (CVA risk), transfer risk and credit risk concentrations are quantified), for market risk in the bank book, for liquidity risk, for operational risks as well as for risks arising from the macroeconomic environment.
In the risk-bearing capacity calculation, the risk appetite of Oberbank is limited to 90% of economic coverage capital. The remainder of 10% is not allocated. Apart from using economic capital management as a tool for limiting risk, Oberbank controls material risks by means of processes and individual limits applied within the context of operational risk management.

Credit Risk

Credit risk is understood to mean the risk of a borrower's full or partial failure to fulfil the contractually-agreed payment obligations. Credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group. The management of credit risk is the responsibility of the Credit Management

department. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process up to the Management Board level.
The 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 the German business areas, the principal focus is on lending to industry and small and medium-sized enterprises. In the Czech Republic, Hungary and Slovakia, Oberbank lends mainly to small- and medium-sized businesses. Operational risk targets are defined jointly by the Management Board together with the head of the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments.
Every lending decision is based on a credit rating, which is an assessment of the respective customer's creditworthiness. In the corporate banking business, these assessments are performed using credit rating processes developed with statistical methods. The same is true for the rating of existing business in the personal banking segment as well as for application ratings in the personal banking business in Austria and Germany. Assessments are based on quantitative (hard facts) and qualitative criteria (soft facts, warning signals), which together provide an objective and forward-looking picture of a customer's creditworthiness. The rating procedures are validated annually. The resultant findings are used as a basis for the ongoing further development and optimisation of the rating system.
Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the threat of cover shortfalls poses high demands 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; together these form the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only for reasons related to banking or sales, i.e. if their activities are a direct extension of banking activities or constitute services ancillary to banking. Where new equity investments are to be made, analyses are performed in order to gain as complete a picture as possible of the entity's earning power, strategic fit and legal position.
The default risk associated with equity investments is quantified in the context of the credit risk within the framework of the ICAAP. The market risk associated with exchange-listed equity investments is additionally quantified within the context of the market risk.

Market Risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in prices and interest rates on financial markets. Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries.
Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them.
The Global Financial Markets department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book, and the foreign currency risk of the entire Oberbank

Group. The Group Risk Controlling department is in charge of the daily limit control and daily reporting of the risk and earnings situation to the Management Board and to the Global Financial Markets department.
The ALM Committee is responsible for managing the interest rate risk of long-term EUR positions (rate commitments >12 months), for strategic stock and investment fund positions in the banking book as well as the credit spread risk. 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, Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Corporate Secretary & Communication, Internal Audit and the Compliance Unit.

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); they are 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 materialised 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, by monitoring the key risk indicators as well as by evaluating instances of loss or damage as recorded in a damage incident database.
Concrete measures have been taken to hedge against any major risks identified in the risk analyses (e.g. insurance policies, IT contingency plans, backup data centre).
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 objectives of liquidity risk management are therefore ensuring that the bank is solvent at all times and optimising the Bank's refinancing structure in terms of risk and results.
Oberbank has traditionally adhered to the financing principle of ensuring that the Bank's entire customer loan volume can be refinanced from primary deposits by customers and funds from Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle continues to be valid. Furthermore,

Oberbank holds appropriate reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks. A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.

Global Financial Markets is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by a short-term liquidity gap analysis. A forward liquidity gap analysis is prepared daily by the Strategic Risk Management department 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 and 90-day 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 the 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.

A key factor for Oberbank‘s lasting success is its committed, competent and sales-oriented staff.
The HR strategy was reviewed in 2018 with a view to the corporate strategy 2020 and the external and internal challenges for the Human Resources. The specific topics identified for action were “succession planning“, “recruiting, onboarding, training” and “employer branding”. The implementation measures and projects for the time until 2020 were defined.

Succession planning
In the coming ten years, Oberbank will require a higher number of management-level staff for demographic reasons. Around one third of all management staff will retire in this period across all hierarchy levels. Unfilled management positions are usually filled from the own ranks at Oberbank. This practice is particularly important, because it lastingly secures the vision (independence and success), the values and the business model of Oberbank. Therefore, Oberbank plans to fill all positions resulting from the generational change with persons from within the Bank.
Oberbank has a good starting situation for managing the upcoming generational change: there are enough young employees, many of them are highly motivated and have an excellent education, and Oberbank’s reputation as an attractive employer is outstanding.
Succession planning starts with a structured process, depending on the hierarchy level of the position to be filled around five or three years prior to the projected change. Essential in this context is raising the share of women in management positions. Apart from the option of the management staff to appoint potential successors, it is also possible to apply for open positions.
The development of potentials is done with a view to ensuring sufficient staff and gender equality, but also with a critical view to commitment, social competence and expert skills as well as flexibility with respect to content and location. In this case as well, there is a clear structured process that offers the possibility of candidates themselves applying for the potentials programme.

Recruiting, Onboarding, Training
The strong expansion, the demographic development, the solid economic situation in 2018 and a slightly higher staff turnover rate (2018: 7.8%), albeit still very good, made it harder to find staff in 2018. In order to continue attracting the best salespeople and employees, a number of measures were taken: the project “AHOI” – a computer-aided tool for employee recommendation management – has been in use since the autumn of 2018 throughout the Bank in Vienna and Germany after the positive completion of the pilot phase in Vienna, and is already producing the first success stories. Furthermore, potential employees from other areas are also directly addressed. Employee application management in Germany, Czech Republic, Hungary and Slovakia is being professionalized further with the introduction of application management software and recruiting standards.
A rigorous and structured onboarding of management staff and customer relationship managers is necessary due to the strong expansion. The newly designed central onboarding programme helps new employees get acquainted with the culture and working environment of Oberbank faster and gives them the added benefit of being able to network with other employees more quickly.
Management is a key factor for corporate and human resources development. Oberbank Management Academy, in cooperation with LIMAK Austrian Business School, provides training in uniformly defined standards for management and skills. An essential part of Oberbank’s management concept is the MbO system that is in place at all levels of the Bank and provides clear guidance. The relaunch in the last MbO period focused more strongly on the development of all employees and their life phases.

Employees work in a fast-paced environment characterised by constant change (digitalisation, regulation, strategic orientation) that calls for permanent learning. The objective in this case is to ensure that learning is on target, timely, flexible and methodological, and at the same time, also takes into consideration the different life phases of employees.
The highest level of advisory and sales competence is achieved at Oberbank by constantly developing of its further education and training programmes. The in-house certification series were reviewed and updated organisationally and with respect to content. In 2019, this will also be done in the Czech Republic. Apart from the implementation of measures required by regulations (MiFID, IDD, etc.), the focus in the future will be to further digitize learning such as through web-based training.
In 2018, almost EUR 1.85 million were invested in a high quality and diversified range of courses.

Oberbank as an attractive employer

Oberbank is perceived as a very attractive employer. This is shown by the awards received from the special-interest magazine “trend” which designated the Bank as “a top employer among banks and financial service providers in 2018” as well as by the award from “Kurier” naming it the “most popular employer in 2019”. The excellent valuations on the platform “kununu” also highlight this aspect.
The economic success of Oberbank, but also exciting challenges, internal career opportunities, very good employment terms and an excellent working climate make Oberbank a strong employer brand. Additionally, Oberbank provides its employees with a broad range of modern social benefits. Apart from the possibility of being able to buy the Bank’s stocks at preferred terms, 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 directly benefit from the Bank’s growth and also constitute an important and stable shareholder.
Therefore, Oberbank employees and especially the management staff are very loyal to the Bank. An average employment period of around 13 years despite the strong expansion in the past years illustrates this quite clearly.

Next Generation – Gender Balance

With the project “Gender Balance” launched in 2018, Oberbank embarked on a new, revolutionary path. Three working groups were formed – “Quota”, ”Recruiting and Potentials” and “Development and Sabbatical Management” – and together with external consultants, the topics to secure Oberbank’s success were addressed. The aim is to achieve a gender balance in the management and to raise the number potential female management staff members. The ambitious goal of having a share of 40% of women in management positions by the year 2030 will ensure that Oberbank remains attractive –internally and externally – as an employer and achieves success with more diversity in the management. A condition for achieving this goal is ensuring high quality in the recruitment process, in the development of potentials, and in the further development of employees including sabbatical management.

The "audit berufundfamilie" recertification in 2017 highlights the high priority given to a good work-life balance and equal opportunity for all employees. Flexible working time arrangements, teleworking options, active parental leave planning and financial assistance for childcare are important contributions to attain this goal.

"Aktie Gesundheit" ("Health Share")

A healthy body and soul are the foundation for joyful living, motivation and performance. Therefore, one of Oberbank's greatest concerns is to support employees in maintaining their health. The project "Aktie Gesundheit 2.0", which is based on three pillars: movement, nutrition and mental fitness, addressed this topic again in the autumn of 2018 and developed new projects under the aspects of "sustainability". All employees are offered a fitness test including re-testing; additionally, health ambassadors were appointed for each business area and set up at the headquarters. This is just one of the measures initiated by Oberbank that helped it earn recertification under the "Betriebliche Gesundheitsförderung" quality seal for the third successive time. The traditionally very high health ratio was 96.9% in 2018.

Managing human resource risks

The key human resource risks (staff availability, compliance with labour laws and employment practices, staff conflicts, unauthorized or criminal acts by employees) are systematically monitored, recorded and evaluated. A set of key risk indicators is used to take measures in time to eliminate or mitigate threats and risks.

Number of employees

The average headcount of the Oberbank Group (employees, full time equivalents) rose by 51 persons to 2,101 in 2018.

The increase is explained by the successful branch expansion especially in Germany and Vienna and the investments required at the head office due to regulatory requirements and our expansion strategy. At the same time, savings were achieved by taking advantage of natural staff turnover and the digitalisation of services and by raising productivity in the markets.

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

Sustainability is always part of Oberbank's considerations. The Sustainability Report (Directive 2014/95/EU) is available at www.oberbank.at/Nachhaltigkeit (available only in German).

Sustainable Corporate Governance

Oberbank's business policy is based on the principles of good corporate governance and transparency, and pursues sustainable and long-term objectives. The primary corporate goal of guaranteeing the Bank's independence is achieved by ensuring sustainable earnings and pursuing 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 the ÖCGK.

Sustainable Risk Management

Knowingly assuming risks is a key element of the banking business. Oberbank AG is responsible for the definition, the implementation, the 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 this 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 Oberbank's corporate 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 friendly.

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. Especially in building and energy management, business travel planning and procurement, Oberbank's policy focuses on environmentally-benign activities thus aiming to lower costs over the long term.
In 2018, reductions in energy consumption were more than 2,900 MWh.

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.
In 2018, more than 300 requests for sponsoring were granted and projects with a volume of EUR 1.6 million were supported.

Share capital, share denomination and authorised capital

As of 31 December 2018, Oberbank AG’s share capital was EUR 105,921,900 and was divided into 32,307,300 ordinary no-par bearer shares and 3,000,000 non-voting no-par bearer preference shares entitling their holders to a minimum dividend of 6% per share, payable, if necessary, at a later time.

Share buy-back

The Annual General Meeting authorised the Management Board of Oberbank AG to acquire the Company's own shares in an amount of up to 5% each of the share capital for securities trading purposes and for the purpose of passing them on to employees of the Oberbank Group as well as up to 10% of the share capital for no defined purpose. We also have the corresponding approval of the supervisory authority in accordance with the provisions of the new Capital Requirements Regulation (CRR).

Syndicate agreement and shares vested with special rights of control

There is a syndicate agreement between Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. to secure Oberbank’s independence. 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. Most 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 segment of the employee shareholders by way of proxy votes in accordance with the relevant instructions.

Shareholder structure and employee stock ownership

The largest single shareholder of Oberbank as at 31 December 2018 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 the employees of Oberbank 3.77 %.

Appointment of boards and officers, and change of control

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

Linz, 5 March 2019
The Management Board

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

Segment Report

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

The breakdown of operating activities of Oberbank defines the segments Corporate and Business Banking, Personal Banking, Financial Markets and Other (primary segments).

The Corporate and Business Banking segment encompasses business with corporates, businesses and the self-employed. Oberbank's USP is its outstanding expertise in providing advisory-intensive services with a special focus on structured transactions as well as on foreign business and funding transactions.
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/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 2018 in €m	**Corporate and Business Banking**	**Personal Banking**	**Financial Markets**	**Other**	**Consolidated income statement for 2018**
Net interest income	245.0	60.7	39.5		345.2
Income from entities recognised using the equity method			83.1		83.1
Charges for losses on loans and advances	-16.1	-2.8	-6.7		-25.6
Net fee and commission income	84.8	74.5	-0.1		159.2
Net trading income	-0.1		5.4		5.3
Administrative expenses	-144.3	-90.2	-8.6	-40.4	-283.6
Other operating income	-5.5	4.5	-7.0	-5.2	-13.2
Extraordinary profit/loss					
Profit for the period before tax	163.9	46.7	105.6	-45.7	270.5
Return on equity before tax (RoE)	10.9%	16.8%	12.0%		10.2%
Cost/income ratio	44.5%	64.6%	7.1%		48.9%

As a regional bank, Oberbank has a geographically limited catchment area. Consequently, there is no segmentation by region as this is of minor importance.
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 the regulatory capital requirements for the segments.

Corporate and Business Banking

Corporate and Business Banking in €m	2018	2017	Change
Net interest income	245.0	237.6	3.1%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-16.1	-20.7	-22.2%
Net fee and commission income	84.8	75.0	13.1%
Net trading income	-0.1	-0.3	-73.6%
Administrative expenses	-144.3	-133.2	8.4%
Other operating income	-5.5	-23.5	-76.8%
Extraordinary profit/loss			
Profit for the year before tax	163.9	134.9	21.5%
Share in profit for the year after tax	60.6%	56.5%	4.1% ppt
Average credit and market risk equivalent (Banking Act)	9,638.8	8,974.1	7.4%
Segment assets	12,421.0	11,412.8	8.8%
Segment liabilities	8,556.2	7,966.0	7.4%
Average allocated equity	1,502.1	1,324.5	13.4%
Return on equity before tax (RoE)	10.9%	10.2%	0.7% ppt
Cost/income ratio	44.5%	46.1%	-1.6% ppt

Overview of business performance in 2018

In Corporate and Business Banking, the profit for the year rose by 21.5% to EUR 163.9 million in 2018.

Net interest income rose by 3.1% to EUR 245.0 million and net commission income was up by 13.1% to EUR 84.8 million. Charges for losses on loans and advances decreased by 22.2% to EUR 16.1 million.

Administrative expenses increased by 8.4% to EUR 144.3 million and other operating income posted a negative balance of EUR 5.5 million.

ROE rose to 10.9% and the cost/income ratio improved to 44.5%.

At the end of 2018, Oberbank served a total of approximately 53,000 corporate customers; 6,400 of these were newly acquired.

Corporate and business loans

The total volume of commercial loans of Oberbank rose by 7.9% to EUR 12,632.1 million in 2018. Thanks to its excellent capital base and liquidity position, Oberbank was able to continue supplying its corporate customers with sufficient funding.

Investment and innovation finance

In the area of finance for traditional corporate spending, for environmental investments and for R&D&I projects, Oberbank again submitted some 1,000 funding projects in Austria and Germany, thus retaining the high level of the previous years.

In ERP business promotion loans, Oberbank ranked at the top in Austria in 2018 in subsidised lending, both to industry and SMEs. Some 20% of all approved business promotion loans were based on applications filed by Oberbank for its customers also in 2018.

Additionally, advisory services for state subsidy schemes were rolled out in the markets of Czech Republic and Hungary in 2018. The trust of customers in the advisory expertise of Oberbank was very satisfactory in these markets as well as shown by the 238 subsidy scheme projects filed.

Structured finance

Demand for complex finance transactions continued at a high level in 2018. The number of projects processed increased again by 7% year on year, thus exceeding the high level of the preceding year. Apart from demand in the popular areas of succession planning and real estate finance – in which Oberbank has proven its know-how many times over in the past years – it was especially in tourist infrastructure projects where the number of projects processed rose by 32%.

Overall, the structured finance team surpassed the preceding year’s performance in 2018 once again, just as in past years. The volume of new loans filed rose by 60% to almost EUR 800 million, thus achieving a new all-time high.

Private equity and mezzanine capital

The Oberbank Opportunity Fund handled a total of 113 enquiries in 2018 which is around the same high level of last year. Eight new projects were successfully completed.

Since its inception, the Oberbank Opportunity Fund has approved 71 transactions and ten add-on investments in equity and/or mezzanine capital or high-yield capital, thereby granting roughly EUR 180 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 has invested in the high-tech fund of the province of Upper Austria through its Oberbank Opportunity Fund. This investment also developed very well and in 2018 two exits were finalized with good yields and several new investments were made.

In order to broaden the risk diversification of the mezzanine capital portfolio, an investment was made in a mezzanine investment fund operating in Eastern Europe. Within the framework of this investment, further capital was allocated in 2018.

Leasing

In the leasing business in the financial year 2017/18, the volume of new business increased slightly by 0.9% to EUR 840.7 million. Total leasing receivables rose by 5.4% to EUR 2,307.7 million.

The driving force behind this trend was once again vehicle leasing, which, as in previous years, was supported mainly by the cooperation with the Generali insurance company. In the movables leasing business, the result approximated the level of the preceding year; in real estate leasing, only smaller projects were capitalised, therefore the volume of new business was much lower year on year.

A breakdown by region shows that around two thirds of new business still comes from Austria and Germany. At an increase of around 18%, the growth markets of Czech Republic, Hungary and Slovakia increased significantly and gained internal market shares.

Syndicated loans and international lending

In 2018, Oberbank was awarded a mandate for the first time to arrange a finance transaction in the range of hundreds of millions. The transaction was successfully completed in December after an eight-month structuring and negotiation phase and was syndicated to third party banks in the projected volume. Apart from this, there was another large-volume mandate and numerous medium-sized and smaller transactions in which Oberbank acted as co-financier.

Due to the narrow margins, investments in borrower’s notes were not at all appealing and not good business because of the robust growth in conventional lending. The number of new commitments was therefore much lower and some existing notes were floated on the market.

Foreign business: documentary business, guarantee transaction and export finance

The latest publication of the Federal Economic Chamber (WKO) states that Austria's export sector is still growing strong and in the first three quarters of 2018, the rate of expansion was around 6% for all of Austria. Exports to overseas grew just slightly stronger than in Europe, although most sales go to the main markets of the EU. Imports increased almost parallel to this by around 5.2%. This picture was dimmed only by the prospects for 2019 for which a slowing pace of growth was prognosticated. The reasons are the looming exacerbation of the current trade conflicts as well as tighter liquidity and downside pressure in Asia's emerging markets.

Oberbank also saw expansion in all areas of its foreign business in the year 2018. Demand for documentary forms of security remained robust and earnings in the documentary business (letters of credit, documentary collections, guarantees) were up by more than 33% year on year.

In export finance, Oberbank achieved an increase in the volume of foreign business of more than 40% as the leading regional bank. This increase was driven mainly by attractive finance options made available by Oesterreichische Kontrollbank. Especially the new product 'Exportinvest' was well received by the market, and also the clear increase in equity financing is evidence of the unbroken appeal of this product.

The market share in all of Austria in export finance under the Export Fund procedures as at 31 December 2018 was 11.5%, and in the KRR procedure of OeKB for corporates 12%.

The concept of foreign market managers, which is well-established in Austria, is also working well in Germany and in the Czech Republic. Oberbank offers comprehensive advisory services for foreign transactions as a one-stop-shop, which yet again exemplifies Oberbank's competence in this area.

Factoring

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

In the second full year of operation, the results were highly satisfactory in 2018. The large number of contracts closed, the quadrupled volume of factoring turnover, and the feedback from customers shows that it was the right decision to offer this product as an alternative financing variant.

Payment services

In 2018, income from payment services in the corporate and business banking sector increased year on year by 10.9%. This gratifying development was driven by a rise in the number of payment service accounts (+6.3%) and, due to the strong economy, of payment service transactions (+4.1%).

In the year 2018, the foreign lines of business and especially foreign payment services were at the focus of sales efforts. The sales campaign was accompanied by extensive further education measures.

In October, sales started in Austria for the new Oberbank business customer portal. This portal offers customers a modern, secure and easy-to-use platform for settling payment transactions. The new portal will be made available to customers in all regions of Oberbank's markets in 2019.

Personal Banking

Personal Banking segment in €m	2018	2017	Change
Net interest income	60.7	57.1	6.3%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-2.8	-8.0	-65.0%
Net fee and commission income	74.5	65.7	13.4%
Net trading income			
Administrative expenses	-90.2	-86.2	4.6%
Other operating income	4.5	3.9	15.3%
Extraordinary profit/loss			
Profit for the year before tax	46.7	32.4	43.9%
Share in the profit for the year before tax	17.3%	13.6%	3.7% ppt
Average credit and market risk equivalent (Banking Act)	1,777.5	1,630.2	9.0%
Segment assets	3,211.3	2,998.5	7.1%
Segment liabilities	5,853.6	5,471.9	7.0%
Average allocated equity	277.0	240.6	15.1%
Return on equity before tax (RoE)	16.8%	13.5%	3.3% ppt
Cost/income ratio	64.6%	68.1%	-3.5% ppt

Overview of business performance in 2018

In the Personal Banking segment, profit before tax in 2018 was EUR 46.7 million, which is 43.9% higher year on year. Net interest income rose by 6.3% to EUR 60.7 million and net commission income was up by 13.4% to EUR 74.5 million.

Impairment charges amounted to EUR 2.8 million.

Administrative expenses increased year on year by 4.6% to EUR 90.2 million.

Return on equity rose in the Personal Banking segment by 3.3%-points to 16.8% and the cost/income ratio improved by 3.5%-points to 64.6%.

At the end of 2018, Oberbank served approximately 285,000 retail customers, of which some 16,000 were newly acquired in 2018.

Deposit banking

The savings ratio in Austria stayed a low level throughout the year. Therefore, the trend of the past years continued practically unchanged.

In spite of the low savings ratio, the savings deposits, sight deposits and term deposits of Oberbank's customers amounted to EUR 5,501.1 million, which is 6.7% above the high level of the preceding year.

Deposits on online savings products increased year on year by 30.6% to EUR 538.9 million.

Personal loans

Personal loans at Oberbank AG developed very well again in 2018. The volume of personal loans outstanding rose versus the preceding year by 6.6% to EUR 3,250.9 million.

In all of Oberbank's markets, business still concentrated on home construction loans. In Austria, the increase in volume was 8.8%, and substantial gains were also made in the Czech Republic, Hungary and Slovakia.

The campaign for consumer loans was continued in Austria and the volume went up by 8.5%.

Oberbank exercises due caution in accordance with its credit policy with respect to risk when granting loans and aims for a balance of growth and earnings.

Personal accounts

The number of personal accounts rose by 3,679 to a total of 187,337 accounts in 2018.

As regards personal accounts, many customers of other banks are still willing to switch banks. Oberbank acquired new customers in this segment due to its reputation as a stable and reliable partner.

Card products

As of 31 December 2018, there were 191,841 debit cards in use. There were 69,000 debit cards under the product name 'Debit Card Gold' that come with innovative additional features.

The portfolio of credit cards in Austria at the end of 2018 consisted of 57,945 retail customer cards and 5,799 company cards. Credit card partners of Oberbank are easybank AG and card complete Service Bank AG, and Oberbank also issues its own MasterCard under the name "Oberbank MasterCard". Credit cards by Diners Club and American Express round off the portfolio of cards.

With the enactment of the Consumer Payment Account Act and the implementation of EU-wide uniform terminology for specific bank products, the designation of the Maestro 'Bankomatkarte' (ATM card) was changed to 'debit card'.

Securities business

Based on commission income, the year 2018 was the best year ever for the securities business of Oberbank. Net income rose by 10.0% to EUR 51.1 million; the distribution of the income was relatively balanced over the four quarters.

The steepest increase in income was earned on managed products, especially the products of 3 Banken-Generali Investment-Gesellschaft and of Oberbank Asset Management. Commissions on all transactions in bonds, stocks and investment funds were slightly lower by contrast. Investors were more hesitant about buying or selling securities, especially in the second half of the year. The month of December, which was one of the worst ones in many years, had negative effects on the volume of shares and funds on custody accounts, without there being any outflows worthy of mention.

A key work theme at the head office was the first operational year under the new legislative framework (Securities Supervision Act 2018). Implementation of the new legislation – known under the acronym MiFID II – at Oberbank was accompanied by many modernisation measures. The implementation did not entail any restrictions to the range of products or have a negative influence on operations.

3-Banken Wohnbaubank AG

According to the statistics published by 'Österreichischer Verband der gemeinnützigen Bauträger' (Austrian Federation of Limited-Profit Housing Associations), in 2018 the issuance of new home construction bonds dropped to the lowest level since 2001. The issuance volume of new home construction bonds decreased by 9.7% to EUR 285.4 million versus 2017.

3-Banken Wohnbaubank AG, which is 80% owned by Oberbank (10% each are held by BKS Bank AG and BTV AG), refrained from issuing new bonds in this environment. There were no redemptions in the reporting period. The total assets of 3-Banken Wohnbaubank AG changed only slightly by EUR 0.2 million to EUR 143.0 million.

Oberbank issues

Oberbank also issued a significant volume of bonds in 2018. In total, EUR 535.4 million in new bonds were floated. A share of EUR 98.7 million were subordinated bonds and EUR 300.0 million was a bond placed with institutional investors from Austria and abroad. This covered bond was assigned the highest rating of AAA by

Standard & Poor's. Thus, Oberbank presented itself very well on international capital markets. No new AT 1 bonds were issued during the reporting period.
Taking into account scheduled redemptions and premature repayments in an amount of EUR 463.9 million, the resultant increase in the line item Securitised liabilities including subordinate capital was 5.1% to EUR 2,098.3 million.

Asset management

The volume of individual asset management portfolios of Oberbank Asset Management rose year on year by 2.4% to a new record level of EUR 564.5 million. The very weak performance in December prevented any substantial increase, but the EUR 600.0 million mark was almost reached in the course of the year.
Oberbank's asset management, which is managed as a public investment fund, saw an increase of 16.5% to EUR 254.8 million.
The Oberbank Premium Strategies fund (from EUR 100,000) launched at the beginning of the year reached a level of EUR 87.7 million at year-end.

3 Banken-Generali Investment-Gesellschaft

3 Banken-Generali Investment-Gesellschaft held a market share of 5.6% at year-end 2018, thus ranking 6th among Austrian investment fund companies.
The volume managed by the company decreased year on year by 3.2% to EUR 9.1 billion. The volume of the overall Austrian market decreased much more by 6.2% to EUR 164.6 billion year on year.
In Q4 and specifically in December, there were substantial setbacks on international stock markets. The performance of all principal asset classes slipped to a minus and it was not possible to compensate the drop by the net inflow of funds during the year.
Oberbank's share in the fund company increased again from 39.9% at year-end 2017 to 40.7%. The trade volume of Oberbank was EUR 3.7 billion at year-end 2018. The threshold of EUR 4.0 billion was surpassed for the first time in the course of the year.
Fund inflows at Oberbank concentrated in the new funds 'Oberbank Premium Strategien' and '3 Banken Verantwortung & Zukunft 2024 Aktienfonds'.
In December 2018, further products highlighting the theme of sustainability were introduced: two new investment funds, '3 Banken Mensch & Umwelt Aktienfonds' and 'Mensch & Umwelt Mischfonds'.
The "Börsianer" magazine awarded 3 Banken-Generali Investment-Gesellschaft the designation "Best Fund Management Company in Austria" for the third time.

Private banking

Assets under management (market value of securities custody accounts, savings accounts and sight deposits) of the 7,700 private banking clients were influenced mainly by negative developments on the capital market and decreased by 456.0 million to EUR 8.4 billion. Excluding performance effects, customer assets recorded an inflow of funds again. The inflows were seen mainly in the area of managed products of all kinds.
Apart from the personal services provided by the advisors at the nine Private Banking locations in Austria and Germany, many customer events in various formats were held locally to present the competence of Oberbank and 3 Banken-Generali Investment Gesellschaft.
Customers who take their own decisions and have a good knowledge of investments frequently used the sparring partner function of the brokerage service. In a difficult setting, it was once again possible to achieve gains in the managed portfolios and number of customers.

Building and loan associations

In the reporting year 2018, Oberbank closed 10,738 building and loan contracts which is a decline of 9.8% year on year. The sustained low level of interest rates and the generally low savings ratio had an effect also in this area. Nonetheless, saving money in subsidised building society schemes continues to be one of the most popular forms of saving in Austria. “BONUSbausparen” was another very popular savings scheme. This savings form, which features a one-time deposit and interest that increases incrementally, but without any state subsidy, was offered in 2018 with a maturity of nine years.

Insurance services

Oberbank surpassed the preceding year’s level in output by EUR 103.8 million or nearly 10%.

Life insurance: In Austria and Germany, output in endowment life insurance policies increased by a total of 10.4% year on year. In the retail customer segment, fund-oriented and fund-linked life insurance policies were the best-selling products, while the most popular ones in the corporates and business segment were company pension schemes.

Risk insurance: Net insurance premiums increased in risk insurance by over 4% versus 2017.

Accident insurance: Output in accident insurance improved by 30%.

Property insurance: The brokerage business with our cooperation partner Generali for property and car insurance for retail customers expanded versus the preceding year by 93%. Brokerage in property insurance for companies via the 3 Banken insurance brokers decreased 14%.

Financial Markets in € m	2018	2017	Change
Net interest income	39.5	20.5	92.5%
Income from entities recognised using the equity method	83.1	72.2	15.1%
Charges for losses on loans and advances	-6.7	0.3	>-100.0%
Net fee and commission income	-0.1	0	> 100.0%
Net trading income	5.4	10.3	-47.2%
Administrative expenses	-8.6	-7.5	15.3%
Other operating income	-7.0	21.6	>-100.0%
Extraordinary profit/loss			
Profit for the period before tax	105.6	117.4	-10.1%
Share in profit for the period before tax	39.1%	49.2%	-1.1% ppt
Average credit and market risk equivalent (Banking Act)	5,629.0	5,485.1	2.6%
Segment assets	5,986.7	5,818.8	2.9%
Segment liabilities	7,049.3	6,610.8	6.6%
Average allocated equity	877.2	809.6	8.4%
Return on equity before tax (RoE)	12.0%	14.5%	-2.5% ppt
Cost/income ratio	7.1%	6.0%	1.1% ppt

Overview of business performance in 2018

In the Financial Markets segment, net interest income rose by 92.5% to EUR 39.5 million, while income from investments measured by the equity method was EUR 83.1 million or 15.1% higher year on year.

Charges for losses on loans and advances amounted to EUR 6.7 million after a positive income of EUR 0.3 million in the preceding year.

Net trading income decreased by 47.2% to EUR 5.4 million; other operating income was down by EUR 21.6 million to EUR -7.0 million.

Profit in Financial Markets shrunk by 10.1% to EUR 105.6 million.

ROE decreased by 2.5%-points to 12.0% and the cost/income ratio rose by 1.1%-points to 7.1%.

Currency risk management

Despite the numerous issues on the currency markets, movements in the year 2018 were relatively contained in the principal currencies: The euro fluctuated versus the USD between all-time highs and lows by only 9%, the British pound was comparatively stable versus the euro with a movement of 5.2%.

The movement of the Turkish lira was much wider. The lira depreciated increasingly with the start of the problems in the summer of 2018. The Turkish lira managed to recover a bit at the end of the year and depreciated versus the euro by 35% compared to the start of the year.

For Oberbank customers engaged in international business, hedging against adverse currency developments was an essential element of their trade activities. Oberbank experts provided know-how and support.

Direct customer services

Customers served by the experts of the direct customer support services were able to rely on the swift and reliable services of Oberbank also in 2018. The individually defined hedging schemes are appreciated by the small and medium-sized business customers.

Primary deposits

The year 2018 was dominated by high liquidity and rising short-term deposits.

Due to the still very proactive monetary policy of the ECB, investments concentrated in daily callable deposits in the short-term segment that also saw the steepest growth. In some cases, Oberbank was forced to charge negative interest – due to the market environment – on larger deposits.

Total primary deposits rose by 6.3% to EUR 14,244.0 million.

Proprietary trading

The year 2018 started out on a positive note, but became increasingly gloomier for financial markets and the business sector. This entailed higher volatility and deteriorating sentiment on stock markets.

The burdening factors included, among other things, the trade conflict between the USA and China, Brexit, wild currency fluctuations in the emerging markets, the debt crisis in Italy and the growing insecurity regarding the automotive industry. In this environment, Oberbank's cautious stance once again turned out to be the best way approach. It reduced its generally very low risk tolerance even further. However, it still managed to make a positive contribution to earnings.

Liquidity

The euro market is characterised by an extremely high liquidity surplus at the short end; the ECB ended its monthly security purchases only at year-end. Therefore, the challenge consisted of limiting the own excess liquidity and avoiding the negative interest charged by the central bank. Through its cautious deposit policy and by taking advantage of market opportunities, Oberbank easily attained this target in 2018.

Oberbank's first public issue was a great success on the market: a covered bond with a 15-year maturity and an AAA rating.

International network of partner banks and institutions

Despite the sustained difficult overall conditions and the restraint exercised due to the crises in politically unstable export destinations, continuing support for export customers remained a high priority for Oberbank. The bank-to-bank agreements required worldwide also in difficult destinations is increasingly becoming a challenge.

Most customer activities focus mainly on Europe and the US as well as on the more or less crisis-free Asian region. However, Oberbank secures business processes also in high-risk countries through its network of around 1,300 correspondent banks (relationship banks) as well as its connection to the international payment and information platform S.W.I.F.T. (Society for Worldwide Interbank Financial Telecommunication) and in this way is able to meet customer demands for payment transfers, documentary and guarantee transactions as well as hedging and financing services.

Not least due to its excellent financial data and many decades of continuous collaboration with banks throughout the world, Oberbank is viewed as a factor of stability. Therefore, it is still possible for Oberbank to meet the high demands of internationally operating companies by offering a well-functioning banking network.

Segment Report
Other

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

The shortfall for the year before tax in 2018 in the Other segment was EUR -45.7 million, following EUR -45.9 million in the preceding year.

Consolidated Financial Statements 2018

Consolidated Financial Statements 2018 of Oberbank prepared in accordance with International Financial Reporting Standards (IFRS)

Table of Contents IFRS Consolidated Financial Statements

Table of Contents IFRS Consolidated Financial Statements

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 ‘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 2018

Consolidated income statement in €k		**2018**	**2017**	**Change in €k**	**Change in %**
1. Interest and similar income		446,761	415,695	31,066	7.5
a) Interest income based on the effective interest		418,691	402,408	16,283	4.0
b) Other provisions for liabilities and charges		28,070	13,287	14,783	> 100.0
2. Interest and similar expenses		-101,528	-100,428	-1,100	1.1
Net interest income	(3)	345,233	315,267	29,966	9.5
3. Income from entities recognised using the equity	(4)	83,123	72,209	10,914	15.1
4. Charges for losses on loans and advances	(5)	-25,601	-28,408	2,807	-9.9
5. Net commission income		176,092	156,283	19,809	12.7
6. Net commission expenses		-16,918	-15,655	-1,263	8.1
Net commission income	(6)	159,174	140,628	18,546	13.2
7. Net trading income	(7)	5,333	9,947	-4,614	-46.4
8. Administrative expenses	(8)	-283,577	-266,245	-17,332	6.5
9. Other operating income	(9)	-13,181	-4,520	-8,661	> 100.0
a) Net income from financial assets - FV/PL		-14,777	2,429	-17,206	>-100.0
b) Net income from financial assets - AfS		N/A	14,370		
b) Net income from financial assets FVOCI		-823	N/A		
c) Net income from financial assets - HtM		N/A	0		
c) Net income from financial assets - AC		439	N/A		
d) Other operating income		1,980	-21,319	23,299	>-100.0
Profit for the period before tax		270,504	238,878	31,626	13.2
10. Income taxes	(10)	-44,925	-38,355	-6,570	17.1
Consolidated profit for the year after tax		225,579	200,523	25,056	12.5
of which attributable to equity holders of the parent and to the owners of additional equity components		224,903	200,055	24,848	12.4
of which attributable to non-controlling interests		676	468	208	44.4

Other comprehensive income in €k	2018	2017
Consolidated profit for the year after tax	225,579	200,523
Items not reclassified to profit or loss for the year	**-16,964**	**7,996**
+/- Actuarial gains/losses IAS 19	-14,116	-3,233
+/- Deferred taxes on actuarial gains/losses IAS 19	3,529	808
+ / - Share from entities recognised using the equity method	-1,304	10,421
+/- Value changes in own credit risk recognised in equity IFRS 9	-3,528	N/A
+ / - Deferred tax on changes recognised in equity for own credit risk under IFRS9	882	N/A
+/- Value changes in equity instruments recognised in equity IFRS 9	-9,400	N/A
+ / - Deferred tax on value changes in equity instruments recognised in equity IFRS 9	6,973	N/A
Items reclassified to profit or loss for the year	**-6,204**	**683**
+ / - Value changes recognised in equity IAS 39	N/A	-984
Amounts recognised in equity	N/A	13,673
Reclassification adjustments	N/A	-14,657
+ / - Deferred tax on value changes recognised in equity under IAS 39	N/A	246
Amounts recognised in equity	N/A	-3,418
Reclassification adjustments	N/A	3,664
+/- Value changes recognised in equity for debt securities IFRS 9	-4,553	N/A
Amounts recognised in equity	-4,317	N/A
Reclassification adjustments	-236	N/A
+ / - Deferred tax on value changes recognised in equity for debt instruments IFRS 9	1,138	N/A
Amounts recognised in equity	1,079	N/A
Reclassification adjustments	59	N/A
+ / - Exchange differences	-241	1,150
+ / - Share from entities recognised using the equity method	-2,548	271
Total income and expenses recognised directly in equity	-23,168	8,679
Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss	202,411	209,202
of which attributable to equity holders of the parent and to the owners of additional equity components	201,735	208,734
of which attributable to non-controlling interests	676	468

Performance indicators	2018	2017
Cost/income ratio in %	48.92	49.90
Return on equity before tax in %	10.18	10.06
Return on equity after tax in %	8.49	8.44
Risk/earnings ratio (credit risk/net interest income) in %[1)]	7.42	9.01
Earnings per share in €	6.39	5.68

1) As of the financial year 2018, the risk/earnings ratio is calculated excluding income from entities accounted for using the equity method, as these are reported separately in the statement of comprehensive income and are no longer contained in net interest income. The figures of comparison from the preceding year have been adjusted.

	Balance sheet at 31/12/2018 Assets in €k		31/12/2018	31/12/2017	Change in €k	Change in %
1.	Cash and balances at central banks	(12)	828,685	845,105	-16,420	-1.9
2.	Loans and advances to credit	(13)	1,494,353	1,253,366	240,987	19.2
3.	Loans and advances to customers	(14)	15,883,032	14,760,335	1,122,697	7.6
4.	Loan loss provisions	(15)	-251,474	-392,706	141,232	-36.0
5.	Trading assets	(16)	36,159	37,570	-1,411	-3.8
6.	Financial investments	(17)	3,628,246	3,726,371	-98,125	-2.6
	a) Financial assets - FV/PL		233,510	228,565	4,945	2.2
	b) Financial assets - AfS		N/A	664,796		
	b) Financial assets FVOCI		593,540	N/A		
	c) Financial assets - HtM		N/A	2,007,056		
	c) Financial assets - AC		1,881,559	N/A		
	d) Interest in entities accounted for using the equity method		919,637	825,954	93,683	11.3
7.	Intangible assets	(18)	912	929	-17	-1.8
8.	Property, plant and equipment	(19)	278,696	292,955	-14,259	-4.9
	a) Investment property		95,822	98,905	-3,083	-3.1
	b) Other property, plant and equipment		182,874	194,050	-11,176	-5.8
9.	Other assets	(20)	313,968	306,681	7,287	2.4
	a) Deferred tax assets		36,300	48,947	-12,647	-25.8
	b) Positive fair values of closed out derivatives in the banking book		103,178	124,609	-21,431	-17.2
	c) Other		174,490	133,125	41,365	31.1
	Total assets		22,212,577	20,830,606	1,381,971	6.6

	Balance sheet at 31/12/2018 Liabilities in €k		31/12/2018	31/12/2017	Change in €k	Change in %
1.	Amounts owed to credit institutions	(21)	4,387,769	4,155,297	232,472	5.6
	a) Refinance allocated for customer loans		2,463,969	1,793,162	670,807	37.4
	b) Other amounts owed to credit institutions		1,923,800	2,362,135	-438,335	-18.6
2.	Amounts owed to customers	(22)	12,145,724	11,397,394	748,330	6.6
3.	Securitised liabilities	(23)	1,515,672	1,368,250	147,422	10.8
4.	Provisions for liabilities and charges	(24)	383,315	381,030	2,285	0.6
5.	Other liabilities	(25)	399,603	432,743	-33,140	-7.7
	a) Trading liabilities	(26)	29,521	31,848	-2,327	-7.3
	b) Tax liabilities		9,756	18,399	-8,643	-47.0
	ba) Current tax liabilities		5,177	13,948	-8,771	-62.9
	bb) Deferred tax liabilities		4,579	4,451	128	2.9
	c) Negative fair values of derivatives closed out in the banking book		20,118	40,475	-20,357	-50.3
	d) Other		340,208	342,021	-1,813	-0.5
6.	Subordinated debt capital	(27)	582,598	629,103	-46,505	-7.4
7.	Equity	28	2,797,896	2,466,789	331,107	13.4
	a) Equity after minorities		2,741,459	2,410,541	330,918	13.7
	b) Share of non-controlling shareholders		6,437	6,248	189	3.0
	c) Additional equity capital components		50,000	50,000	0	-
	Total equity and liabilities		22,212,577	20,830,606	1,381,971	6.6

Consolidated statement of changes in equity as at 31/12/2018

					Revaluation reserve									
in €k	Subscribed capital	Capital reserves	Retained earnings	Exchange differences	pursuant to IAS 39	Reclassified debt securities IFRS 9	Equity instruments IFRS 9 not reclassified	Change in own credit risk IFRS 9 not reclassified	Actuarial Gains/ losses pursuant to IAS 19	Associates	Equity after minorities	Share of non-controlling shareholders	Additional equity capital components	Equity
As at 1/1/2017	**105,837**	**505,523**	**1,069,554**	**-1,678**	**85,052**	**N/A**	**N/A**	**N/A**	**-19,568**	**483,053**	**2,227,772**	**4,991**	**50,000**	**2,282,763**
Consolidated net profit			148,220	1,150	-738				-2,425	62,527	208,734	468		209,202
Net annual profit/loss			148,220							51,835	200,055	468		200,523
Other compreh. income				1,150	-738				-2,425	10,692	8,679			8,679
Dividend distribution			-22,946								-22,946			-22,946
Coupon payments on addit. equity capital components			-2,925								-2,925			-2,925
Capital increase											0			0
Issuance of additional equity components											0			0
Repurchased own shares	25		117								142			142
Other changes not recognised in income			324							-560	-236	789		553
As at 31/12/2017	**105,862**	**505,523**	**1,192,344**	**-528**	**84,314**	**N/A**	**N/A**	**N/A**	**-21,993**	**545,020**	**2,410,541**	**6,248**	**50,000**	**2,466,789**
Effect changeover IFRS 9			121,572		-84,314	5,752	114,962	-8,543			149,429			149,429
As at 1/1/2018	**105,862**	**505,523**	**1,313,916**	**-528**	**0**	**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 annual profit/loss			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											0			0
Issuance of additional equity components											0			0
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**	**N/A**	**2,337**	**112,535**	**-11,189**	**-32,580**	**618,457**	**2,741,459**	**6,437**	**50,000**	**2,797,896**

The item changes to the equity of associated entities contains the initial effects of IFRS9 in an amount of €k 10,231.

Consolidated statement of cash flows in €k		2018	2017
Consolidated profit for the year		225,579	200,523
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		32,626	-36,271
Change in provisions for staff benefits and other provisions for liabilities and charges		-19,955	56,556
Change in other non-cash items		34,456	55,513
Gains and losses on financial investments, property, plant and equipment and intangible assets		-8,927	-16,224
Subtotal		263,779	260,097
Change in assets and liabilities arising from operating activities after corrections for non-cash positions			
Loans and advances to credit institutions		-215,052	-504,319
Loans and advances to customers		-1,147,719	-1,018,429
Trading assets		2,985	24,407
Financial assets for operating activities		83,107	60,113
Other assets from operating activities		-12,693	84,519
Amounts owed to credit institutions		233,373	993,257
Amounts owed to customers		741,083	456,231
Securitised liabilities		137,015	-42,631
Other liabilities from operating activities		-137,101	-103,815
Cash flow from operating activities		-51,222	209,429
Proceeds from the sale of			
Financial investments		237,927	348,073
Property, plant and equipment, and intangible assets		11,282	-39,678
Outlay on purchases of			
Financial investments		-114,526	-247,856
Property, plant and equipment, and intangible assets		-20,990	-36,009
Cash flow from investing activities		113,693	24,529
Capital increase		0	0
Dividend distributions		-31,764	-22,946
Coupon payments on additional equity capital components		-2,925	-2,925
Cash from subordinated liabilities and other financing activities			
Issues	(27)	98,163	46,911
Other		113	4,323
Fund outflows from subordinated debt capital and other financing activities			
Redemptions	(27)	-141,802	-71,306
Other		-676	-468
Cash flow from financing activities		-78,891	-46,411
Cash and cash equivalents at the end of previous period		845,105	657,558
Cash flow from operating activities		-51,222	209,429
Cash flow from investing activities		113,693	24,529
Cash flow from financing activities		-78,891	-46,411
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		828,685	845,105
Interest received		426,204	415,763
Dividends received		36,949	31,096
Interest paid		-124,589	-96,623
Coupon payments on additional equity components		-2,925	-2,925
Income tax paid		-45,636	-35,074

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.

Breakdown of interest, dividends and income tax payments

in €k		Cash flow from operating activities	Cash flow from investing activities	Cash flow from finance activities	Total
Interest received	2018	380,939	45,265	0	426,204
	2017	366,008	49,755	0	415,763
Dividends received	2018	978	35,972	0	36,950
	2017	961	30,134	0	31,095
Interest paid	2018	-102,137	0	-22,452	-124,589
	2017	-75,957	0	-20,666	-96,623
Dividends received	2018	0	0	-31,764	-31,764
	2017	0	0	-22,946	-22,946
Coupon payments on additional equity capital components	2018	0	0	-2,925	-2,925
	2017	0	0	-2,925	-2,925
Income tax paid	2018	-28,707	-11,316	-5,613	-45,636
	2017	-17,469	-12,439	-5,167	-35,074

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Introduction

Oberbank AG is Austria's oldest remaining exchange-listed independent *Aktienbank* (joint stock bank). It is fully privately owned (no state shareholders) and is listed on the Vienna Stock Exchange. Oberbank's registered office is at Untere Donaulände 28, 4020 Linz, Austria. Oberbank AG's positioning 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 financial statements for the financial year 2018 were approved and released for publication on 20 March 2019.

1) Group of consolidated companies of Oberbank

Besides Oberbank AG, in 2018 the group of consolidated companies included 36 domestic and 18 foreign subsidiaries.
Compared to 31 December 2017, the group of consolidated companies changed as follows:

- Foundation of Oberbank Ennshafen Immobilienleasing GmbH, Linz (this entailed an increase by €k 4,433 in Other liabilities and an increase by €k 8 in Loans and advanced to customers and by €k 7,080 in Other assets);
- Foundation of Oberbank Wien Süd Immobilienleasing GmbH, Linz (this entailed an increase by €k 1 in Other liabilities, no changes to Loans and advances to customers, and an increase by €k 4 in Other assets);
- Liquidation of TUELLA Finanzierung GmbH, Linz (this did not entail any changes to Other liabilities; it changed the item Other assets by €k 263).

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was recognised in the consolidated financial statements by proportionate consolidation in accordance with IFRS 11.
Besides Drei-Banken Versicherungsagentur GmbH in Liquidation, BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for in the consolidated financial statements according to the equity method.
Not included in the group of consolidated companies were 23 subsidiaries and 15 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 Q4 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 2018 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 the exemption for consolidated financial statements that comply with internationally-accepted accounting principles. The going concern assumption was applied. There were no events of material significance after the close of the financial year

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

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
Annual improvements (2014–2016)	Several	1/1/2018 - 1/1/2017	Yes
IFRS 9	Financial instruments	1/1/2018	Yes
IFRS 15	Revenue from contracts with customers	1/1/2018	Yes
IFRIC 22	Foreign currency transactions and advance payments	1/1/2018	Yes
Amend. to IAS 40	Classification of property under construction	1/1/2018	Yes
Amend. to IFRS 2	Share-based payment	1/1/2018	Yes
Amend. to IFRS 4	Application of IFRS 9 with IFRS 4 insurance contracts	1/1/2018	Yes
Amend. to IFRS 15	Revenue from contracts with customers – clarifications	1/1/2018	Yes

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

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
IFRS 16	Leasing	1/1/2019	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/2019	Yes
Amend. to IFRS 9	Prepayment features with negative compensation	1/1/2019	Yes
Annual improvements (2015-2017)	Diverse Amendments to IFRS 3, IFRS 11, IAS 12, IAS 23	1/1/2019	No
Amendments to IAS 28	Investments in Associates and Joint Ventures	1/1/2019	No
Amendment to IAS 19	Pension Obligations in the Event of a Plan Amendment, Curtailment or Settlement	1/1/2019	No
Amendments to Conceptual Framework	References	1/1/2020	No
Amendment to IFRS 3	Definition of a Business	1/1/2020	No
Amendments to IAS 1 and IAS 8	Definition of 'material'	1/1/2020	No
IFRS 17	Insurance Contracts	1/1/2021	No

Changes to accounting policies 2018

The final version of IFRS 9 was published in July 2014 and entered into force on 1 January 2018. With respect to the accounting and measurement methods as well as the effects of the changeover from IAS 39 to IFRS 9, please refer to the explanations under 2.7) Financial Assets and Obligations as well as Hedging Contracts.

The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The standard provides a single, principle-based five-step model applicable to all contracts with customers. According to IFRS 15, revenues must be recognised when the customer acquires power over the agreed goods and services and is able to exploit these. As of 1 January 2018, Oberbank implemented IFRS 15 Revenue from Contracts with Customers. There were no material effects on the consolidated financial statements of Oberbank.

IFRIC 22 clarifies accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. This did not result in any material effects on the consolidated financial statements of Oberbank.
The amendments to IFRS 2 (share-based payment) concern the clarification of the classification and measurement of share-based payment transactions. This did not result in any material effects on the consolidated financial statements of Oberbank.

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

The amendments to IAS 40 (classification of property under construction) clarify transfers to, or from, the portfolio of investment properties held as financial assets. Specifically, the issue is whether a property under construction or development previously classified as inventory can be transferred to the category of investment property when there was an evident change in its use. This did not result in any material effects on the consolidated financial statements of Oberbank.

The amendments to the standards IFRS 1, IFRS 12 and IAS 28 within the annual IFRS improvements cycle (2014-2016) do not have any material effects on the consolidated financial statements of Oberbank.

Future amendments to accounting policies

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

IFRIC 23 is an interpretation applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation is based on the rules governing entities where there are uncertainties 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. No material effects are expected on future consolidated statements.

The amendments to IAS 19 (Employee Benefits) clarify that when an event results in a change to a plan, 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. No material effects are expected on future consolidated statements.

The amendments to IFRS 9 concern limited adaptations to the assessment criteria for the classification of financial assets. Thus, 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. No material effects are expected on future consolidated statements.

The annual improvements cycle for IFRS (2015-2017) refer to amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. No material effects are expected on future consolidated statements.

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 Chapter *Status and purpose of the conceptual framework* as well as eight further chapters. 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) Effects of IFRS 16 on the Oberbank Group

The IASB published the IFRS 16 standard on Leasing Contracts in 2016 that defines a single accounting model for lessees. The impact in practice is that lessees with contracts with a maturity of more than twelve months must report assets and liabilities in the balance sheet unless these are low value goods.

The lessee recognises assets that represent the lessee's right of use to the underlying leasing object. Moreover, the lessee recognises leasing liabilities that represents its obligation to payment of consideration for the use. For lessors, the accounting rules remain largely unchanged especially with respect to the continued requirement on how to classify leases. Furthermore, IFRS 16 requires that the Notes contain information that is useful and informative to the readers of financial statements. IFRS 16 applies to financial years that start on or after 1 January 2019.

IFRS 16 replaces the following standards and interpretations:
- IAS 17 Lease contracts;
- IFRIC 4 Definition of whether or not an agreement is a lease;
- SIC-15 Operating leases – incentives;
- SIC-27 Evaluating the substance of transactions in the legal form of a lease.

Oberbank must apply IFRS 16 Leases from 1 January 2019 and made an assessment of the probable effects of the initial application. The actual effects of the application starting on 1 January 2019 may still change, as Oberbank
- has not yet completed the implementation of the internal controls
- and the accounting and measurement methods can continue to change until the first financial report is published containing the initial application.

Leases in which Oberbank is the lessee

Oberbank will report new assets and liabilities for operating leases. The type of expenses related to these lease contracts will change, because Oberbank will recognise depreciation and amortisation on capitalised assets and will recognise interest expenses as liabilities.

Oberbank will apply IFRS 16 pursuant 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. No adjustments to the comparative information are made in this context. No further optional reliefs were used.

Based on the information currently available, Oberbank estimates that around EUR 138 million in additional assets and liabilities will be reported as at 1 January 2019. No impact on retained earnings is expected.

Leases in which Oberbank is the lessor

Oberbank does not expect any material changes.

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 (Drei-Banken Versicherungs-Aktiengesellschaft in Liquidation, 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 would not be sufficient for its valuation to be based solely on the share price. In the interest of a sustainable equity investment strategy, it is in any event appropriate to also take into account 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 were, as a whole, immaterial were not consolidated.
- Other equity investments were recognised at their fair values where these can be reliably measured.

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

2.4) Corporate acquisitions

In the financial year 2018, 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 relate essentially to the following items:

Loan loss provisions

The calculation of impairment provisions depends, above all, on expectations regarding future loan losses and the structure and quality of the loan portfolio. In addition, the calculation of any future impairment loss requires estimates of the amounts and dates of future cash flows. More details are given in 2.7) Financial Assets and Obligations as well as Hedging Contracts and in the Risk Report in Note 41 et seq (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 30 (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. 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 20 (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 24 (Provisions for liabilities and charges) provides an overview of material actuarial assumptions as well as a sensitivity analysis of the effects of changes in important actuarial assumptions.

Provisions for liabilities and charges

Measuring the necessity to set aside provisions for liabilities and charges requires estimates regarding the size and due dates of future payment flows. Further details are given in Note 24 (Provisions for liabilities and charges).

Leasing

In this field, the lessor needs to make discretionary decisions, particularly with regard to differentiating between a finance lease and an operating lease contract. The decisive criterion is that a finance lease essentially transfers all the risks and rewards from the lessor to the lessee. For further details, see Note 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 were prepared in euro.

2.7) Financial assets and obligations as well as hedging contracts

The final version of IFRS 9 was published in July 2014 and entered into force on 1 January 2018. Essentially, IRFS 9 entails the following changes of relevance for the Oberbank Group:

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are held as well as the characteristics of its cash flows (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 in the 'held-to-maturity portfolio' pursuant to IAS 39 are intended to be held, and therefore, this portfolio was allocated to the business model 'hold-to-collect' also under IFRS 9. Securities measured at fair value not recognised in income (available for sale assets) will continue to be allocated to the business model 'hold-and-sell'. Securities held in the trading book were allocated to the business model sell.

The 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. Only a small share of the loan portfolio was reclassified at fair value due to negative SPPI interest clauses. Therefore, the majority of the loan portfolio does not contain any contractual clauses with negative effects from SPPI.

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.

Valuation categories

IFRS 9 defines three important classification categories for financial assets: recognition at amortised cost, recognition at fair value through profit or loss (FVTPL) 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 criteria), these are 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 income (depending on the business model). For certain equity instruments, it is optional to recognize changes in value under Other income. Only dividend claims on these assets must be recognised in the income statement. The standard eliminates the current categories of IAS 39: held-to-maturity, loans and receivables, and available-for-sale assets.

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

The debt capital financial instruments currently measured at amortised costs (portfolio of HtM securities) will probably also be measured at amortised costs pursuant to IFRS 9. Loans and receivables will probably also be measured by applying IFRS 9 at amortised costs, because these financial instruments largely meet the SPPI test that applies to this type of measurement. There will not be any major changes to equity instruments recognised directly in equity, because Oberbank recognises equity instruments in equity in many instances also under IFRS 9.

Impairment – financial assets and contract assets

IFRS 9 replaces the IAS 39 incurred loss model by a forward-looking expected loss impairment model. This calls for substantial discretionary decisions regarding the extent to which expected loss impairment is influenced by changes in economic factors. This measurement is done on the basis of weighted probabilities.
The new impairment model applies to financial assets 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 measurements are based 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 the 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 for 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 assessing whether a significant increase in credit risk has taken place and when.

<u>Qualitative criteria for a stage transfer</u>

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 as a qualitative criterion results in a stage transfer (IFRS 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 that had an absolutely-defined 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 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 the ability to service a loan than in the case of conventional loan portfolios.

<u>Quantitative criteria for a stage transfer</u>

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 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 may happen that due to the ‘drift-to-the-middle’ tendency the relative transfer criterion is not reached in the case of marginal PDs even for downgrades by several rating stages.

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

When an asset is assigned to stage 2 with the related calculation of the lifetime expected credit loss, this 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 first a 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 arrived at using 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.

This so-called 'point-in-time adjustment' (PIT adjustment) is done using statistical models to an 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 realization 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, the portion is first 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 always based on a credit conversion factor. The due date of the overdraft facility always corresponds to the maturity of the loan.

Classification – Financial assets

IFRS 9 largely retains the current requirements of IAS 39 for the classification of financial liabilities. However, pursuant to IAS 39 all changes to liabilities designated to be recognised at fair value through profit or loss, are reported in the income statement, while under IFRS 9 these changes to fair value must generally be recognised as follows:

- The change in the fair value due to changes in the credit risk of the liability is reported under other 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

The changes to hedge accounting are not of relevance for the Oberbank Group, as the bank currently does not engage in hedge accounting.

Transition IAS 39 to IFRS 9

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

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

Effects

The positive effect on equity resulting from the changeover from IAS 39 to IFRS 9 including consideration of deferred taxes is EUR 149.4 million.

The details of the effects of the changeover to IFRS 9 are presented in the following tables:

Reconciliation of the valuation categories and balance sheet items for financial assets pursuant to IAS 39 to the measurement categories pursuant to IFRS 9 effective from 1 January 2018 in €k

Balance sheet items	IAS 39		IFRS 9	
	Classification and measurement	Carrying value	Classification and measurement	Carrying value
Cash and balances with the central bank	loans and receivables (amortised cost)	845,105.1	amortised cost	845,105.1
Loans and advances to credit institutions	loans and receivables (amortised cost)	1,253,366.3	amortised cost	1,253,366.3
Loans and advances to customers		14,760,334.6		14,760,321.1
	loans and receivables (amortised cost)	14,576,275.5	amortised cost	14,557,113.9
			fair value through profit or loss (recognised in income at fair value)	19,148.2
	fair value option (recognised in income at fair value)	51,747.5	fair value option (recognised in income at fair value)	51,747.5
Financial assets - AfS	available-for-sale (recognised in equity at fair value with recycling)	84,304.8	fair value through profit or loss - equity and debt instruments (recognised in income at fair value)	13,036.4
			fair value through OCI (mandatory) - debt instruments (recognised in equity at fair value with recycling)	71,268.4
Financial assets - HtM	held to maturity (at amortised cost)	48,006.7	amortised cost	48,006.7
Impairment charge on loans and advances		-392,705.7		-249,300.6
IAS 39 portfolio impairment		-197,290.0	Impairment stage 1	-12,587.0
			Impairment stage 2	-29,644.5
			Provisions for off-balance sheet items stage 1	-7,372.1
			Provisions for off-balance sheet items stage 2	-4,281.2
Specific impairment allowance		-195,415.7	Impairment stage 3	-195,415.7
Trading assets (financial assets recognised in income at fair value)	held-for-trading (recognised in income at fair value)	37,570.5	fair value through profit or loss (recognised in income at fair value)	37,570.5

Financial investments		2,900,416.4		2,938,860.5
Financial assets with FVO	fair value option (recognised in income at fair value)	228,564.6	fair value through profit or loss (recognised in income at fair value)	228,564.6
Financial assets - AfS	available-for-sale (recognised in equity at fair value with recycling)	664,796.1	fair value through profit or loss - equity and debt instruments (recognised in income at fair value)	70,435.4
			fair value through OCI (designated) - equity instruments (recognised in equity at fair value without recycling)	352,156.3
			fair value through OCI (mandatory) - debt instruments (recognised in equity at fair value with recycling)	280,648.6
Financial assets - HtM	held to maturity (at amortised cost)	2,007,055.7	amortised cost	2,007,055.7

Reconciliation of balance sheet items for financial assets applying IAS 39 to items under IFRS 9 effective from 1 January 2018 in €k

Amortised cost measurement (AC)	Carrying value purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
CASH AND BALANCES AT CENTRAL BANKS				
Closing balance sheet purs. to IAS 39 and opening balance sheet purs. to IFRS 9	845,105.1	0	0	845,105.1
LOANS AND ADVANCES TO CREDIT INSTITUTIONS				
Closing balance sheet purs. to IAS 39 and opening balance sheet purs. to IFRS 9	1,253,366.3	0	0	1,253,366.3
LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers (not securitised)				
Closing balance sheet purs. to IAS 39	14,576,275.5			
Reclassification (in amortised cost purs. to IFRS 9)		-19,161.7		
Opening balance sheet pursuant to IFRS 9				14,557,113.8
Financial assets – AC (amortised cost)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		48,006.7		
Opening balance sheet pursuant to IFRS 9				48,006.7
Held-to-maturity financial assets				
Closing balance sheet purs. to IAS 39	48,006.7			
Reclassification (in amortised cost purs. to IFRS 9)		-48,006.7		
Opening balance sheet pursuant to IFRS 9				0
FINANCIAL ASSETS				
Financial assets – AC (amortised cost)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		2,007,055.7		
Opening balance sheet pursuant to IFRS 9				2,007,055.7
Held-to-maturity financial assets				
Closing balance sheet purs. to IAS 39	2,007,055.7			
Reclassification (in AC purs. to IFRS 9)		-2,007,055.7		
Opening balance sheet pursuant to IFRS 9				0
TOTAL	**18,729,809.3**	**-19,161.7**	**0**	**18,710,647.6**

Measurement at fair value through profit or loss (FVTPL)	Carrying value purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers (not securitised)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		19,161.7	-13.5	
Opening balance sheet pursuant to IFRS 9				19,148.2
Financial assets designated at fair value through profit or loss (FVTPL)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		13,036.4		
Opening balance sheet pursuant to IFRS 9				13,036.4
TRADING ASSETS (financial assets recognised in income at fair value)				
Closing balance sheet purs. to IAS 39	37,570.5			
Changeover of derivatives formerly subject to separation		-3,516.3		
Opening balance sheet pursuant to IFRS 9				34,054.1
FINANCIAL ASSETS				
Financial assets designated at fair value through profit or loss (FVTPL)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		70,435.4		
Reclassification (from FVO purs. to IAS 39)		228,564.6		
Opening balance sheet pursuant to IFRS 9				298,999.9
TOTAL	**37,570.5**	**327,681.7**	**-13.5**	**365,238.7**

Recognition in income at fair value - financial instruments designated at fair value (fair value option - FVO)	Carrying value IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value IFRS 9 at 1/1/2018
LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers (not securitised)				
Closing balance sheet under IAS 39 and opening balance sheet under IFRS 9	51,747.5	0	0	51,747.5
FINANCIAL ASSETS				
Financial assets FVO (fair value option)				
Closing balance sheet purs. to IAS 39	228,564.6			
Reclassification (in FV/PL purs. to IFRS 9)		-228,564.6		
Opening balance sheet pursuant to IFRS 9				0
TOTAL	**280,312.1**	**-228,564.6**	**0**	**51,747.5**

Recognised in equity at fair value - FVOCI	Carrying value purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
Debt securities recognised in equity at fair value (with recycling)				
LOANS AND ADVANCES TO CUSTOMERS				
Financial instruments at FVOCI (fair value through other comprehensive income)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		71,268.4		
Opening balance sheet pursuant to IFRS 9				71,268.4
FINANCIAL ASSETS				
Financial instruments at FVOCI (fair value through other comprehensive income)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		280,648.6		
Opening balance sheet pursuant to IFRS 9				280,648.6
Equity instruments recognised in equity at fair value (without recycling)				
FINANCIAL ASSETS				
Financial instruments at FVOCI (fair value through other comprehensive income)				
Closing balance sheet purs. to IAS 39	0			
Reclassification (from held to maturity purs. to IAS 39)		313,712.1		
Write-ups of equity investments			38,444.2	
Opening balance sheet pursuant to IFRS 9				352,156.3
Available for sale				
LOANS AND ADVANCES TO CUSTOMERS				
Financial assets - AfS (available for sale)				
Closing balance sheet purs. to IAS 39	84,304.8			
Reclassification (in FV/PL purs. to IFRS 9)		-13,036.4		
Reclassification (in FV/OCI with recycling purs. to IFRS 9)		-71,268.4		
Opening balance sheet pursuant to IFRS 9				0
FINANCIAL ASSETS				
Financial assets - AfS (available for sale)				
Closing balance sheet purs. to IAS 39	664,796.1			
Reclassification (in FV/PL purs. to IFRS 9)		-70,435.4		
Reclassification (in FV/ OCI with recycling purs. to IFRS 9)		-280,648.6		
Reclassification (in FV/OCI without recycling purs. to IFRS 9)		-313,712.1		
Opening balance sheet pursuant to IFRS 9				0
TOTAL	**749,100.9**	**-83,471.8**	**38,444.2**	**704,073.3**

Reconciliation of charges for losses on loans and advances purs. to IAS 39 and IAS 37 to IFRS 9 as of 1/1/2018 in €k

	Carrying value purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
Loans and receivables (IAS 39) / at amortised cost (IFRS 9)	337,507	-6,589	-133,601	197,317
Financial assets held to maturity (IAS 39) / at amortised cost (IFRS 9)	11,493	0	-10,260	1,233
Financial assets held for sale (IAS 39) / measured directly in equity at fair value in other comprehensive income (IFRS 9)	1,066	0	-878	187
Receivables from finance leases	42,640	0	-10,320	32,320
Credit risk provisions for financial assets	**392,706**	**-6,589**	**-155,058**	**231,058**
Provisions for credit commitments and guarantees	141,461	0	11,653	153,114
Total risk provisions	**534,167**	**-6,589**	**-143,406**	**384,172**

2.8) Material accounting principles applicable to 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

Income from entities accounted for using the equity method was reported in a separate line item.

Charges for losses on loans and advances

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

Net commission income

Net commission income comprises income from the service business net of expenses relating to the rendering of services.

Net trading income

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

Administrative expenses

General administrative expenses include staff costs, other administrative costs and depreciation and amortization 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 comprehensive 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 (FVTPL) and financial assets recognised at fair value 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 (FVTPL) 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.

Charges for losses on loans and advances

The calculation of charges on losses on loans and advances depends mainly on expectations regarding future loan losses and the structure and quality of the loan portfolio. 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 impairment provisions associated with off-balance-sheet transactions (including, in particular, guarantees and other loan commitments) are reported in the line item Provisions for liabilities and charges.

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 (FVTPL) 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, recognition at fair value plus or minus through other comprehensive income (FVOCI) and recognition at fair value through profit or loss (FVTPL).

Shares and other variable-yield securities are assigned to the categories recognition at fair value through profit or loss (FVTPL) 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 (FVTPL). 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 2018.

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 reviewed to determine whether an event occurred with 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 2018.

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 valued 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 linearly 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. Oberbank uses this impairment test to determine the recovery value of the asset. This value corresponds to the higher of the utility value or the net sales value. If the fair market value is below the carrying value of the asset, impairment losses in the amount of the difference are recognised in income.

Leasing and investment property

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

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

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 were reported in the line items Other assets or Tax liabilities.

Trading liabilities

This line item consists mainly of negative fair values of derivative financial instruments 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 pay, 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 1.75% (previous year: 1.75%)
- Annual salary increases of 2.99% (pr. yr.: 2.93%) and increases in post-employment benefits of 1.54% (pr. yr.: 1.52%);
- In accordance with the transitional provisions of the Austrian pension reform, the individually determined retirement age for men is between 65 years and for women between 59 and 65 years.

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

b) Other provisions for liabilities and charges

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

Other liabilities

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

Equity

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

The 132nd Annual General Meeting of Oberbank AG held on 8 May 2012 passed a resolution authorising the management board to increase the share capital by up to EUR 750,000.00 by issuing up to 250,000 new ordinary no-par bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. This capital increase through the issuance of shares excluding existing shareholders' subscription rights has the purpose to issue shares to be offered to the staff, top executives, 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 against contributions in cash of up to EUR 9,375,000.00 - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register.
The Management Board made use of this authorisation by resolution of 23 May 2015 to issue 1,918,875 Oberbank ordinary no-par-value shares (capital increase 2015, No. 1). The offer price was EUR 47.43 per share. The capital increase carried out through cash contributions and without excluding subscription rights raised the share capital to EUR 92,106,000.00 and the appropriated capital reserves to EUR 280,001,715.06.

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

The 136th Annual General Meeting of Oberbank AG held on 18 May 2016 retracted the resolution passed at the 135th Annual General Meeting of 19 May 2015 to the extent not yet used and authorised the management board to increase the share capital for consideration in cash 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 cash 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 boards of Oberbank or 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 1.10 per share be distributed out of the net profit of Oberbank AG for the financial year 2018 (corresponding to a pay-out of EUR 38,838,030.00).

On the reporting date, 11,662,528 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.

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

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

Details of the income statement in €k

3) Net interest income	2018	2017
Interest income from		
credit and money market operations	368,458	343,042
Shares and other variable-yield securities	6,580	5,902
Other equity investments	6,274	4,319
Subsidiaries	10,256	836
Fixed-interest securities and bonds	55,193	61,596
Interest and similar income	446,761	415,695
Interest expenses for		
Deposits	-58,458	-60,600
Securitised liabilities	-20,690	-19,260
Subordinated liabilities	-22,380	-20,568
Interest and similar expenses	-101,528	-100,428
Net interest income	345,233	315,267

Net interest income from financial assets in the measurement category AC and FVOCI was €k 418,691.
The corresponding interest expenses on financial liabilities amounted to €k 111,597 (previous year €k 60,281). Net interest income includes income in the amount of €k 1,071 (previous year €k 893) and the interest expenses include negative interest of €k 10,069 (previous year €k 840).

4) Income from entities recognised using the equity method	2018	2017
Net amounts from proportionately recognised income	83,123	72,209
Expenses from impairments and income from additions	0	0

5) Charges for losses on loans and advances	2018	2017
Addition to charges for losses on loans and advances	-124,926	-133,020
Direct write-offs	-805	-1,154
Reversals of loan loss provisions	96,741	102,997
Recoveries of written-off receivables	3,360	2,769
Result of non-significant modifications	29	0
Charges for losses on loans and advances	-25,601	-28,408

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 the reporting year	12-M ECL	LT-ECL		POCI	Total
At amortised cost before modification	632	955	0	0	1,587
Result of nonsignificant modifications	11	18	0	0	29

6) Net commission income	2018	2017
Payment services	54,633	49,727
Securities business	51,056	46,409
Foreign exchange, foreign bank notes and precious metals business	16,502	14,236
Credit operations	33,852	26,067
Other service and advisory business	3,131	4,189
Net commission income	159,174	140,628

This item includes income in the amount of €k 6,926 (pr. yr.: €k 3,304) from asset management for the account of third parties.

7) Net trading income	2018	2017
Gains/losses on interest rate contracts	501	1,277
Gains/losses on foreign exchange, foreign bank note and numismatic business	957	10,374
Gains/losses on derivatives	3,875	-1,704
Net trading income	5,333	9,947

8) Administrative expenses	2018	2017
Staff costs	175,937	164,411
Other administrative expenses	94,963	89,565
Write-offs and valuation allowances	12,677	12,269
Administrative expenses	283,577	266,245

Pension fund contributions were €k 3,459 (previous year: €k 3,321).

9) Other operating income	2018	2017
a) Net income from financial assets - FVTPL	-14,777	2,429
thereof from designated financial instruments	4,563	N/A
thereof financial instruments with mandatory measurement FVTPL	-19,340	N/A
b) Net income from financial assets - AfS	N/A	14,370
b) Net income from financial assets - FVOCI	-823	N/A
thereof from the measurement of debt instruments	-1,122	N/A
thereof from the sale and derecognition of debt instruments	299	N/A
c) Net income from financial assets - HtM	N/A	0
c) Net income from financial assets - AC	439	N/A
d) Other operating income	1,980	-21,319
Stability tax	-3,805	-3,414
Thereof expenses from operational risks	-8,203	-25,913
Thereof income from operational risks	6,567	3,885
Gains from the sale of land and buildings	1,474	1,984
Expenses from operating leases	-15,746	-18,356
Income from operating leases	17,774	18,621
Other	3,919	1,874
Other operating income net of other operating expenses	-13,181	-4,520

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 currency. The sale yielded a profit of €k 439.5.

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.

	2018	2017
Current income tax expense	48,527	48,180
Deferred income tax expenses (+)/income (-)	-3,602	-9,825
Income taxes	**44,925**	**38,355**

Reconciliation: Relation between computational and reported income taxes:

	2018	2017
Current income tax expense	48,527	48,180
Deferred income tax expenses (+)/income (-)	-3,602	-9,825
Income taxes	44,925	38,355
Profit for the period before tax	270,504	238,878
Computed tax expense 25%	67,626	59,720
Income and expenses taken directly to equity	-731	-731
Tax savings arising due to tax-exempt income from equity investments	-3,097	-2,448
Tax savings arising due to profits accounted for using the equity method	-20,833	-18,052
Deferred income tax expenses (income)	24	-1,049
Tax savings arising from other tax-exempt income	-647	-477
Tax incurred as a result of non-deductible expenses	2,865	1,888
Tax savings arising due to used loss carry-forwards	183	9
Tax effects from differing tax rates	-464	-503
Deferred income tax expenses (income)	44,925	38,355
Effective tax rate	16.61%	16.26%

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

	2018			2017		
	Net profit before tax	Income taxes	Net income	Income before tax	Income taxes	Net income
Actuarial gains/losses IAS 19	-14,115	3,529	-10,586	-3,233	808	-2,425
Value changes IAS 39 recognised in equity	N/A	N/A	N/A	-984	246	-738
Value changes in debt securities IFRS 9 recognised in equity with reclassification	-4,553	1,138	-3,415	N/A	N/A	N/A
Value changes in equity instruments IFRS 9 recognised in equity without reclassification	-9,400	6,973	-2,427	N/A	N/A	N/A
Value changes in own credit risk IFRS 9 recognised in equity without reclassification	-3,528	882	-2,646	N/A	N/A	N/A
Currency exchange differences	-241	0	-241	1,150	0	1,150
+ / - Share from entities recognised using the equity method	-3,852	0	-3,852	10,692	0	10,692
Total	**-35,689**	**12,522**	**-23,167**	**7,625**	**1,054**	**8,679**

11) Earnings per share in €	**2018**	**2017**
Number of shares as at 31/12	35,307,300	35,307,300
Average number of shares in issue	35,281,321	35,295,644
Consolidated profit for the year after tax	225,579	200,523
Earnings per share in €	6.39	5.68

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 both ordinary and preference shares.

Details of the balance sheet in €k

12) Cash and balances at central banks	2018	2017
Cash in hand	83,997	85,543
Credit balances with central banks of issue	744,688	759,562
Cash and balances at central banks	828,685	845,105

13) Loans and advances to credit institutions	2018	2017
Loans and advances to domestic credit institutions	148,206	190,105
Loans and advances to foreign credit institutions	1,346,147	1,063,261
Loans and advances to credit institutions	1,494,353	1,253,366
Loans and receivables to credit institutions, by maturity		
On demand	246,700	247,322
Up to 3 months	1,174,775	822,748
3 months to 1 year	36,920	145,602
1 to 5 years	18,166	23,669
Over 5 years	17,793	14,025
Loans and advances to credit institutions	1,494,353	1,253,366

14) Loans and advances to customers	2018	2017
Loans and advances to domestic customers	9,547,454	9,093,104
Loans and advances to foreign customers	6,335,578	5,667,231
Loans and advances to customers	15,883,032	14,760,335
Loans and advances to customers, by maturity		
On demand	2,688,161	2,114,878
Up to 3 months	1,099,876	1,338,643
3 months to 1 year	1,735,973	1,599,422
1 to 5 years	6,056,489	5,713,216
Over 5 years	4,302,532	3,994,176
Loans and advances to customers	15,883,032	14,760,335
Leasing business (finance leasing), gross investment value		
Up to 3 months	90,246	59,339
3 months to 1 year	290,489	263,711
1 to 5 years	904,266	872,516
Over 5 years	204,931	261,835
Total	1,489,931	1,457,391
Unrealised financial income		
Up to 3 months	6,409	6,340
3 months to 1 year	16,078	16,263
1 to 5 years	40,437	41,330
Over 5 years	9,545	12,089
Total	72,469	76,022
Net investment value		
Up to 3 months	83,837	52,999
3 months to 1 year	274,411	247,448
Over 1 to 5 years	863,828	831,186
Over 5 years	195,386	249,746
Total	1,417,462	1,381,379
Cumulated impairment allowances	13,467	9,711

15) Impairment provisions	see Note 42 "Credit risk"

16) Trading assets	2018	2017
Bonds and other fixed-interest securities		
Listed	2,975	1,383
Shares and other variable-yield securities		
Listed	1,255	228
Positive fair values of derivative financial instruments		
Currency contracts	2,535	531
Interest rate contracts	29,394	35,428
Other contracts	0	0
Trading assets	36,159	37,570

17) Financial investments	2018	2017
Bonds and other fixed-interest securities		
Listed	2,075,312	2,254,660
Unlisted	82,838	97,329
Shares and other variable-yield securities		
Listed	91,844	122,854
Unlisted	196,103	203,886
Equity investments/shares		
in subsidiaries	107,345	83,294
entities accounted for using the equity method		
Banks	422,356	358,924
Non-banks	497,281	467,030
Other equity investments		
Banks	32,468	13,221
Non-banks	122,699	125,173
Financial investments	3,628,246	3,726,371
a) Financial assets - FVTPL	233,510	228,565
b) Financial assets - AfS	N/A	664,796
b) Financial assets FVOCI	593,540	N/A
thereof equity capital instruments	333,449	N/A
thereof debt capital instruments	260,091	N/A
c) Financial assets - HtM	N/A	2,007,056
c) Financial assets - AC	1,881,559	N/A
d) Interest in entities accounted for using the equity method	919,637	825,954
Financial investments	3,628,246	3,726,371

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.

		Dividends received	
Financial assets – Equity capital instruments FVOCI	Fair value	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

One divestment concerned a financial instrument which at the time of derecognition had a fair value of €k 10,818.6 and no longer was suitable for the portfolio of the Oberbank Group. The cumulated profit from the sale was €k 0.0. There was no reclassification within equity in the reporting year.

18) Intangible assets	2018	2017
Other intangible assets	478	454
Customer base	434	475
Intangible assets	912	929

19) Property, plant and equipment	2018	2017
Investment property	95,822	98,905
Land and buildings	97,135	101,456
Business equipment and furnishings	65,918	71,385
Other property, plant and equipment	19,821	21,209
Property, plant and equipment	278,696	292,955

The Group owned land and buildings used by others with a carrying value of €k 95,822 (previous year €k 98,905); these properties had a fair value of €k 109,610 (previous year €k 112,120). The fair value is assignable to level 3 and is calculated using internal models. Rental income during the reporting year came to €k 4,601; the associated expenses (including depreciation) amounted to €k 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 53,979.

Leasing (operating leases): future minimum lease instalments	2018	2017
Up to 3 months	4,783	4,941
3 months to 1 year	13,526	13,802
Over 1 to 5 years	40,857	45,424
Over 5 years	27,015	32,899
Total	86,180	97,066

20) Other assets	2018	2017
Deferred tax assets	36,300	48,947
Other items	170,349	128,862
Positive fair values of closed out derivatives in the banking book	103,178	124,609
Deferred items	4,141	4,263
Other assets	313,968	306,681

Deferred tax assets/liabilities in €k

	Deferred taxes 2018		Deferred taxes 2017	
	Assets	Liabilities	Assets	Liabilities
Loans and advances to credit institutions	137	-6	0	0
Loans and advances to customers	2,999	-6,263	156	-15,294
Loan loss provisions	8,184	-37	50,157	-36
Trading assets	0	-7,719	0	-8,704
Financial investments	47	-17,548	6	-28,698
Financial assets - FVTPL	0	-11,577	0	-11,072
Financial assets FVOCI (with recycling)	0	-4,226	N/A	N/A
Financial assets FVOCI (without recycling)	0	-1,697	N/A	N/A
Financial assets - AfS	N/A	N/A	0	-17,561
Financial assets - AC	0	-48	6	-65
Entities accounted for using the equity method	47	0	0	0
Intangible assets	0	-108	0	-120
Property, plant and equipment	84	-57	6	-53
Other assets	34	-15,524	4	-20,723
	11,485	-47,263	50,329	-73,628
Amounts owed to credit institutions	592	0	834	-22
Amounts owed to customers	13,850	0	14,344	0
Securitised liabilities	4,226	0	4,873	0
Provisions for staff benefits	24,968	-4	21,772	0
Other provisions	12,825	0	10,873	0
Other liabilities	4,252	-601	7,666	-1,178
Subordinated debt capital	6,793	0	8,025	0

Untaxed reserves/valuation reserves	0	-238	0	-314
	67,506	-844	68,388	-1,515
Capitalisable tax loss carry-forwards	837	0	1,031	0
Deferred tax assets/liabilities	79,827	-48,106	119,748	-75,143
Impairment allowance	0	0	0	0
Balance of deferred tax assets/liabilities attributable to the same fiscal authority	-43,527	43,527	-70,801	70,692
Balance of deferred tax assets/liabilities	36,300	-4,579	48,947	-4,451

No deferred tax assets were recognised for loss carry-forwards from the Leasing subgroup in the amount of Euro 1,298 as at 31 Dec. 2018 (pr.yr.: €k 1,578), because their consumption within the foreseeable future does not appear feasible from today's perspective.

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 593,234 (pr. yr.: €k 643,464) 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 – without taking into account the tax-free profit distribution by subsidiaries – the hypothetical tax debt of €k 148,308 (pr. yr.: €k 160,866) was not reported at 31 December 2018.

21) Amounts owed to credit institutions	**2018**	**2017**
Amounts owed to domestic banks	2,632,935	2,436,798
Amounts owed to foreign banks	1,754,834	1,718,499
Amounts owed to credit institutions	4,387,769	4,155,297
Amounts owed to credit institutions, by maturity		
On demand	1,182,243	1,070,665
Up to 3 months	370,129	748,620
3 months to 1 year	37,042	47,666
Over 1 to 5 years	1,630,051	1,356,882
Over 5 years	1,168,303	931,464
Amounts owed to credit institutions	4,387,769	4,155,297

22) Amounts owed to customers	**2018**	**2017**
Savings deposits	2,684,132	2,719,041
Other	9,461,592	8,678,353
Amounts owed to customers	12,145,724	11,397,394
Amounts owed to customers, by maturity		
On demand	9,878,585	8,516,005
Up to 3 months	491,752	893,102
3 months to 1 year	824,330	989,761
Over 1 to 5 years	533,220	572,663
Over 5 years	417,836	425,863
Amounts owed to customers	12,145,724	11,397,394

23) Securitised liabilities	**2018**	**2017**
Bonds issued	1,503,782	1,365,548
Other securitised liabilities	11,890	2,702
Securitised liabilities	1,515,672	1,368,250
Securitised liabilities, by maturity		
Up to 3 months	90,644	126,145
3 months to 1 year	220,301	132,500
Over 1 to 5 years	687,384	863,941
Over 5 years	517,343	245,664
Securitised liabilities	1,515,672	1,368,250

24) Provisions for liabilities and charges	2018	2017
Provisions for benefits and pensions	183,053	172,931
Provisions for anniversary bonuses	13,697	11,801
Provisions for credit risks	129,360	141,461
Other provisions	57,205	54,837
Provisions for liabilities and charges	383,315	381,030

Movement in provisions for termination benefits and pensions	2018	2017
Provisions balance as at 1/1	172,931	173,370
Provisions for termination benefits	1,483	1,410
Provisions for benefits and pensions	8,639	-1,849
Provisions balance as at 31/12	183,053	172,931

Presentation of obligations under defined benefit plans pursuant to IAS 19	2018	2017
Plan assets	0	0
Provisions for termination benefits	45,979	44,496
Provisions for pensions	137,074	128,435
Provisions for anniversary bonuses	13,697	11,801
Total obligations under defined benefit plans	196,750	184,732

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

The legal basis for the provisions for termination benefits is the Austrian Salaried Employees Act (AngG, § 23) as well as the valid collective agreement for the banking sector (§ 32). Pursuant to §32 of the collective agreement, employees with a minimum service period of five years are entitled to termination benefits in the amount of two monthly salaries in addition to their claims in accordance with the Salaried Employees Act (Severance Pay *old*) and BMSVG (Corporate Employee and Self-Employed Pension Act; Severance Pay *new*), respectively. As at 31 December 2017, 848 employees were included in the "Severance Pay *old*" system (95.04% of the entire volume of provisions) and 1.039 employees were carried in the "Severance Pay *new*" system.

The legal basis for the provisions for pensions is the collective bargaining agreement on the reform of pension entitlements (pension reform of 1997) as well as pension commitments based on individual contracts. As at 31 December 2018, provisions for pensions within the Oberbank Group included 489 pension beneficiaries (74.63% of the total volume of provisions) and 365 employees in active service (25.37% of total provisions). Most of the 364 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 almost 17.12% of total provisions.

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

Disability: If an employee is granted a disability pension, the Austrian pension law in force before 1 January 1997 is applicable, meaning that the Bank's contribution is a transitional pension (total pension) calculated on the basis of the last salary and taking into account pension fund contributions financed by the Bank. One disability pension was granted in 2018.

Administrative pension: Upon termination of an employment contract by the Bank, active employees entitled to a pension based on acquired vested rights receive an administrative pension calculated on the basis of the last salary, which is paid until such person becomes entitled to a statutory pension pursuant to the provisions laid down in the Austrian General Social Insurance Act (ASVG) from which date a transitional pension is disbursed (calculated on the basis of a fictitious ASVG pension). There were no such cases in 2018.

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 2018, provisions for anniversary bonuses covered the entitlements of 1,475 persons. No provisions have been set up for 324 persons (28 have already received their anniversary bonuses; 296 persons will reach retirement age prior to the entitlement date for the anniversary bonus).

Movements in provisions for termination benefits, pensions and similar obligations	2018	2017
Present value of defined benefit provisions as at 01/01	**184,732**	**185,058**
Recognised in the income statement		
+ Service cost	3,688	3,640
+ Interest cost	3,159	3,613
Subtotal	**191,579**	**192,311**
Revaluation effects		
Recognised directly in equity through other comprehensive income		
Actuarial gains / losses	13,871	2,974
- financial assumptions	757	5,159
- demographic assumptions	7,951	0
- experience-based assumptions	5,163	-2,185
Gains/losses on plan assets	0	0
Gains/losses on exchange rate fluctuations	0	0
Recognised in the income statement	1,518	-170
Subtotal	**15,389**	**2,804**
Other		
Payments for plan settlements	0	0
- Payments during the reporting year	-10,217	-10,383
- Other changes	0	0
Subtotal	**-10,217**	**-10,383**
Provisions recognised as at 31/12	**196,750**	**184,732**

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.

The provisions for liabilities and charges recognised is an amount of €k 9,467 for the adjustment to the new mortality tables published by Aktuarvereinigung Österreichs (AVÖ) (Austrian Actuarial Society). The new mortality tables take into account especially the higher life expectancies as well as the lower probability of occupational disability.

Important actuarial assumptions for calculating the present values of defined benefit obligations	2018	2017
Interest rate applied	1.75%	1.75%
Increase under collective agreements	2.99%	2.93%
Pension increase	1.54%	1.52%
Fluctuation	none	none
Retirement age women	59–65 years	59–65 years
Retirement age men	65 years	65 years
Mortality tables	AVÖ 2018	AVÖ 2008

Assuming that the computational parameters remain unchanged, we anticipate a reversal of provisions for termination benefits, pensions and similar obligations of about EUR 3.1 million in the financial year 2019. The present value of post-retirement benefit obligations was €k 216,216 for the financial year 2011, €k 218,727 for the financial year 2012, €k 217,880 for the financial year 2013, €k 246,475 for the financial year 2014, €k 190,317 for the financial year 2015, and €k 185,058 for the financial year 2016.

Sensitivity analysis

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

in €k	Termination benefits	Pensions	Anniversary bonuses
Interest rate applied + 1%	41,275	120,349	-
Interest rate applied - 1%	51,543	158,083	-
Collective agreement increase + 0.5%	48,583	138,322	-
Collective agreement increase - 0.5%	43,537	135,878	-
Pension increase + 0.5%	-	145,197	-
Pension increase - 0.5%	-	129,624	-

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

Maturity profile

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

in €k	Termination benefits	Pensions	Anniversary bonuses
2019	2,343	7,023	-
2020	2,126	6,764	-
2021	2,214	6,543	-
2022	2,899	6,385	-
2023	2,298	6,184	-
Total of anticipated disbursements of benefits in the next five years	11,880	32,899	-

Maturity

The following table shows the weighted average term to maturity of defined benefit obligations as at 31 December 2018:

in years	Termination benefits	Pensions	Anniversary bonuses
Maturity	11.46	14.26	-

Movements in other provisions for liabilities and charges	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
At 1 January	11,801	153,114	54,838
Allocated	1,896	35,224	9,407
Used / exchange differences / effect proportionate consolidation / reclassification	0	-3,925	-224
Reversed	0	-55,053	-6,816
Balance as at 31/12	13,697	129,360	57,205

These are primarily short-term provisions

The provisions for the lending business already take the effects of the changeover to IFRS 9 as at 01/01.

25) Other liabilities	2018	2017
Trading liabilities	29,521	31,848
Tax liabilities	9,756	18,399
Current tax liabilities	5,177	13,948
Deferred tax liabilities[1)]	4,579	4,451
Other liabilities	269,931	267,263
Negative fair values of closed out derivatives in the banking book	20,118	40,475
Deferred items	70,277	74,758
Other liabilities	399,603	432,743

1) For details regarding deferred tax liabilities, see Note 20) on Other assets.

26) Other liabilities (trading liabilities)	2018	2017
Currency contracts	874	525
Interest rate contracts	28,647	31,323
Other contracts	0	0
Trading liabilities	29,521	31,848

27) Subordinated debt capital	2018	2017
Subordinated bonds issued incl. tier 2 capital	582,598	570,003
Hybrid capital	0	59,100
Subordinated debt capital	582,598	629,103
Subordinated debt capital, by maturity		
Up to 3 months	33,810	51,014
3 months to 1 year	106,943	42,190
Over 1 to 5 years	198,257	286,318
Over 5 years	243,588	249,581
Subordinated debt capital	582,598	629,103
Development of subordinated debt capital		
As at 01/01	629,103	660,499
Changes in cash items	-43,639	-24,395
thereof payments from issues	98,163	46,911
thereof repurchase/repayment	-141,802	-71,306
Changes in non-cash items	-2,866	-7,001
thereof changes in the fair value	-4,931	-8,523
thereof other changes	2,065	1,522
As at 31/12	582,598	629,103

28) Equity	2018	2017
Subscribed capital	105,769	105,862
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,128,295	1,797,284
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Share of non-controlling shareholders	6,437	6,248
Equity	2,797,896	2,466,789
Development of shares in issue (units)		
Shares in issue as at 01/01	35,287,174	35,278,887
New shares issued	0	0
Treasury shares purchased	-332,562	-230,068
Treasury shares sold	301,775	238,355
Shares in issue as at 31/12	35,256,387	35,287,174
Plus own shares held by the Group	50,913	20,126
Shares in issue as at 31/12	35,307,300	35,307,300

The carrying value of own shares held was EUR 4.5 million (previous year: EUR 1.5 million) on the balance sheet date.

29) Non-current assets statement

Movements in intangible assets and property, plant and equipment	Intangible assets	Property, plant and equipment	Thereof investment property
Costs of acquisition / production 1/1/2018	19,385	535,085	121,224
Exchange differences	-32	-229	0
Transfers	0	0	0
Additions	195	20,817	0
Disposals	19	28,635	0
Cumulated depreciation	18,617	248,342	25,402
Carrying value 31/12/2018	912	278,696	95,822
Carrying value 31/12/2017	929	292,955	98,905
Depreciation during the reporting year	189	25,165	3,083

Of total depreciation of property, plant and equipment in the reporting year, €k 12,677 assignable to operating leases are shown in the line item Other operating income.

Development of investments in subsidiaries and equity investments	Investments in subsidiaries	Equity investments
Costs of acquisition/conversion 1/1/2018	103,388	968,952
Additions	3,065	7,745
Change in investments in associates	0	93,682
Write-ups	30,483	30,589
Disposals	4,182	18,921
Cumulated depreciation	25,408	7,243
Carrying value 31/12/2018	107,346	1,074,804
Carrying value 31/12/2017	83,294	964,348
Depreciation during the reporting year	5,315	2,640

30) Fair value of financial instruments at 31/12/2018	**AC**	**FVTPL**	thereof other	**HFT**	**FVOCI**	thereof equity instruments FVOCI	thereof debt instruments FVOCI	**AC/ liabilities**	**Other**	**Total**
Cash and balances at central banks								828,685		**828,685**
								828,685		**828,685**
Loans and advances to banks								1,494,353		**1,494,353**
								1,494,873		**1,494,873**
Loans and advances to customers	49,639	67,633	46,617		44,997	0	44,997	15,720,763		**15,883,032**
	49,328	67,633	46,617		44,997	0	44,997	15,818,013		**15,979,971**
Loan loss provisions								-251,474		**-251,474**
								-251,474		**-251,474**
Trading assets				36,159						**36,159**
				36,159						**36,159**
Financial investments	1,881,559	233,510	0		593,540	333,449	260,091		919,637	**3,628,246**
	1,972,137	233,510	0		593,540	333,449	260,091			
Intangible assets										
									912	**912**
Property, plant and equip.										
									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 banks		55,222	55,222					4,332,547		**4,387,769**
		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**		

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

In the financial year 2018, 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 (FVTPL) 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)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	at 31/12/2018	In the financial year 2018	cumulated	at 31/12/2018
Amounts owed to banks	-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

In the financial year 2018, there were no reclassifications of cumulated profit or loss within equity.

Assets designated at fair value through profit or loss			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:

	31/12/2018	**31/12/2017**
Loans and advances to customers FVTPL	67,633	52,091
Financial investments FVTPL	233,510	228,565
Financial investments FVOCI	333,449	359,988
Trading assets	36,159	37,570
Derivatives positions in the banking book	103,178	124,609
Total	**773,929**	**802,823**

The values as at 31/12/2017 represent the maximum default risk for financial instruments in the scope of application of IAS 39.

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

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

1) Euro 97.0 million in this item relate to equity interests and non-consolidated interests in associated companies shown at cost in the balance sheet.

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

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

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

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

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 valuation of financial instruments lies with the Strategic Risk Management of Oberbank. The unit is functionally and organisationally separate from trading, which is responsible for the initiation and conclusion of transactions.
Trading book positions are marked-to-market daily at the close of business.
The measurement is based on current stock exchange prices where such quoted prices are publicly available. If the direct measurement using 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, and the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with the model values of the partner banks.
The management is sent a daily update on risk positions and the valuation results based on entire trading book positions.
The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

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

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

If direct measurement based on prices quoted on securities exchanges is not possible, the present value in level 2 is estimated using model values derived from current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are obtained from the Reuters Market Data System.
Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes options pricing model). Structured products are measured on the basis of price information obtained from third parties.

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 0.7 million (pr. yr.: EUR 0.9 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 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.

Movements in €k	**2018**	**2017**
Carrying value as at 01/01	88,184	74,616
Additions (purchases)	3,378	0
Disposals (sales)	-15,371	0
Initial recognition due to IFRS 9	149,758	0
Value changes recognised in equity	21,984	13,568
Value changes recognised in income	0	0
Carrying value as at 31/12	**247,933**	**88,184**

The item Other comprehensive income from this type of instrument decreased by €k 18.491.

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

	Significant, non-observable input factors	**Relationship between significant, non-observable input factors and measurement at fair value**
Equity investments FVOCI	Discounting rate 5.25% - 8.83% (pr.yr. 5.40% - 8.47%), weighted average 5.96% (pr.yr. 5.81%)	The estimated fair value would increase (drop) if the discounting rate were lower (higher).

As regards the fair values of participating interests in the AfS portfolio, a 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:

	31/12/2018		31/12/2017	
in €k	**Increase**	**Reduction**	**Increase**	**Reduction**
Discounting rate (0.25% change)	-3,792	3,914	-2,169	1,503

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

Movement in 2018 in €k	Loans and advances to customers	Amounts owed to credit institutions
Carrying value as at 01/01	51,748	53,276
Carry forward in level 2	0	-53,276
Initial application of IFRS 9	19,148	0
Additions	0	0
Disposals (repayments)	-11,423	0
Changes in fair value	-812	0
of which disposals	-267	0
of which portfolio instruments	-545	0
Carrying value as at 31/12	**58,661**	**0**

There were no transfers between Level 1 and Level 2.

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

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

	Financial assets gross	Gross amounts offset	Financial assets net	Amounts not recognised: Effects of netting arrangements	Amounts not recognised: Financial instruments pledged	Net amount
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**
Assets as at 31/12/2017						
Loans and advances to customers	15,062,034	-301,699	14,760,335			14,760,335
Derivatives	159,426		159,426	-48,612	-64,670	46,144
Total	**15,221,460**	**-301,699**	**14,919,761**	**-48,612**	**-64,670**	**14,806,479**
Liabilities as at 31/12/2016						
Amounts owed to customers	11,699,093	-301,699	11,397,394			11,397,394
Liabilities from central bank deposits transferred and securities repurchase agreements	1,799,597		1,799,597		-1,799,597	0
Derivatives	71,208		71,208	-48,612	-1,839	20,757
Total	**13,569,898**	**-301,699**	**13,268,199**	**-48,612**	**-1,801,436**	**11,418,151**

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.

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

Total remuneration to the Management Board recognised in the consolidated financial statements was €k 2,044.0 (pr.yr.: €k 1,811.9). The variable component therein was €k 417.0 (pr. yr. €k 348.0).

Payments to former members of the management board and their surviving dependents amounted to €k 1,251.3 (pr.yr.: €k 1,235.1). 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 3,819.7 (pr.yr.: €k 2,238.6). These amounts include changes recognised in equity (expenses arising from by changes in the parameters used for actuarial calculation of provisions for termination benefits and pensions).

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

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

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

The assessment of Oberbank as a highly complex 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" in 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 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors must consist of equal parts of shares and cash.

Since variable remuneration components are always determined and granted retroactively, provisions must be set up 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 2017 for the year 2016, the amount was €k 350, and for the remuneration paid out in 2018 for the year 2017, the amount was €k 370.

Remuneration to be paid out in 2019 for 2018 is €k 450 and is recognised in the balance sheet at 31/12/2018.

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.

The provisions created for the portions which are not disbursed in accordance with legal requirements (20% in cash and 20% in equity instruments) remain intact. These provisions amounted to €k 139 in 2017 and to €k 204 for 2018. These amounts are distributed across the subsequent five years to be paid out following approval by the Remuneration Committee.

In terms of accounting treatment, the provisions to be created for the variable 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 committees per member and year for the work rendered by each committee member at EUR 6,000 for the members of the Audit Committee, and the Risk and Credit Committee; EUR 3,000 for the members of the Remuneration Committee, EUR 2,000 for the members of the Working Committee, and EUR 1,000 for the members of the Nomination Committee.
Remuneration of the Supervisory Board for the reporting year as recognised in the consolidated financial statements came to €k 281.

Loans were granted and guarantees were in place on behalf of the Supervisory Board of Oberbank AG in an amount of €k 896.3 (pr. yr.: €k 1,168.5). Loans in an amount of €k 186.6 (pr. yr.: €k 202.2) 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 2018 employee stock option plan
Offer period: 22 May to 12 June 2018; Placing of orders until 12 June 2018;
Number of shares limited to 60,000 ordinary non-par value shares available for purchase and up to 15,000 ordinary non-par value shares allocated free of charge ("bonus shares").
Subscription price: Exchange price as at 13 June 2018
Maximum number of shares available for purchase: 136 shares
Bonus share: one ordinary share was allotted free of charge as a bonus share per four ordinary shares purchased (model 4 + 1).

Within the predefined timeframe, the employees of Oberbank AG were offered shares in the company at preferential conditions (bonus shares). The purchase of shares is subject to restrictions on the amount employees are permitted to invest in purchasing shares. In the reporting year, the number of shares obtained by employees within this offering was 59,604 ordinary non-par value shares for purchase and 14,901 ordinary non-par value ordinary shares free of charge ("bonus shares"). The 14,901 preference shares acquired through the 2018 buyback programme for the purpose of issuing these to the eligible group of persons at no cost entailed expenses in an amount of €k 1,305.

2018 buyback programme
The share buyback programme for ordinary and preference shares was closed on 16 June 2018.
Within the buyback programme for ordinary shares, Oberbank repurchased a total of 75,785 ordinary non-par value shares between 5 June 2018 and 15 June 2018 through the stock exchange and over the counter which corresponds to 0.2146% of the share capital. The weighted average price per ordinary share amounted to EUR 87.60; the highest price paid per ordinary share was EUR 87.60; the lowest price paid per ordinary share was EUR 87.60. The value of repurchased shares amounted to EUR 6,638,766.
On 18 June 2018, the Management Board of the Company decided to sell or assign 75,785 Oberbank ordinary shares, specifically 74,505 shares to employees (incl. Management Board) within the scope of the employee stock option plan of 2018 of which 59,604 shares were purchased by employees and 14,901 shares were bonus shares free of charge (model 4 + 1) and 1,280 shares went to the Management Board as the share-based remuneration of the Management Board pursuant to Article 39b Banking Act in compliance with the proposal submitted by the meeting of the Remuneration Committee of the Supervisory Board of Oberbank AG on 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 at:
http://www.oberbank.at/OBK_webp/OBK/oberbank_at/Investor_Relations/Oberbank_Aktien/Aktienrueckkaufprogramm/index.jsp

Shares held by employees and the Management Board

As at 31 December 2018, employees (including retirees) and the Management Board held the following shares:

	Ordinary shares	Preference shares
Employees (directly and via the "Stiftung")	1,273,145	56,221
thereof Management Board	21,414	1,119
Gasselsberger	11,865	886
Weißl	7,158	163
Hagenauer	2,391	70

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

As at 31 December 2018, business transactions with related companies and persons were as follows:

in €k	Associates	Consolidated companies	Other related companies and persons[1)]
Business transactions			
Loans	11,698	0	20,790
Guarantees/collateral	98,457	0	4,135
Outstanding balances			
Receivables	76,314	24,699	44,394
Loans and advances to customers pr. year	124,484	28,081	48,416
Securities	24,746	0	0
Securities in pr. year	33,723	0	0
Payables	46,505	63,183	84,796
Payables in pr. year	47,612	33,736	66,470
Sureties/guarantees	124,510	0	9,459
Sureties/guarantees in pr. year	28,148	0	6,247
Provisions for doubtful receivables	1,474	0	0
Provisions for doubtful receivables in previous year	1,028	0	0
Income items			
Interest	1,525	23	321
Commissions	356	3	563
Expenses			
Interest	1	0	135
Commissions	0	0	0
Allowances for doubtful receivables	440	0	0
Administrative expenses	0	0	0

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

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

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

32) Segment Reporting

The basis for segment reporting is the Bank's internal segment accounting system, which is reflected in the separation between Personal Banking, and, on the other hand, Corporate and Business Banking operations established in 2003 and the resultant management remits within the Oberbank Group. The segments were presented in the segment report 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.

At the Oberbank Group, the segments 'Personal Banking', 'Corporate and Business Banking' (incl. the results of leasing companies), 'Financial Markets' (trading activities; the Bank's proprietary positions; positions entered into by the Bank as market maker; the 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 that cannot be allocated to the above-mentioned segments; units that contribute to profit but cannot be allocated to any individual segment).

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

Segment reporting as at 31 Dec. 2018 Core business segments in €k	**Personal Banking**	**Corporates**	**Financial Markets**	**Other**	**Total**
Net interest income	60,730	245,003	39,499		345,233
Income from entities recognised by the equity method			83,123		83,123
Charges for losses on loans and advances	-2,811	-16,134	-6,656		-25,601
Net fee and commission income	74,472	84,849	-147		159,174
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 period 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
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 credit institutions			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

Segment report as at 31/12/2017 Core business segments in €k	**Personal Banking**	**Corporates**	**Financial Markets**	**Other**	**Total**
Operating interest income	57,131	237,617	20,519		315,266
Equity method			72,210		72,210
Net interest income	57,131	237,617	92,729		387,476
Charges for losses on loans and advances	-8,030	-20,727	349		-28,408
Net commission income	65,665	74,997	-34		140,628
Net trading income		-307	10,254		9,947
Administrative expenses	-86,231	-133,178	-7,461	-39,375	-266,245
Other operating income	3,898	-23,542	21,613	-6,488	-4,520
Extraordinary profit/loss					
Profit for the period before tax	32,432	134,860	117,449	-45,863	238,878
Average risk-weighted assets	1,630,155	8,974,086	5,485,142		16,089,382
Average allocated equity	240,594	1,324,482	809,550		2,374,626
Return on equity before tax	13.5%	10.2%	14.5%		10.1%
Cost/income ratio	68.1%	46.1%	6.0%		49.9%
Cash and balances at central banks			845,105		845,105
Loans and advances to credit institutions			1,253,366		1,253,366
Loans and advances to customers	3,049,237	11,711,098			14,760,335
Loan loss provisions	-50,762	-298,323	-43,621		-392,706
Trading assets			37,570		37,570
Financial investments			3,726,371		3,726,371
Interest in entities accounted for by the equity method			825,954		825,954
Other assets				600,565	600,565
Segment assets	2,998,475	11,412,775	5,818,791	600,565	20,830,606
Amounts owed to credit institutions			4,155,297		4,155,297
Amounts owed to customers	5,158,203	6,239,191			11,397,394
Securitised liabilities			1,368,250		1,368,250
Trading liabilities			31,848		31,848
Equity and subordinated debt capital	313,672	1,726,778	1,055,442		3,095,892
Other liabilities				781,926	781,926
Segment liabilities	5,471,875	7,965,969	6,610,836	781,926	20,830,606
Depreciation/amortisation	4,031	5,846	116	2,276	12,270

33) Non-performing loans **see Note 42, "Credit risk"**

34) Assets pledged as collateral	**2018**	**2017**
Cover pool for trust money in savings deposits	29,883	29,896
Cover pool for covered bank bonds	40,808	40,743
Cover pool for mortgage-backed covered bank bonds	969,090	819,053
Margin cover and collateral deposits for securities transactions and derivatives	42,956	106,998
Collateral for credit line with Euroclear	0	7,507
Collateral for EIB global loan facility	92,516	106,143
Securities and receivables for refinancing operations with OeNB	991,477	1,225,219
Securities held as collateral for the refinancing programme with the Hungarian National Bank	39,699	41,158
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	1,280,573	453,955
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Germany	1,056,846	884,714
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Hungary	11,541	0
Other assets furnished as collateral to CCP Austria GmbH as the clearing agent for stock market transactions	576	736
Assets pledged as collateral	4,555,965	3,716,122

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

35) Subordinated assets	2018	2017
Loans and advances to credit institutions	0	0
Loans and advances to customers	42,932	44,255
Bonds and other fixed-interest securities	15,700	30,640
Shares and other variable-yield securities	18,143	17,278
Other items	76,775	92,173

36) Foreign currency balances	2018	2017
Assets	3,269,034	2,797,776
Equity and liabilities	1,937,296	2,303,756

We would like to point out the Risk Report under Note 41 et seq.

37) Fiduciary assets	2018	2017
Fiduciary loans	319,808	424,063
Fiduciary investments	0	0
Fiduciary assets	319,808	424,063

38) Genuine repurchase agreements	2018	2017
Securities underlying genuine repo agreements had a carrying value of	0	0

39) Contingent liabilities and commitments	2018	2017
Other contingent liabilities (guarantees and letters of credit)	1,371,306	1,441,004
Contingent liabilities	1,371,306	1,441,004
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,102,696	4,028,144
Credit risks	4,102,696	4,028,144

40) Group of consolidated companies

The following list presents the group of consolidated companies within the Oberbank Group as at 31 December 2018.

Group parent
Oberbank AG, Linz

Consolidated entities	Percentage in %
3-Banken Wohnbaubank AG, Linz	80.00
3-Banken Kfz-Leasing GmbH, Linz	80.00
Donaulände Garagen GmbH, Linz	100.00
Donaulände Holding GmbH, Linz	100.00
Donaulände Invest GmbH, Linz	100.00
Ober Finanz Leasing gAG, Budapest	100.00
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	100.00
Oberbank airplane 2 Leasing GmbH, Linz	100.00
Oberbank Reder Immobilienleasing GmbH, 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 Leobendorf Immobilienleasing GmbH, Linz	100.00
Oberbank Hybrid 1 GmbH, Linz	100.00
Oberbank Hybrid 2 GmbH, Linz	100.00
Oberbank Hybrid 3 GmbH, Linz	100.00
Oberbank Hybrid 4 GmbH, Linz	100.00
Oberbank Hybrid 5 GmbH, Linz	100.00
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	100.00
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	95.00
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	100.00
Oberbank KB Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Kfz-Leasing GmbH, Linz	100.00
OBERBANK LEASING GESELLSCHAFT MBH., Linz	100.00
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	general partner
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	general partner
Oberbank Leasing GmbH Bayern, Neuötting	100.00
Oberbank Leasing JAF Holz, s.r.o., 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 LIV Immobilienleasing GmbH, Linz	100.00
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	99.80
Oberbank Operating Mobilienleasing GmbH, Linz	100.00
Oberbank Operating OPR Immobilienleasing GmbH, Linz	100.00
Oberbank Pernau Immobilienleasing GmbH, Linz	100.00
Oberbank Riesenhof Immobilienleasing GmbH, Linz	100.00
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	100.00

Oberbank TREI Immobilienleasing GmbH, Linz	100.00
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100.00
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen	100.00
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	100.00
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	100.00
Oberbank Wien Süd 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
Drei Banken Versicherungsagentur GmbH in Liquidation, Linz	40.00
voestalpine AG, Linz	8.14

Non-consolidated entities	Share in %
A. SUBSIDIARIES	
“AM" Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
Banken DL Servicegesellschaft m.b.H., Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxemburg	58.69
“LA” Gebäudevermietung und Bau - Gesellschaft m.b.H., Linz	100.00
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Holding GmbH, Linz	100.00
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	100.00
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	100.00
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz	100.00
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	100.00
Oberbank PE Beteiligungen GmbH, Linz	100.00
Oberbank PE Holding GmbH, Linz	100.00
Oberbank Unternehmensbeteiligung GmbH, Linz	100.00
Oberbank Vertriebsservice GmbH, Linz	100.00
Oberbank V-Investholding GmbH, Linz	100.00
Samson České Budějovice spol. s r.o., Budweis	100.00
“SG“ Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
“SP“ Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
“ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	100.00
TZ-Vermögensverwaltungs GmbH, Linz	100.00
“VB“ Gebäudeerrichtungs- und -vermietungsgesellschaft m.b.H., Linz	100.00
Wohnwert GmbH, Salzburg	100.00

B. ASSOCIATES

3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	20.57
3-Banken Beteiligung Gesellschaft m.b.H., Linz	40.00
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	40.00
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	40.00
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	49.00
Buy-Out Central Europe II Beteiligungs-Invest AG i. A., Wien	24.85
NIELMOS Beteiligungs GmbH, Wien (formerly Cycleenergy Beteiligungs GmbH)	26.28
3 Banken IT GmbH, Linz (formerly DREI-BANKEN-EDV Gesellschaft m.b.H.)	40.00
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxemburg	33.11
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	27.19
Herold NZ Verwaltung GmbH, Mödling	24.90
OÖ HightechFonds GmbH, Linz	24.70
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50
Nutzfahrzeuge Beteiligung GmbH, Vienna	36.94

Information on subsidiaries

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Summary accounting policies.
The table below presents a list of the key subsidiaries of the Oberbank Group in 2018 and 2017.

Name	**Country of main activity**	**Equity interest in %**	
		2018	**2017**
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
Donauländе Invest GmbH	Austria	100.00	100.00

As at 31 December 2016, there were no substantial non-controlling interests in any of the subsidiary companies.

Information regarding associates

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

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

	BKS Bank AG	Bank für Tirol und Vorarlberg Aktiengesellschaft	voestalpine Group
Nature of relationship	Strategic banking partner	Strategic banking partner	Strategic partner
Type of activity	Credit institution	Credit institution	Steel-based technology and capital goods company
Headquarters of business activity	Austria	Austria	Austria
Share in capital	18.52% (2017: 18.52%)	13.22% (2017: 13.22%)	8.14% (2017: 8.14%)
Voting share	19.29% (2017: 19.36%)	14.27% (2017: 14.38%)	8.14% (2017: 8.14%)
Fair value of ownership share (if listed)	€k 133,606 (2017: €k 130,664)	€k 107,068 (2017: €k 93,450)	€k 374,774 (2017: €k 715,733)

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			
in €k	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues	220,663	194,188	300,950	273,648	13,269,500	12,189,000
Profit/loss from continuing operations	72,215	60,944	96,121	74,847	704,300	682,200
Profit/loss after taxes from discontinued operations	0	0	0	0	0	0
Other comprehensive income	10,941	16,693	1,543	15,240	-74,700	68,600
Consolidated net profit	83,156	77,637	97,664	90,087	629,600	750,800
Short-term assets	533,049	614,415	936,596	600,150	6,434,300	6,631,000
Long-term assets	7,651,315	6,930,855	10,221,720	9,860,433	8,736,700	8,505,400
Short-term debts	800,101	823,599	1,403,127	1,383,197	4,845,100	4,089,800
Long-term debts	6,193,826	5,698,795	8,209,191	7,709,062	3,775,000	4,862,800
Group's share in the net assets of associated companies at the beginning of the year	183,360	170,424	175,565	155,160	463,737	385,198
Profit/loss attributable to parent	21,929	14,624	24,284	11,635	50,368	56,940
Dividends received in the reporting year	1,800	1,688	1,227	1,091	20,103	15,795
Additions in the reporting year	10,328	0	9,917	9,861	0	37,394
Group's share in the net assets of associated companies at the end of the year	213,816	183,360	208,540	175,565	494,003	463,737

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 were accounted for in the consolidated financial statements by reason of the aforesaid syndicate agreements.

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

Any effects of significant transactions between the reporting date and the date of the consolidated financial statements were taken into account.

BKS Bank AG carried out a capital increase in the first quarter of 2018 that had no impact on the percentage of the holding in the company. Bank für Tirol und Vorarlberg Aktiengesellschaft also carried out a capital increase in the fourth quarter of 2018 that had no impact on the percentage of the holding in the company.

Additionally, one associated company which is not of material importance in terms of the above disclosures was recognised applying the equity method. The profit/loss from continuing operations attributable to this company amounted to €k 314 (pr.yr.: €k -2,143) in the reporting year.

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

in €k	2018	2017
Assets	260,114	239,629
Liabilities	161,793	141,531
Revenues	146,314	151,668
Profit/loss for the period	9,570	8,497

Since these figures were compiled in accordance with the Austrian Business Code, it was not possible to provide a breakdown by results from continuing and discontinued operations as required pursuant to IFRS 12 and other comprehensive income / total income.

Disclosures regarding jointly controlled operations

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

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

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H is classified as a joint arrangement by the Oberbank Group and its sister bank, although it is legally independent of these parties. The reason for this lies in the fact that the guarantee fund created for covering large loan exposures is 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 interest in unconsolidated structured entities consist of contractual relationships with attached entitlement to variable proceeds from the performance of the unconsolidated structured entities. These relate to business activities with investment fund units in which the Oberbank Group has invested. They serve the purpose of earning investment income.
The entities covered by this disclosure note are not consolidated because the Oberbank Group does not control them through voting rights, contracts, funding agreements or other means. Material consolidated structured entities identified within the Oberbank Group are generally carried at fair value in the IFRS financial statements as their performance is assessed and monitored in terms of their fair value development on the basis of a documented investment strategy.

Income

The Oberbank Group earns income from such transactions, firstly in the form of dividends and secondly from changes in the value of the securities held. Dividends are reported in the item Other operating income.
Changes in value are shown under net income from financial assets FVTPL 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 ad 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.

Finance support

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

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

in €k	2018	2017
Financial assets		
Financial assets - FVTPL	14,579	22,190
Consolidated net profit		
Other operating income	1,349	4,042
Net income from financial assets - FVTPL	-7,311	-637
Other operating income	8,660	4,679
Maximum exposure to loss	**14,579**	**22,190**

Risk Report

41) Overall risk management

Risk strategy

Knowingly assuming risks is a key element of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term.
Responsibility for defining the Group's central risk management strategy, the risk management and risk controlling throughout the Oberbank Group lies with Oberbank AG.
The basis for the risk strategy of Oberbank is the Bank's positioning as a regional bank.
The Management Board and all of the Bank's employees consistently act in accordance with the principles laid down in the Bank's risk policy, and decisions are invariably made on the basis of these guidelines. Before new business lines are taken up or new products introduced, business-specific risks are always adequately analysed.

Organisation of risk management

Risk management encompasses all activities involved in systematically addressing potential risks within the Group.
At Oberbank, risk management is an integral element of the Bank's business policy, internal planning of strategic targets, and operational management and controlling.
Central responsibility for risk management lies with the Management Board of Oberbank AG as a whole.

The risk targets for the respective financial year are derived from the Bank's risk strategy, and the available risk coverage capital is distributed across the individual risks by assigning commensurate limits within the framework of the annual planning and budget cycle. These limits create the basis for ongoing strict compliance control throughout the respective year. 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 unit has a complete overview of the existing risk types and their magnitude as well as of the risk situation of the Bank; it measures, analyses and monitors and reports on all material risks of Oberbank. The reporting line is to the Supervisory Board, the Management Board, the ALM Committee as well as to the respective department heads and employees. The Strategic Risk Management department is also involved in preparing the risk strategy.

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

Risk report to the Supervisory Board

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

Internal Control System

Oberbank's Internal Control System (ICS) is in compliance with the internationally recognised COSO Framework standards. A detailed description of ICS processes and procedures is available; all risk-relevant processes of the Bank and the pertinent control measures are 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.

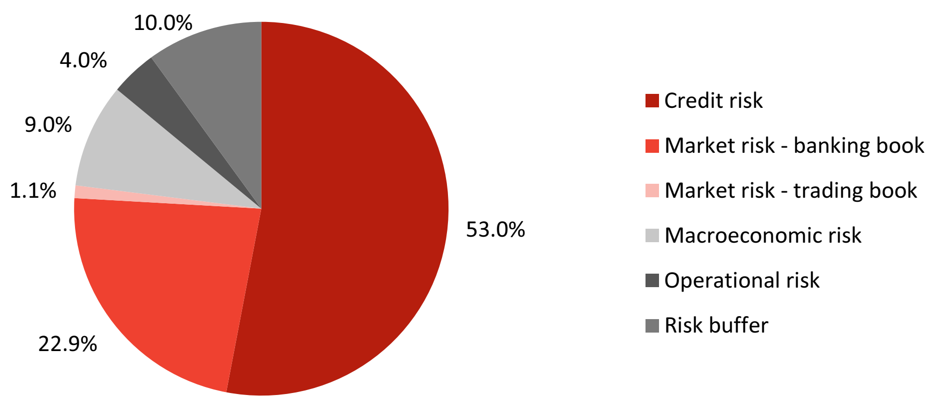
Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

Oberbank has chosen the Internet as the publicly accessible medium for disclosures required pursuant to Part 8 CRR. 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, ICAAP risk limits are derived for all material banking risks, specifically the credit risk (within which loss exposure, the counterparty default risk, the foreign currency loan risk, the risk of credit valuation adjustments (CVA risk) and credit risk concentrations are quantified), the market risk in the trading book, the market risk in the banking book, the liquidity risk, the operational risks as well as risks arising from the macroeconomic environment. In the risk-bearing capacity calculation, the risk appetite of Oberbank is limited to 90% of economic coverage capital. The remainder of 10% is not allocated. Apart from using economic capital management as a tool for limiting risk, Oberbank controls material risks by means of processes and individual limits applied within the context of operational risk management.

Share of assigned risk limits in total available economic capital



On 31 Dec. 2018, limit utilisation stood at 57.0% (31/12/2017: 52.2%). The credit risk limit was utilised to 64.9% (31/12/2017: 56.4%), the limit for market risk in the banking book to 45.4% (31/12/2017: 47.8%), the market risk limit in the trading book to 19.1% (31.12.2017: 47.2%), the limit for the macro-economic risks to 39.1% (31/12/2017: 36.1%) and the limit for operational risk to 68.1% (31/12/2017: 60.1%).

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 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 2018. In the scenario with the highest quantitative effects, total limit utilisation was 70.3% (31/12/2017: 65.0%).

Responsibility for the Group's risk management by risk category

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

Equity risk: The Management Board of Oberbank AG as a whole is accountable for investment decisions as well for as the proper organisation and monitoring of the Bank's equity investment management. Operational equity investment management is the responsibility of the Secretariat and Communications 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. The Global Financial Markets department is responsible for the foreign currency risk of the entire Oberbank Group, the market risk in the trading book and the interest rate risk from money market trading. The market risk in the banking book is the responsibility of the ALM Committee.

Operational risk: A special committee with responsibility for the management of operational risk has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision and adjustment of the applied methodology. The management of operational risks is performed by the respective operating departments and the regional sales offices (risk-taking units) responsible for operational risk in connection with products and processes within their respective spheres of responsibility.

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

Risk concentration

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

Inter-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories. The sensitivity of Oberbank to inter-risk concentrations is tested on a quarterly basis within the framework of the calculation of the risk-bearing capacity.

Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category. Concentrations may occur in all types of risks. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories.

Owing to the specific business model of Oberbank, the intra-risk concentration risk is a crucial factor especially in credit risk. It arises due to the fact that individual exposures may account for a high percentage of total exposure, or exposures exhibit an above-average degree of correlation (concentrations within exposure groups, business segments, sectors, countries, customer groups, etc.). The intra-concentration risk in credit risk is taken into account within the framework of the risk-bearing capacity calculation. Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

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

Portfolio limits are also in place in foreign currency loans.

The share of the Bank's ten largest borrowers (groups of related customers) in terms of loans and receivables and fixed-interest bearing securities amounted to 18.45% (pr. yr.: 18.22%). Around 82% of the 18.45% are for receivables from the public sector of which around 56% are from the federal government and Oesterreichische Nationalbank.
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 42 – as well as further quantitative information on concentration risk.
The volume of each large-loan exposures was far below the regulatory cap in the reporting period.

42) 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 risk, country risk and counterparty risk, foreign currency risk as well as transfer and concentration risk. Oberbank has no business in the field of securitisation in its portfolio.

Credit risk strategy

The Bank's credit risk strategy is based on the regionality principle (i.e. domicile of lending customers are in the regions covered by the branch network) taking into consideration the specific risk (limits) allocated to the credit risk.
In Austria and in the German business areas, the principal focus is on lending to industry and 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

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

Internal rating and assessment of creditworthiness

An efficient system for the assessment of a customer's creditworthiness is a central prerequisite for effective credit risk management with the aim of fair and risk-adequate pricing in the lending business of a bank. In fact, Oberbank considers its credit rating process as one of the Bank's core competences. In the corporate banking business, these assessments are performed using credit rating processes developed with statistical methods. The same is true for the rating of existing business in the personal banking segment as well as for application ratings in the personal banking business in Austria and Germany.

The credit assessment procedures applied in corporate and business banking (rating procedures) and in personal banking (scoring process) differ in terms of their approach. The rating-based approach determines a hard-facts rating (based on balance sheet data) and a soft-facts rating (qualitative information such as on products, markets, etc.). It additionally takes into account warning signals and account data to arrive at the final rating. The scoring procedures for new individual customers include an application scoring (negative information, income and structural data) and for existing customers of an automated follow-up scoring (account behaviour, income and structural data). All rating and scoring procedures serve to establish the estimated probability of default per customer. This default probability is mapped out on a master scale. The estimated probability of default is mapped into a default risk grid, which ensures that a rating grade established by means of different rating procedures reflects a uniform probability of default.

Credit ratings of credit institutions and sovereigns as well as the respective limits are assigned on the basis of external ratings and/or balance sheet analyses combined with qualitative criteria.

The rating procedures are validated annually. The resultant findings are used as a basis for the ongoing further development and optimisation of the rating system.

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

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

Risk management and controlling

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

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

Drafting of the listing prospectus

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

in €k	Total exposure as at 31/12/2018	Total exposure as at 31/12/2017
Loans and receivables	17,734,109	16,410,328
Fixed-income securities	2,241,409	2,464,683
Credit risks from derivatives and contingent liabilities	5,651,820	5,618,490
Total exposure	**25,627,338**	**24,493,501**

Distribution by credit rating

The rating category "very strong" includes the rating grades AA, A1, A2, 1a and 1b, the rating category "strong" the rating grades 2a, 2b, 3a and 3b and the category "weak" the rating grades 4a and 4b. The category "non-performing" comprises exposures to which a default definition within the meaning of Basel III applies. The rating grade 5a refers to exposures not yet transferred to the workout process. Exposures in the rating grades 5b and 5c are already in the process of liquidation. Owing to excess cover by stable-value collateral, non-performing loan exposures included EUR 50.7 million (previous year: EUR 29.7 million) in non-impaired receivables in the reporting year.

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**

Rating category as at 31/12/2017 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Very strong	7,715,753	2,313,681	3,004,230	13,033,665
Strong	7,925,880	141,001	2,449,470	10,516,351
Weak	358,558	10,001	107,167	475,726
Non-performing	410,137		57,623	467,760
Total exposure	**16,410,328**	**2,464,683**	**5,618,490**	**24,493,501**

Distribution by region

The credit risk volume in geographical terms is presented on a country-of-debtor basis. The following table shows the overall credit risk volume of the Oberbank Group as at 31 Dec. 2018 and 31 Dec. 2017 by Oberbank markets and other regions.

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**

Geographic distribution as at 31/12/2017 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Austria	10,083,197	1,040,002	4,291,171	15,414,371
Germany	2,855,829	293,848	869,624	4,019,301
Eastern Europe (CZ, HU, SK)	3,055,821	121,009	302,695	3,479,526
Western Europe (ex DE)	210,667	269,084	99,272	579,023
PIGS countries	22,365	68,110	34,198	124,673
Other countries	182,448	672,630	21,529	876,607
Total exposure	**16,410,328**	**2,464,683**	**5,618,490**	**24,493,501**

The table below shows the PIGS countries in detail:

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 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**

as at 31/12/2017 in €k	Loans and advances to credit institutions and customers	Loans and receivables to sovereigns	Fixed-income securities	Credit risks Contingent liabilities	Total
Portugal	0	-	0	33,104	33,104
Italy	11,828	-	31,547	726	44,102
Greece	152	-	0	14	166
Spain	10,384	-	36,563	354	47,302
Total exposure	**22,365**	**-**	**68,110**	**34,198**	**124,673**

Distribution by sector

The following tables show the overall credit risk volume as at 31 Dec. 2018 and as at 31 Dec. 2017 broken down by sector.

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**

Sector as at 31/12/2017 in €k	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	714,013	935,980	252,181	1,902,175
Public sector	2,295,463	1,327,991	166,725	3,790,180
Raw materials processing	639,945	28,595	320,809	989,350
Metals processing	789,487	47,051	602,279	1,438,817
Goods manufacturing	792,392		476,686	1,269,079
Trade	1,356,790		937,537	2,294,327
Services	2,043,910	50,132	539,520	2,633,561
Construction	631,458	6,096	620,728	1,258,282
Real estate	1,213,806		222,220	1,436,026

Transport	633,310		144,897	778,207
Utilities	147,862	12,520	109,787	270,168
Agriculture and forestry incl. mining	115,737		15,405	131,142
Holding and investment companies	844,376	56,318	415,352	1,316,047
Individuals and self-employed	3,271,107		595,708	3,866,815
Other	920,673		198,655	1,119,328
Total exposure	**16,410,328**	**2,464,683**	**5,618,490**	**24,493,501**

Collateral

Strategies and processes applied in measuring and managing collateral

Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the threat of cover shortfalls poses high demands with respect to the correct and up-to-date valuation of collateral. For this reason, the management and administration of collateral is, as a matter of principle, separated from sales throughout the Oberbank Group and is performed exclusively by the respective back-office central credit management groups of the subsidiary BDSG.

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

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

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

The currently applicable valuation principles are derived from estimates based on debt collection and the Bank's experience in the realisation of collateral. The 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.

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 90.36% (pr. yr.: 89.92%); the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" with 9.64% (pr. yr.: 10.09%).

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

Collateralised exposure value in €k	31/12/2018	31/12/2017
Financial collateral	**1,214,348**	**1,260,894**
Cash deposits	1,038,213	1,081,613
Bonds	48,362	69,948
Shares and other variable-yield securities	127,674	109,334
Real estate collateral	**5,523,962**	**5,211,129**
Residential real estate	2,726,776	2,502,667
Commercial property	2,797,186	2,708,462
Physical collateral	**864,169**	**825,531**

Personal guarantees accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 86.47% (previous year: 89.4%) of the entire volume of personal guarantees, are listed below.

as at 31/12/2018 in €k	Standard & Poor's rating	Collateralised exposure	in %
Personal collateral		**999,940**	**100%**
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%

as at 31/12/2017 in €k	Standard & Poor's rating	Collateralised exposure	in %
Personal collateral		**737,542**	**100%**
of which Austria	AA+	465,402	63.1%
of which Province of Upper Austria	AA-	58,329	7.9%
of which Land Nordrhein-Westfalen	AAA	45,837	6.2%
of which Germany	AAA	41,187	5.6%
of which Province of Lower Austria	AA-	35,465	4.8%
of which Belgium	AA	12,925	1.8%

Impairment provisions and non-performing loans

Charges for loans and advances (impairment allowances and provisions)

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

The impairment allowances are created pursuant to IFRS 9 5.5 using the discounted cash flow method. 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 which the collateral has been realised. For the remaining amount, between 20% and 100% of the shortfall is applied as specific impairment allowance depending on the reason for the shortfall and the status.

For performing loans, an impairment allowance for ‘expected credit losses’ (ECL) pursuant to IFRS 9 5.5 is calculated. The calculation of the ECL is generally done by multiplying the cash flows of the exposures by the default rates and loss ratios.

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

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

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

Development of impairment provisions

The balance of impairment provisions for loans and advances decreased by EUR 2.8 million to EUR 25.6 million versus the year 2017.

Movements in impairment provisions (income statement view)

in €k	31/12/2018	31/12/2017
Addition to charges for losses on loans and advances	123,571	133,020
Reversals of loan loss provisions	-96,741	-102,997
Direct write-offs of receivables	805	1,154
Recoveries of written-off receivables	-3,360	-2,769
Result from nonsignificant modifications	-29	0
Reconciliation from entities accounted for by proportionate consolidation	1,355	0
Total	**25,601**	**28,408**

Movements in impairment provisions (balance sheet view)

in €k	As at 1/1/2018	+ Additions	Reversed	Used	Other effects[2)]	As at 31/12/2018
for receivables from credit institutions Stage 1 + 2	468	139	-199	0	0	408
for receivables from credit institutions Stage 3	0	0	0	0	0	0
for receivables from customers Stage 1 + 2	40,475	2,366	-2,220	0	22	40,643
for receivables from customers Stage 3	188,827	85,809	-38,956	-27,164	875	209,391
for debt securities Stage 1 + 2	1,288	33	-313	0	24	1,032
Loan loss provisions[1)]	**231,058**	**88,347**	**-41,688**	**-27,164**	**921**	**251,474**
for off-balance sheet items Stage 1 + 2	11,653	0	-2,846	0	0	8,807
for off-balance sheet items Stage 3	141,461	35,224	-52,207	0	-3,925	120,553
Total risk provisions	**384,172**	**123,571**	**-96,741**	**-27,164**	**-3,004**	**380,834**

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 consolidation + €k 1,191; from risk provisions for securities at fair value through other comprehensive income + €k 46; from SPPI and POCI assets - €k 3,960; the rest from foreign currency movements.

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 2018 for balance sheet assets in pursuant to the rules of IFRS 9.

Financial assets recognised at amortised cost:

Gross carrying values of assets at AC in €k	Stage 1: 12-month ECL	Stage 2: LT ECL	Stage 3:	POCI	Total
As at 1/1/2018	**14,885,301**	**2,705,301**	**379,593**		**17,970,195**
Transfer to Stage 1	357,010	-392,163	-1,084		-36,236
Transfer to Stage 2	-915,519	871,872	-6,378		-50,024
Transfer to Stage 3	-94,908	-59,381	139,180		-15,109
Changes based on					
newly granted or acquired assets incl. POCI reclassification	3,454,207	777,084	-4,747	4,747	4,231,291
Modifications to models					0
Risk parameters	-949,886	-445,160	-39,544		-1,434,590
Modifications without derecognition	-8,178	6,150	-3,984		-6,013
Derecognition	-676,044	-250,985	-41,873	-3,960	-972,862
Depreciation/amortisation					0
Exchange rate changes and other adjustments	5,206	-2,052	-265		2,889
As at 31/12/2018	**16,057,190**	**3,210,666**	**420,897**	**787**	**19,689,540**

Impairments of financial assets at AC in €k	Stage 1: 12-month ECL	Stage 2: LT ECL	Stage 3:	POCI	Total
As at 1/1/2018	**12,188**	**29,502**	**188,827**		**230,517**
Transfer to Stage 1	465	-3,378	-238		-3,152
Transfer to Stage 2	-807	6,975	-468		5,700
Transfer to Stage 3	-345	-783	40,037		38,909
Modifications based on					
newly granted or acquired assets incl. POCI reclassification	3,879	8,539	-3,960	3,960	8,458
Modifications to models					0
Risk parameters	-1,227	-13,691	3,518		-11,400
Modifications without derecognition	-47	111	-406		-342
Derecognition	-756	-1,289	-17,763	-3,960	-19,808
Depreciation/amortisation					0
Exchange rate changes and other adjustments	-3	-14	-156		-173
As at 31/12/2018	**13,347**	**25,972**	**209,391**	**0**	**248,710**

Financial assets recognised in income at fair value:

Gross carrying values of assets FVOCI in €k	Stage 1: 12-month ECL	Stage 2: LT ECL	Stage 3:	POCI	Total
As at 1/1/2018	**281,738**	**9,087**			**290,825**
Transfer to Stage 1	8,909	-9,087			-179
Transfer to Stage 2					0
Transfer to Stage 3					0
Modifications based on					
newly granted or acquired assets incl. POCI reclassification	5,025				5,025
Modifications to models					0
Risk parameters	-4,334				-4,334
Modifications without derecognition					0
Derecognition					0
Depreciation/amortisation					0
Exchange rate changes and other adjustments	242				242
As at 31/12/2018	**291,580**	**0**	**0**		**291,580**

Impairments of financial assets at FVOCI in €k	Stage 1: 12-month ECL	Stage 2: LT ECL	Stage 3:	POCI	Total
As at 1/1/2018	**17**	**23**			**40**
Transfer to Stage 1	8	-23			-15
Transfer to Stage 2					0
Transfer to Stage 3					0
Modifications based on					
newly granted or acquired assets incl. POCI reclassification	17				17
Modifications to models					0
Risk parameters	94				94
Modifications without derecognition					0
Derecognition					0
Depreciation/amortisation					0
Exchange rate changes and other adjustments					0
As at 31/12/2018	**136**	**0**	**0**		**136**

Oberbank Group's maximum default risk arises from the receivables recognised on the balance sheet item Cash and balances at central banks and Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities held as financial investments as well as credit risks from derivatives and contingent liabilities including non-utilised credit lines and amounted to EUR 25,627 million (pr. yr.: EUR 24,494 million). This value contrasts with a total of EUR 8,357.3 million (pr. yr. EUR 8,149.1 million) of which EUR 198.1 million (pr. yr. EUR 169.7 million) for impaired and non-performing loans and advances. Interest and similar income includes an amount of EUR 10.9 million (pr. yr.: EUR 8.4 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 “Summary of accounting policies”.

Non-performing loans
Assets are classified as non-performing if a default definition within the meaning of Basel III applies: A material financial obligation is more than 90 days overdue or full repayment is improbable. The following criteria are an indication that a claim is unlikely to be settled in the full amount:

1. Giving up ongoing interest;
2. A specific impairment provision (specific valuation allowance or provisions for credit risks) has to be set up due to a marked deterioration of the debtor’s credit quality;
3. The credit exposure requires restructuring;
4. Initiation of collection procedures because of inability or unwillingness to pay or fraud or for other reasons
5. Factoring with material losses due to deteriorated credit rating;
6. Insolvency.

Assets that meet these criteria are recognised in the category of non-performing loans and form part of the balance sheet items below. The development of the key indicators "non-performing loans ratio" and "coverage ratio" is shown in the table below.

in €k €[1)]	**NPL before deduction of specific valuation allowance**		**NPL after deduction of specific valuation allowance**	
Balance sheet item	**31/12/2018**	**31/12/2017**	**31/12/2018**	**31/12/2017**
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	421,684	414,775	212,293	219,359
Non-performing loans ratio gross	2.43%	2.59%	-	-
Non-performing loans ratio net	-	-	1.24%	1.40%

1) The figures given are carrying values.

The credit risk volume – Note 42) Credit risk, breakdown by credit rating – from non-performing receivables and impairment provisions as well as collateral assets by sector is shown in the table below.

Sector as at 31/12/2018 in €k	**Non-performing**	**Specific impairment provisions**	**Loan loss provisions**	**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**

Sector as at 31/12/2017 in €k	**Non-performing**	**Specific impairment provisions**	**Loan loss provisions**	**Collateral**
Credit and insurance industry	331	64	0	267
Public sector	112	112	0	0
Raw materials processing	23,261	10,750	6,678	6,260
Metals processing	64,715	17,298	14,979	25,474
Manufacture of goods	23,553	18,814	3,228	3,193
Trade	79,753	29,669	11,704	34,855
Services	100,432	27,245	20,662	41,389
Construction	30,131	17,490	4,756	5,508
Real estate	10,833	7,716	956	2,744
Transportation	7,758	4,475	1,357	1,127
Utilities	11,308	5,390	3,118	2,657
Agriculture and forestry incl. mining	1,878	1,261	120	437
Holding and investment companies	25,458	11,539	3,824	10,405
Individuals and self-employed	75,137	39,266	185	29,640
Other	13,099	4,327	1,927	5,742
Impairment provisions not assignable to a specific sector			67,967	
Total	**467,760**	**195,416**	**141,461**	**169,698**

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

Distribution by region as at 31/12/2018 in €k	**Non-performing**	**Specific impairment provisions**	**Loan loss provisions**	**Collateral**
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**

Distribution by region as at 31/12/2017 in €k	**Non-performing**	**Specific impairment provisions**	**Loan loss provisions**	**Collateral**
Austria	264,511	84,421	53,090	105,928
Germany	114,228	65,283	18,854	32,712
Eastern Europe (CZ, HU, SK)	80,852	42,335	1,550	26,281
Western Europe (ex DE)	401	81	0	317
PIGS countries	8	7	0	0
Other countries	7,761	3,289	0	4,459
Impairment provisions not assignable to a specific region			67,967	
Total	**467,760**	**195,416**	**141,461**	**169,698**

Impairment stages pursuant to IFRS 9 by rating structure

Impairment charge on loans and advances 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 31/12/2018 in €k	Stage 1: 12-month ECL	Stage 2: LT ECL	Stage 3:	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 31/12/2018 in €k	Stage 1: 12-month ECL	Stage 2: LT ECL	Stage 3:	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 31/12/2018 in €k	Stage 1: 12-month ECL	Stage 2: LT ECL	Stage 3:	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**

Moreover, impairment allowances for ‘expected credit losses’ (ECL) pursuant to IFRS 9 are recognised for the ‘performing’ categories with a volume of €k 50,890 (pr. yr.: €k 197,290 under IAS 39).
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 31/12/2018 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.

as at 31/12/2017 in €k[1)]			
Overdue since	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	95,579	16,174	111,753
from 30 to 60 days	11,429	178	11,607
from 60 to 90 days	9,565	175	9,740
Total	**116,573**	**16,527**	**133,100**

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

Deferment of payment/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 risk assessment.
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 agreements on terms usually not granted for new loans are made with customers in payment difficulties, the respective exposure is marked as a deferment.

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

This procedure eliminates the risk of non-performing loans being concealed by means of deferments being granted or other contractual concessions.

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

Deferment/respite in €k	As at 31/12/2017	No longer categorised as deferment/ respite	Decline in volume[1)]	Newly categorised as deferment/ respite	As at 31/12/2018	Interest received in the reporting period
Term extension	75,356	2,846	31,301	25,359	66,568	1,532
Deferment	27,290	5,987	7,634	23,293	36,962	841
Waiver of other contractual rights	23,988	4,517	12,711	3,274	10,035	345
Restructuring	21,926	10,425	486	5,609	16,624	554
Other	403	0	250	67	221	7
Total	**148,964**	**23,774**	**52,381**	**57,603**	**130,411**	**3,279**

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 31/12/2018 in €k Rating category	Exposure	Impairment provisions[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 set up pursuant to IAS 9.

as at 31/12/2017 in €k Rating category	Exposure	Impairment provisions[1)]	Collateralised exposure
Very strong			
Strong	31,019	271	22,206
Weak	36,993	2,899	25,185
Non-performing	80,952	51,243	19,664
Total	**148,964**	**54,412**	**67,055**

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

43) 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 arrangements. 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 companies set up for the construction or management of Oberbank-owned real estate, as well as in selected residential developers that feature as potentially important partners in residential construction finance.

Where new equity investments are to be made, analyses are performed in order to gain as complete a picture as possible of the entity's earning power, strategic fit and legal position.

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

as at 31/12/2018 in €k	Carrying amounts	
Groups of equity instruments by valuation type	Carrying value	Fair value
Fair value through OCI		
Exchange-traded	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**

as at 31/12/2017 in €k	Carrying amounts	
Groups of equity instruments by valuation type	Carrying value	Fair value
Available for sale		
Exchange-traded items	14,312	14,312
Non-exchange traded	185,186	185,186
Fair value through profit and loss		
Non-exchange traded	22,190	22,190
Interests in entities accounted for by the equity method		
Exchange-traded items	822,661	939,846
Non-exchange traded	3,293	3,293
Total	**1,047,642**	**1,164,827**

44) Market risk

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

Risk management

Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries.
Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them.

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

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

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

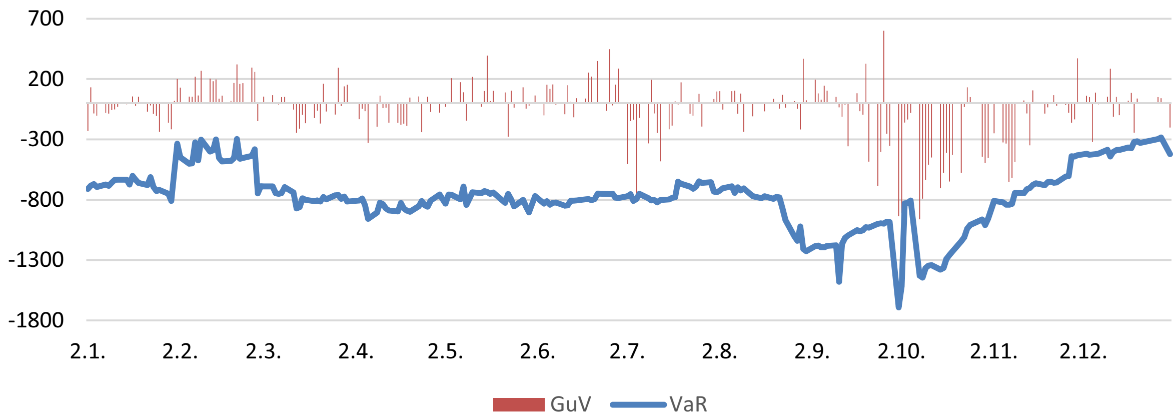
The table below shows the development of value at risk in the reporting period:

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

Value at risk 2017 in €k	31/12/2016	MAX	MIN	Average	31/12/2017
	869	2,918	531	1,554	1,822

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 2018 in €k



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

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

	Volume in €k			Volume in €k	
	31/12/2018	31/12/2017		31/12/2018	31/12/2017
AUS	59	83	**NOK**	44	35
CHF	345	32	**PLN**	53	-20
USD	350	-4,086	**RUB**	71	-161
GBP	384	316	**SGD**	168	-3
HUF	-1,702	-3,629	**BGN**	22	3
SEK	71	85	**JPY**	-30	39
CAD	59	101	**TRY**	47	5
CNY	-82	-77	**CZK**	-6,798	-10,638
DKK	-14	54	**Other currencies, long**	214	223
HKD	3	25	**Other currencies, short**	-64	-132
HRK	41	19	**Gold**	2,161	1,914

The determination of market risk for which the Global Financial Markets department is responsible for the liquidation approach in the Internal Capital Adequacy Assessment Process (ICAAP) is done using the aforementioned model, but with a uniform confidence level of 99.9% and holding period of 90 days. As at 31 December 2018, the market risk in the area of responsibility of Global Financial Markets was EUR 6.7 million (pr. yr.: EUR 11.1 million).

Responsibilities of the Asset/Liability Management (ALM) Committee with regard to market risk management

The ALM Committee is responsible for managing the interest rate risk of long-term EUR positions (rate commitments >12 months), for strategic stock and investment fund positions in the banking book as well as the credit spread risk.

Das ALM Committee meets once every month. Members of the Committee are the Management Board members responsible for risk management as well as representatives of the departments Strategic Risk Management, Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Secretariat & Communication, Internal Audit and the Compliance Unit.

Interest rate risk in the banking book

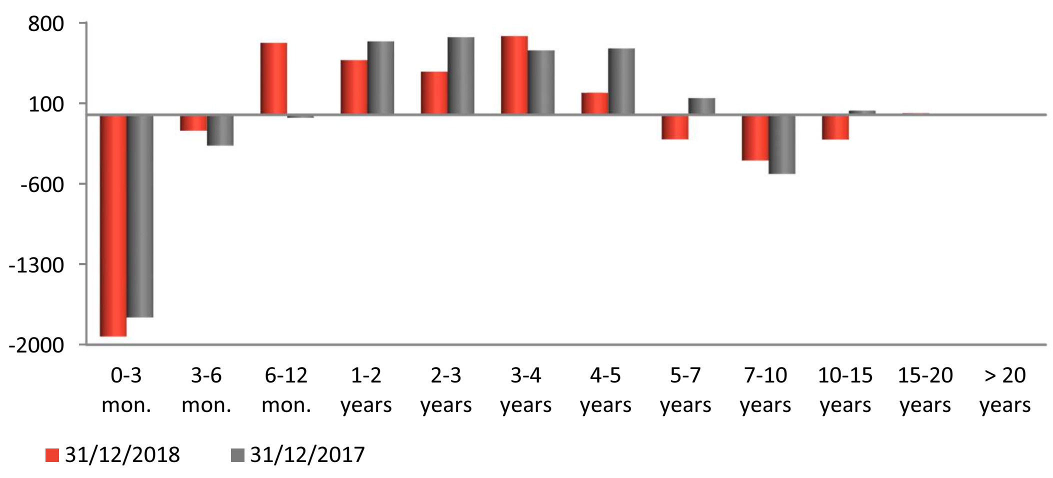
Accepting interest rate risk, which accounts for the main share of market risk in the banking book, is an integral part of the banking business and an important source of earnings that requires adequate hedging measures within the scope of risk management. The Bank's strategy for interest rate in the banking book aims at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. As a means of stabilisation of interest income and to earn additional net interest income from maturity transformation, the ongoing investment strategy pursued is one with fixed long-term interest rates.

The interest rate risk in the banking book is measured using classical methods of interest rate fixing analysis (interest-rate gap analysis and interest-rate sensitivity analysis) for the purpose of internal risk management pursuant to EBA Guidelines 2015/08. The magnitude of the interest rate risk is analysed on the changes to the present value of the positions in the banking book, using as basis the various interest rate scenarios. In this context, equity and non-interest-bearing positions are taken into account with a 10-year rolling fixed interest.

In addition to the present value view, the effects on the profit or loss under various scenarios are also calculated.

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 purs. to internal management (31/12/2018 versus 31/12/2017) in €m



The determination of the interest rate risk in the liquidity approach in the ICAAP is done on the basis of the regulatory model for calculating the present value loss, but in a 100 bp scenario with a confidence interval of 99.9% and a holding period of one year. Non-interest-bearing positions are not taken into account. As at 31 December 2017, the interest rate risk in the banking book came to EUR 116.9 million (pr. yr.: EUR 131.5 million).

Equity price risk in the banking book

The equity price risk in the banking book (for shares, listed equity investments and investment fund) 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 185.4 million on 31/12/2018 (pr. yr.: EUR 226.1 million). The lower VaR is due mainly to the decline in the underlying prices.

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 2018, the risk thus established amounted to EUR 19.8 million (pr. yr.: EUR 15.7 million).

45) Macroeconomic risks

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

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

As at 31 December 2018, the macroeconomic risk thus estimated was EUR 109.1 million (pr. yr.: EUR 108.9 million).

46) Operational risk

Operational risks are an inseparable part of banking operations. This term refers to the risks that affect the operations of the bank. Oberbank defines operational risks as the risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or external events. This definition includes legal risks (including the risk of money laundering and terrorist financing), but does not comprise strategic risks and reputational risks. The individual risks are grouped into the following categories: internal fraud, external fraud, employment practice and job safety, customers, products and customary business practices, business interruptions and system outages, execution, delivery and process management, and damage to property.

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

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 the occurrence of 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).

Within the framework of the risk-bearing capacity calculation, the quantification of operational risk is calculated in accordance with the standardised approach pursuant to Part 3, Title III, Chapter 3 CRR. As at 31 December 2018, risk was EUR 84.4 million (pr. yr.: EUR 80.7 million).
On the average of the past five years, the ratio of the result in the income statement from operational risk incidents compared with total ICAAP risk capital was 13.2%.

47) 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 done at elevated market rates (spreads) and thus diminish profits (liquidity spread risk).

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

Oberbank has traditionally adhered to the financing principle of ensuring that the Bank's entire customer loan volume can be refinanced from primary deposits by customers and funds from Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle continues to be valid.
The loan/deposit ratio was 95.1% (pr. yr.: 97.2%) on 31 December 2018.
Furthermore, Oberbank holds appropriate reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks.

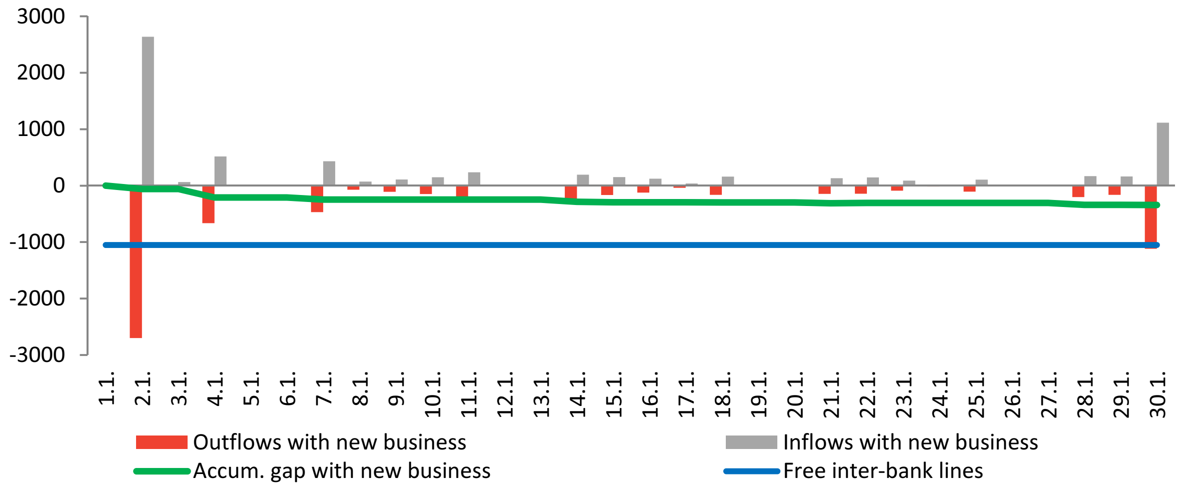
A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.

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

Short-term liquidity management
Global Financial Markets is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by a short-term liquidity gap analysis. Furthermore, a forward liquidity gap analysis is prepared daily including assumptions for new business for the next 30 days that represent the net cash inflows and outflows as well as the

accumulated forward liquidity gap of the Bank. The free unappropriated inter-bank credit lines (uncommitted inter-bank lines less actual and/or planned utilisation) are presented as limit lines and constitute the counterbalancing capacity.
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.

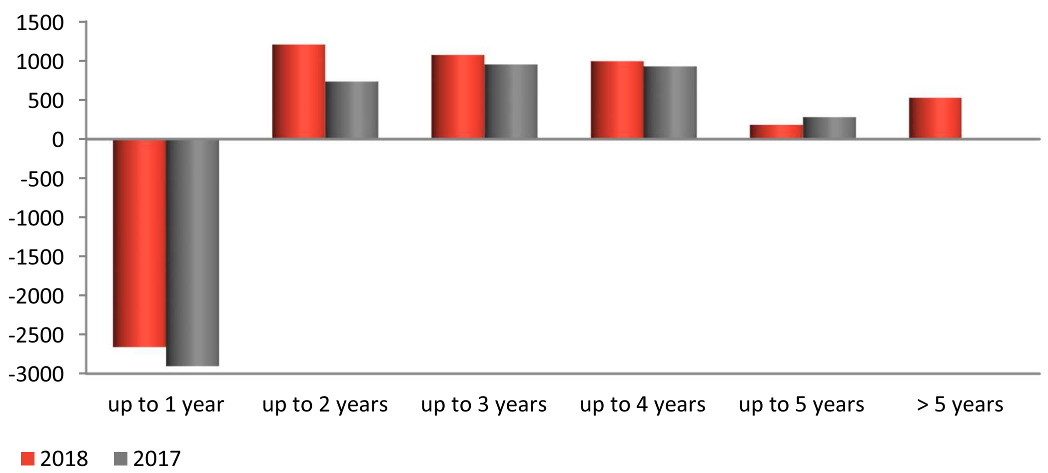
Accumulated 30-days forward liquidity gap analysis incl. assumptions for new business as at 31/12/2018 in €m



Long-term and strategic liquidity management

Oberbank's long-term and strategic liquidity is the responsibility of the Management Board and the ALM Committee. The Strategic Risk Management department is responsible for reporting. A liquidity gap analysis that presents payment flows resulting from banking products per maturity band is drawn up for the purpose of medium-term and long-term liquidity risk management.
To manage the liquidity risk in each of the currencies, the liquidity gaps for the major currencies are reported individually (EUR, USD, CZK and HUF).

A medium to long-term liquidity gap analysis for all currencies as at 31/12/2018 and 31/12/2017 in €m



The capital commitment report (without new business) shows a gross funding requirement of EUR 2.8 billion (pr. yr.: EUR 2.9 billion) at the end of the first year. This corresponds to a funding ratio of 76.0% (pr. yr.: 73.6%) 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 31/12/2018	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

in €k per 31/12/2017	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	108,968	175,532	1,698,787	544,149

Additionally, as at 31 December 2018 Oberbank had collateral assets with a cover value of 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 "deterioration of reputation", "market crisis" and a worst-case scenario combining both 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 31/12/2018 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	30,956	36,852	736	7,805	19,562	8,749

as at 31/12/2017 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	4,155,297	4,230,141	1,781,535	191,401	1,794,006	463,198
of which deposits for subsidised loans	1,793,162	1,871,322	338,004	155,614	920,877	456,827
Amounts owed to customers	11,397,394	11,483,671	9,591,027	828,670	610,776	453,197
Securitised liabilities	1,368,250	1,496,378	34,056	248,910	957,705	255,707
Subordinated liabilities	629,103	655,074	12,807	156,626	289,837	195,805
Derivative liabilities IRS	38,949	35,214	2,458	6,964	18,147	7,646

1) The figures for the preceding year have been adjusted due to a change in method.

48) 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.
- 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 10.68% on 31 December 2018.

49) 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 management and control processes as well as economic capital allocated to specific risks (limits).

50) Total outstanding derivative financial instruments

Derivative financial transactions not yet settled at the balance sheet date are shown in the table below. A presentation of derivatives in accordance with the Guidelines on Financial Reporting published by the European Banking Authority (EBA) is included in the disclosures pursuant to Part 8 CRR available at the website of Oberbank (www.oberbank.at [HYPERLINK: http://www.oberbank.at]). At Oberbank, financial derivatives are used mainly for hedging market risk in business with customers and for managing the banking book.

Oberbank's hedging strategy is based on the following principles:

- Positions in derivative products sold to business customers are closed out as a matter of principle.
- Derivative products are also used for hedging interest rate risk and foreign exchange risk resulting from cash transactions.
- Long-term own debt securities issued to secure liquidity are hedged using interest rate swaps.
- Therefore, open positions in derivative products exist on a small scale only in the trading book.
- Oberbank has no credit derivatives in its portfolio.

	Nominal amounts			2018			2017		
	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	4,917	65,266	2,450	72,633	51		762,433	3,752	
Put	5,166	59,248	3,400	67,814		-57	94,901		-250
Swaptions									
Call		27,600		27,600	577		27,600	355	
Put		27,600		27,600		-577	27,600		-355

Interest rate swaps									
Call	6,728	230,296	290,734	527,758	448	-29,509	561,017	1,028	-32,603
Put	125,928	696,923	972,272	1,795,123	117,339	-911	1,712,982	132,186	-2,756
Bond options									
Call									
Put									
Currency contracts									
Currency options									
Call	52,185	1,874		54,059	338		41,365	1,631	
Put	52,185	1,874		54,059		-338	41,290		-1,624
Currency forwards									
Call	1,706,720	270,223	213	1,977,156	13,102		2,020,811	20,374	
Put	1,713,664	269,121	213	1,982,998		-16,655	2,030,932		-31,144
Cross currency swaps									
Call									
Put		108,570	24,238	132,808	2,198	-536	134,573	100	-2,476
Security-linked contracts									
Stock options									
Call									
Put									

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. The fair values of symmetrical products (interest rate swaps, forward exchange deals) were measured applying present values on a clean price basis. Calculations were based on Reuters yield curves. The exchange rates used are the reference rates published by the ECB. The fair values of asymmetrical products were calculated using the Black-Scholes option pricing model. Options were valued using implicit volatilities.

51) 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

52) Equity

Consolidated equity was made up of the paid-in capital of Oberbank AG (share capital plus capital reserves) and earned capital (the Group's retained earnings plus consolidated net profit for the year). Oberbank AG's equity was EUR 1,959.9 million (pr. yr.: EUR 1,837.8 million) of which share capital EUR 105.8 million (pr. yr.: EUR 105.9 million). As Oberbank AG distributes dividends on the basis of Austrian law, only part of the equity measured in accordance with the Austrian Business Code/Banking Act was distributable, namely net profit, non-appropriated retained earnings and the non-appropriated capital reserve. For 2018, a maximum amount of EUR 1,061.6 million would be distributable. The net distributable profit is EUR 39.0 million.

53) Human resources

Averaged over the year, the Oberbank Group had the following staff capacities in 2018:

Full-time equivalents, excl. management board / managing directors	**2018**	**2017**
Salaried employees	2,101	2,050
Blue-collar	11	15
Total resources	2,112	2,065

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

	Unlisted	Listed	Valued as fixed assets	Other valuation method	Total
Bonds and other fixed-interest securities	186,356	2,133,920	1,936,676	383,600	2,320,276
Stocks and other variable-yield securities	164,037	64,488	54,420	174,105	228,525
Equity investments	124,097	297,693	421,790	0	421,790
Investments in subsidiaries	150,229	0	150,229	0	150,229
	624,719	**2,496,101**	**2,563,115**	**557,705**	**3,120,820**

55) 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	2018	2017	Change absolute	Change in %
Subscribed capital	100,522	101,422	-900	-0.9
Capital reserves	505,523	505,523	-	-
Retained earnings[1)]	2,023,438	1,728,837	294,601	17.0
Minority interests	0	0	-	-
Accumulated other comprehensive income	71,103	38,961	32,142	82.5
Regulatory adjustment items	7,695	-8,925	16,620	> 100.0
Deductions from common equity tier 1 capital items	-190,467	-162,694	-27,773	17.1
COMMON EQUITY TIER 1 CAPITAL	**2,517,814**	**2,203,124**	**314,690**	**14.3**
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments purs. to national implemt. rules	0	29,500	-29,500	-100.0
Deductions from AT1 capital items	-4,707	-8,807	4,100	-46.6
Additional Tier 1 capital	**45,293**	**70,693**	**-25,400**	**-35,9**
TIER 1 CAPITAL	**2,563,107**	**2,273,817**	**289,290**	**12.7**
Qualifying supplementary capital instruments	347,583	308,656	38,927	12.6
Nominal capital preference shares purs. to transition rules	5,400	4,500	900	20.0
AT1 capital instruments purs. to transition rules	0	29,500	-29,500	-100.0
Supplementary capital (tier 2) items purs. to national implementation rules	15,892	28,782	-12,890	-44.8
General credit risk adjustments	0	0	-	-
Deductions from tier 2 capital items	-20,230	-22,359	2,129	-9.5
Supplementary capital (tier 2)	**348,645**	**349,079**	**-434**	**-0.1**
OWN FUNDS	**2,911,752**	**2,622,896**	**288,856**	**11.0**
Total risk exposure purs. Art. 92 CRR				
Credit risk	13,338,275	12,308,891	1,029,384	8.4
Market risk, settlement risk and CVA risk	27,551	37,497	-9,946	-26.5
Operational risk	1,055,408	1,009,236	46,172	4.6
Total exposure	**14,421,234**	**13,355,624**	**1,065,610**	**8.0**
Own funds ratio purs. Art. 92				
Common equity tier 1 capital ratio	17.46%	16.50%	0.96% ppt	
Tier 1 capital ratio	17.77%	17.03%	0.74% ppt	
Total capital ratio	20.19%	19.64%	0.55% ppt	
Regulatory own capital ratios purs. to transition rules in %				
Common equity tier 1 capital ratio	6.474%	5.793%	0.68% ppt	
Tier 1 capital ratio	7.974%	7.293%	0.68% ppt	
Total capital ratio	9.974%	9.293%	0.68% ppt	
Regulatory capital requir. purs. to transition rules in €k				
Common equity tier 1 capital	933,559	773,718	159,841	20.7
Tier 1 capital	1,149,877	974,052	175,825	18.1
Total capital	1,438,302	1,241,165	197,137	15.9
Free capital components				
Common equity tier 1 capital	1,584,255	1,429,406	154,849	10.8
Tier 1 capital	1,413,230	1,299,765	113,465	8.7
Total capital	1,473,450	1,381,731	91,719	6.6

1) Incl. allocation to retained earnings 2018 subject to approval of the financial statements by the Supervisory Board on 20 March 2019.

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

A nominal total of EUR 334.4 million of bonds issued by Oberbank will mature in the financial year 2019. As at 31 December 2018, no subordinated borrowings individually exceeded 10% of aggregate amount of subordinated liabilities. Other subordinated borrowings individually coming to 10% or less of aggregate subordinated liabilities totalled €k 549,534.0 (nominal). They included supplementary capital subject to interest rates of 0.0% to 7.4% and maturities in the financial years 2019 to 2026. In the reporting year, expenses on subordinated liabilities were €k 22,452.1. Applying market prices, the trading book was valued at a total of EUR 60.2 million as at 31 December 2018. This breaks down into securities (fair value) EUR 4.2 million and other financial instruments EUR 56.0 million (fair value). The lease portfolio was worth EUR 1,417.5 million as at 31 December 2018.

Expenses for the auditor amounted to €k 1,080 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 736 and €k 39 for other audit certificate services as well as €k 248 for tax advisory services and €k 57 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	33,684	35,830	18,041	7,839
Operating profit	45,118	43,115	24,018	8,559
Number of employees (full-time basis)	234.4	202.7	116.6	47.9
Profit for year before tax	10,515	29,551	7,224	4,067
Income taxes	-2,265	-6,984	-1,602	-711
Public subsidies received	0	0	0	0

The return on investment pursuant to § 64 para 1 no 19 Banking Act is 1.01%.

57) List of equity investments purs. to Austrian Business Code

As at 31 December 2018, the Company held stakes of 20% or more in:	Consoli-dation method*	Share in capital in %[5)] direct	total	Equity[3)]	Result of last financial year[4)]	Financial state-ments	Comment
a) Direct investments							
“AM” Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
“LA” Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
“SG” Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1,6
“SP” Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1,6
“VB” Gebäudeerrichtungs- und –vermietungs-gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	N	20.57	20.57				6
3-Banken Wohnbaubank AG, Linz	V	80.00	80.00	8,122	16	2018	1
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	3,894	0	2018	
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	N	40.00	40.00				6
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	N	100.00	100.00				1,2,6
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	N	49.00	49.00				6
Buy-Out Central Europe II Beteiligungs-Invest AG, Wien	N	24.85	24.85				6
Drei Banken Versicherungsagentur GmbH in Liquidation, Linz	E	40.00	40.00	8,196	-58	09/2018	
3 Banken IT GmbH, Linz (formerly DREI-BANKEN-EDV Gesellschaft m.b.H.)	N	40.00	40.00				6
Donaulände Holding GmbH	V	100.00	100.00	366	-7	2018	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
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	N	32.62	32.62				6
Ober Finanz Leasing gAG, Budapest	V	1.00	100.00	16,113	2,686	09/2018	1
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	V	1.00	100.00	1,364	9	09/2018	1
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
Oberbank Hybrid 1 GmbH, Linz	V	100.00	100.00	386	18	2018	1
Oberbank Hybrid 2 GmbH, Linz	V	100.00	100.00	362	28	2018	1
Oberbank Hybrid 3 GmbH, Linz	V	100.00	100.00	80	-3	2018	1
Oberbank Hybrid 4 GmbH, Linz	V	100.00	100.00	80	-3	2018	1
Oberbank Hybrid 5 GmbH, Linz	V	100.00	100.00	17	-2	2018	1
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	V	6.00	100.00	2,081	11	09/2018	1
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen (formerly Oberbank Leasing Bauhaus)	V	10.00	100.00	-4	-7	09/2018	1

OBERBANK LEASING GESELLSCHAFT MBH., Linz	V	100.00	100.00	52,978	17,250	09/2018	1,2
Oberbank Leasing s.r.o., Bratislava	V	0.10	100.00	5,737	563	09/2018	1
Oberbank Leasing spol. s.r.o., Prague	V	1.00	100.00	40,284	876	09/2018	1
OBERBANK NUTZOBJEKTE VERMIETUNGSGESELLSCHAFT,m.b.H., Linz	N	100.00	100.00				1,2,6
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
Oberbank PE Holding GmbH, Linz	N	100.00	100.00				1,6
Oberbank Unternehmensbeteiligung GmbH, Linz	N	100.00	100.00				1,2,6
Oberbank V-Investholding GmbH, Linz	N	100.00	100.00				1,6
Oberbank Leasing Prievidza s.r.o., Bratislava	V	15.00	100.00	1	-1	09/2018	1
OÖ HightechFonds GmbH, Linz	N	24.70	24.70				6
Samson České Budějovice spol. s.r.o., Budweis	N	100.00	100.00				1,6
TZ-Vermögensverwaltungs GmbH, Linz	N	100.00	100.00				1,6
Banken DL Servicegesellschaft m. b. H., Linz	N	100.00	100.00				1,6
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	N	40.00	40.00				6
b) Indirect investments							
“ST” BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	N		100.00				1,6
3-Banken Beteiligung Gesellschaft m.b.H., Linz	N		40.00				6
3-Banken Kfz-Leasing GmbH, Linz	V		80.00	16,289	1,254	09/2018	1
NIELMOS Beteiligungs GmbH, Wien (formerly Cycleenergy Beteiligungs GmbH)	N		26.28				6
Donaulände Garagen GmbH	V		100.00	17	9	2018	1
Donaulände Invest GmbH	V		100.00	410	1	2018	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 Bergbahnen Leasing GmbH, Linz (formerly Oberbank airplane Leasing GmbH)	V		100.00	35	72	09/2018	1
Oberbank airplane 2 Leasing GmbH, Linz	V		100.00	35	-1	09/2018	1
Oberbank Ennshafen Immobilienleasing GmbH, Linz	V		94.00	35	10	09/2018	1
Oberbank Eugendorf Immobilienleasing GmbH, Linz	V		100.00	35	195	09/2018	1
Oberbank FSS Immobilienleasing GmbH, Linz	V		100.00	35	33	09/2018	1
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	V		100.00	14	-2	09/2018	1
Oberbank Leobendorf Immobilienleasing GmbH, Linz	V		100.00	35	424	09/2018	1
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	V		100.00	25	138	09/2018	1
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	V		95.00	1,275	59	09/2018	1
Oberbank Immobilien Holding GmbH, Linz	N		100.00				1,6

Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	V	100.00	741	1,212	09/2018	1
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	V	6.00	0	9	09/2018	1
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	N	100.00				1,6
Oberbank KB Leasing Gesellschaft m.b.H., Linz	V	100.00	69	654	09/2018	1
Oberbank Kfz-Leasing GmbH, Linz	V	100.00	35	1,245	09/2018	1
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	V	6.00	597	-7	09/2018	1
Oberbank Leasing GmbH Bayern, Neuötting	V	100.00	6,512	3,414	09/2018	1
Oberbank Leasing JAF HOLZ, s.r.o., Prague	V	95.00	4,622	238	09/2018	1
Oberbank Leasing Palamon s.r.o., Prague	V	100.00	7,176	170	09/2018	1
Oberbank LIV Immobilienleasing GmbH, Linz	V	100.00	5,181	8	09/2018	1
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	V	99.80	35	79	09/2018	1
Oberbank Operating Mobilienleasing GmbH, Linz	V	100.00	35	721	09/2018	1
Oberbank Operating OPR Immobilienleasing GmbH, Linz	V	100.00	35	589	09/2018	1
Oberbank PE Beteiligungen GmbH, Linz	N	100.00				1,6
Oberbank Pernau Immobilienleasing GmbH, Linz	V	100.00	35	1,880	09/2018	1
Oberbank Reder Immobilienleasing GmbH, Linz	V	100.00	35	25	09/2018	1
Oberbank Riesenhof Immobilienleasing GmbH, Linz	V	100.00	35	128	09/2018	1
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	35	179	09/2018	1
Oberbank TREI Immobilienleasing GmbH, Linz	V	100.00	-140	73	09/2018	1
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	V	100.00	18	93	09/2018	1
Oberbank Vertriebsservice GmbH, Linz	N	100.00				1,6
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	V	100.00	35	106	09/2018	1
Oberbank Wien Süd Immobilienleasing GmbH, Linz	V	100.00	35	-3	09/2018	
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	V	100.00	35	92	09/2018	1
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	168	309	09/2018	1
OBK Ahlten Immobilien Leasing GmbH, Neuötting	V	94.00	1,000	100	09/2018	1
OBK München 1 Immobilien Leasing GmbH, Neuötting	V	100.00	27	-1	09/2018	1
OBK München 2 Immobilien Leasing GmbH, Neuötting	V	100.00	30	1	09/2018	1
OBK München 3 Immobilien Leasing GmbH, Neuötting	V	100.00	30	124	09/2018	1
POWER TOWER GmbH, Linz	V	99.00	70	30	09/2018	1
Techno-Z Braunau Technologiezentrum GmbH, Braunau	N	21.50				6
Wohnwert GmbH, Salzburg	N	100.00				1,6

*) Method of inclusion in the consolidated financial statements: V = consolidated, E = accounted for using the equity method, Q = accounted for by proportionate consolidation, N = Not included in the consolidated financial statements purs. to IAS 27 in conjunction with Framework 29

1) Subsidiary; 2) Profit transfer agreement; 3) Includes untaxed reserves; 4) Profit (loss) for the year pursuant to § 231 (2) no. 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 (UGB); 7) DREI-BANKEN-EDV Gesellschaft m.b.H. was renamed 3 Banken IT GmbH in January 2018.

Closing Remarks by the Management Board of Oberbank AG

The Management Board of Oberbank AG has prepared the consolidated financial statements for the period ended 31 December 2018 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 pursuant to Austrian law and are in conformity with the applicable EU regulations.
The consolidated financial statements and the Group management report contain all the required disclosures.
No events of material importance occurred after the end of the financial year.

Statement pursuant to § 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 trends, including business results and the position of the Group in such a way as to provide a true and fair view of the financial position and performance of the Group and that it describes the material risks and uncertainties to which the Group is exposed.

Linz, 5 March 2019
The Management Board

CEO	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer
Remit	Remit	Remit
Corporate and Business	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 2018, 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 2018 as well as the result of operations and cash flows for the financial year ended on this closing date in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of § 245a Business Code and § 59a Banking Act.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No 537/2014 (hereinafter EU Regulation) and generally accepted Austrian standards for the audit of financial statements. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these rules and standards are described in more detail under "Responsibility of the auditor for the audit of the consolidated financial statements" in our audit certificate. We are independent of the Group as stipulated by Austrian company law and statutory professional standards, and have complied with our other professional duties in accordance with these requirements. We believe that we have obtained sufficient and suitable audit evidence so that our audit provides an adequately reliable basis for our audit opinion.

Key audit matters

Key audit matters are those that in our professional opinion had the greatest significance for our audit of the financial statements for the period being audited. These matters were taken into consideration in the context of our audit of the consolidated financial statements as a whole and when forming our audit opinion, and we do not provide a separate opinion on these matters.

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 15,883,032; loan loss provisions are €k 251,474, and provisions for credit risks amount to €k 129,360.

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").

As of the financial year 2018, the Group applied the new mandatory financial reporting standard "IFRS 9 – Financial Instruments" for the first time. One of the principal new requirements of IFRS 9 is the introduction of the 3-stage impairment model for debt.

Specific impairment allowances are recognised for loans for which an impairment event was identified (stage 3 - loan loss provisions). The identification of impairment events and the determination of the amount of the specific impairment allowances as well as the measurement of provisions for losses on loans and advances are subject to substantial assessment uncertainties and room for discretion. The risk to the financial statements arises from the fact that the amount of the specific impairment allowances 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. Lump sum amounts for specific impairment allowances 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 in the case of a significant rise in the risk of default, so-called transfer criterion, to stage 2 (impairment allowance in the amount of the expected credit loss over the (entire) term). The risk to the financial statements consists of the circumstance that the stage assignment, the stage transfer and the calculation of the risk provisions are based on discretionary decisions and assumptions.

The recognition of impairment allowances for stages 1 and 2 is done on the basis of models and statistical parameters, and therefore, contains discretionary decisions and uncertainties regarding estimates.

Our procedure for the audit

- We examined the calculation methods for impairment losses for risk provisions and the calculation of the provisions for guarantees and credit lines defined in the guidelines for conformity with the accounting concept. 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 impairments determined, it was especially the assessments of the management were 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 collateral – in order to ascertain if the collateral value is adequate based on external evidence.

- We verified the models and their parameters to determine the provisions for nonsignificant, non-performing borrowers (lump sum specific impairment allowances) and analysed these for suitability for determining provisions in adequate amounts. We verified the correctness of the calculation of the risk provisions.
- We used the expert concept applicable to the classification of loans and for creating the impairment allowances for stages 1 and 2, and to evaluate if the model conforms with the requirements of IFRS 9 and is suitable for representing the assignment to the stages, the determination of impairment events and the recoverable value of loan receivables.
- For impairment allowances 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 allocation to the stages, the transfer criterion and the calculation of the impairment charges (stage 1 and 2). We used the services of internal specialists for this purpose.
- Due to the initial application of the new "IFRS 9 – Financial Instruments" accounting standard, we conducted audit activities regarding impairment allowances for stages 1 and 2 for both the opening balance sheet on 1 January 2018 and also for the balance sheet as at 31 December 2018.
- 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 919,637. With respect to the classification of an investee as an associated company, there is room for discretion, especially in the case of investments of less than 20% in the equity and/or voting rights. Discretionary decisions may concern, above all, the question of whether there is a material influence on the respective investee.

The Management Board of Oberbank AG describes the procedure for the classification and the valuation of companies using the equity method in the Notes to the consolidated financial statements (see Note "Discretionary decisions, assumptions and estimates" and "Financial assets").

The equity method is an accounting method in which equity investments are first recognised at cost, but subsequently adjusted for any changes to the share of the investor in the net assets of the investee. If there are objective grounds for impairment, the recoverable amount is determined. The risk for the financial statements is that these assessments are highly dependent on expected future cash flows and the valuation parameters – especially discounting factors, growth assumptions and corporate projections – and are therefore exposed to assessment uncertainties and room for discretion.

Our procedure for the audit

- We examined the companies measured by the equity method 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 valuation specialists to audit the measurement of the shares in the associated companies. They 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 1,079,017 (of which Level 3 €k 306,594), and on the liabilities side, in an amount of €k 1,444,617 (of which Level 3 €k 0).

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").

As of the financial year 2018, the Group applied the new mandatory financial reporting standard "IFRS 9 – Financial Instruments" for the first time. The material innovations include, among other things, a new classification model for financial instruments, which also comprise compliance with the payment flow criterion (so-called SPPI test) as a condition for measurement at amortised costs. If the SPPI test is not passed, the financial instrument is generally measured at fair value. The assessment to ascertain if all payment flows from the contracts are in conformity with the SPPI criterion can be a complex matter and include discretionary decisions.

The risk for the financial statements consists of the circumstance that the fair value measurement of financial instruments on the assets and liabilities side uses valuation parameters that cannot be observed on the market (Level 3 category) due to the strong dependence on measurement models and parameter estimates, thus 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.
- On the basis of the entire holdings of debt securities (assets side) as at 1 January 2018 and as at 31 December 2018, in selected test cases we evaluated if the SPPI assessment of Oberbank AG is correct based on an analysis of the underlying individual contracts.
- We conducted random checks of the categories to which the financial instruments were assigned and investigated if the subsequent valuations corresponded to the respective category assignments.
- We employed specialists for the audit of the financial instruments belonging to Level 3 who analysed the 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.

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 IFRS as applicable within the European Union, and with the additional requirements of § 245a Business Code and § 59a Banking Act applicable in Austria, and that these 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 be unreasonable, 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 refers to information other than the consolidated financial statements, the Group management report or the corresponding auditor's report.

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 137th Annual General Meeting of 16 May 2017, and on 24 May 2017 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 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, 5 March 2019

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 2018 financial year of Oberbank AG came to a total of EUR 156.8 million. After the allocation of EUR 118.0 million to reserves and including the profit brought forward of EUR 0.2 million, the profit available for distribution amounted to EUR 39.0 million.

Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 1.10 per eligible share on the share capital of EUR 105.9 million; this dividend is EUR 0.20 higher than in 2017.

Given a total of 32,307,300 ordinary and 3,000,000 preference shares, the distribution is EUR 38,838,030.00. The Management Board proposes to carry the remainder of EUR 211,958.00 forward to the new account.

Linz, 5 March 2019

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

Report of the Supervisory Board

Preamble

Oberbank achieved an exceptionally good year also in 2018. 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 resulting therefrom and with legal and statutory requirements.
Apart from my two deputies Ludwig Andorfer and Gerhard Burtscher, who are both reputed banking experts, every member of the 18-person Supervisory Board (including the representatives of the Works Council) contributed their knowledge and experience in the lively discussions.

Mode of operation of the Supervisory Board

The Supervisory Board held four meetings during the financial year 2018. The Supervisory Board reached the decisions it is responsible for under the law and the articles of association, and conducted the scrutiny required by the provisions of the Austrian Joint Stock Companies Act. The Supervisory Board regularly communicated with the Management Board regarding the business situation and important business transactions both in writing and orally. As Chairman of the Supervisory Board, I was in regular contact with the Chairman of the Management Board to discuss the Company's strategy, business development and risk management activities.
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. The training topics in 2018 included ‘Implementation of the EU General Data Protection Regulation at Oberbank’, ‘New Fit & Proper Directive’ and ‘Cyber-Security’.
In addition to the internal experts, also external experts were invited to hold training courses to present the legal framework for implementation within the Bank. The full amount of the budget of EUR 25,000 allocated for this purpose for 2018 was not fully used. Nonetheless, the budget was left unchanged for the planned continuation of the fit & proper courses for 2019.

Committees of the Supervisory Board

The **Working Committee** approved seven time-critical resolutions by way of written circular in 2018. Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

The **Risk and Credit Committee** approved a total of 57 loan applications by way of written circular in 2018. It also dealt with two direct motions approved by the plenary meeting of the Supervisory Board. Business transactions decided by the Credit Committee were subsequently reported and discussed in detail at the respective next meeting of the full Supervisory Board.
In accordance with banking law and its function as the Risk Committee, it 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 also informed in detail of the results.

Herta Stockbauer
Chairwoman of the Supervisory Board

The **Nomination Committee** held one meeting in 2018 also in the presence of the State Commissioner and fulfilled all tasks stipulated by law. At its meeting of 19 March 2018, the Nominations 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 defines a minimum ratio of 30% women and 30% men for supervisory boards. Shareholder representatives and employee representatives agreed at the AGM 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 2018, with seven female Supervisory Board members in total, Oberbank exceeded the mandated statutory ratio of 30%: the ratio was 39%.
The Nominations 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. In the reporting year, the Nominations Committee requested all members of the Management Board and Supervisory Board to submit certified fit & proper statements, and then audited these. At the meeting of 19 march 2018, all members of the management board and of the supervisory board were confirmed to meet the fit & proper requirements, especially with respect to candidates for the supervisory board to be elected or re-elected by the Annual General Meeting.
At the plenary meeting of 28 November 2018, the Supervisory Board approved the new Fit & Proper Rules based on the new Fit & Proper Policy of Oberbank; these Rules are the basis for the Fit & Proper evaluation of the members of the Management Board, the Supervisory Board and also of the collective suitability of the entire Supervisory Board and its Committees in the financial year 2019.

At its meeting of 19 March 2018, 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 2017 based on documented long-term goals and, in compliance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors, and decided to pay this component 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 of 40% of variable remuneration that has to be deferred for a period of five years having to consist in equal parts of equity instruments and cash.
Applying the Policy governing the internal process for the identification of so-called risk buyers based on the “Delegated Regulation (EU) No 604/2014”, an assessment was conducted of the applicability of the aforesaid remuneration principles to employees below management board level and the variable remuneration to be granted to these employees for the financial year 2017. Due to the low volume of variable remuneration offered to employees at the level below the Management Board with an impact on the risk profile of the Bank, the payout methods apply only to the Management Board in accordance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors.

The **Audit Committee** held two meetings in 2018 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 2018, 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 2017, 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 1.10 per share out of the net profit for 2018 of EUR 39.0 million and to carry the balance forward to the new account, and reported thereon to the Supervisory Board.

Bank auditor

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the annual financial statements of Oberbank AG for 2018 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 GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2018 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 2018 as well as of the result of operations and cash flows during the year from 1 January to 31 December 2018. 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

Herbert Walterskirchen resigned from his mandate on the Supervisory Board of Oberbank AG at the close of the Annual General Meeting of 15 May 2018. As replacement, the Annual General Meeting of 15 May 2018 elected Stephan Koren, an outstanding banking expert, for the remainder of his period of office. The mandates of Alfred Leu and Martin Zahlbruckner were prolonged to the maximum statutory period of five years until the Annual General Meeting of 2023. The number of capital representatives on the Supervisory Board of Oberbank AG is thus unchanged at 12 members.

The Supervisory Board thanks the Management Board, the management staff and all employees for their hard work and commitment shown in the reporting year. The Supervisory Board moreover extends its special appreciation to the management and staff for the very good earnings achieved, which were much better than the overall market.

Linz, 20 March 2019
The Supervisory Board

Herta Stockbauer
Chairwoman of the Supervisory Board

Governing Bodies of the Bank as at 31 Dec. 2018

Supervisory Board

Honorary President	Hermann Bell
Chairwoman	Herta Stockbauer
Vice Chairmen	Ludwig Andorfer Gerhard Burtscher
Members	Wolfgang Eder Gregor Hofstätter-Pobst Stephan Koren (from 15 May 2018) 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 (from 15 May 2018) Alexandra Grabner Elfriede Höchtel Doris Pirner (from 1 January 2018) Stefan Prohaska (until 31 December 2018)
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

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Management Board Member
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A-4040 Linz – Harbach, Leonfeldner Straße 75 a
A-4020 Linz – Stadthafen, Industriezeile 56
A-4040 Linz – Urfahr, Hinsenkampplatz 1
A-4070 Eferding, Stadtplatz 32
A-4240 Freistadt, Linzer Straße 4
A-4210 Gallneukirchen, Hauptstraße 12
A-4060 Leonding, Mayrhansenstraße 13
A-4100 Ottensheim, Hostauerstraße 87
A-4320 Perg, Herrenstraße 14
A-4150 Rohrbach, Stadtplatz 16

Main Branch Landstraße, GB Linz Süd, A-4020 Linz, Landstraße 37
Klaus Hofbauer, Phone +43/(0)732/774211 ext. 31322, klaus.hofbauer@oberbank.at

Affiliated branches:
A-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 2
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
Thomas Harrer, Phone: +43/(0)7612/62871 ext. 12, thomas.harrer@oberbank.at (until 31 Dec. 2018)
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 40
A-4840 Vöcklabruck, Stadtplatz 31 – 33

Business Areas and Branches

Main Branch Lower Austria, St. Pölten, A-3100 St. Pölten, Domplatz 2
Franz Frosch, Phone +43/(0)2742/385 ext. 44, franz.frosch@oberbank.at
Affiliated branches: A-3100 St. Pölten – Europaplatz, Europaplatz 6
A-3300 Amstetten, Hauptplatz 1
A-7000 Eisenstadt, Esterhazyplatz 6 a
A-3500 Krems, Sparkassengasse 6
A-2000 Stockerau, Schießstattgasse 3 A
A-3430 Tulln, Hauptplatz 9
A-3340 Waidhofen a. d. 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-84307 Eggenfelden, Fischbrunnenplatz 11
D-73728 Esslingen, Küferstraße 29
D-85354 Freising, Johannisstraße 2
D-82110 Germering, Therese-Giehse-Platz 2
D-85053 Ingolstadt, Erni-Singerl-Straße 2
D-84028 Landshut, Altstadt 391
D-84453 Mühldorf am Inn, Brückenstraße 2
D-85521 Ottobrunn, Rosenheimer Landstraße 39
D-94032 Passau, Bahnhofstraße 10
D-93047 Regensburg, Bahnhofstraße 13
D-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-99084 Erfurt, Krämpferstraße 6
D-06108 Halle, Große Steinstraße 82 – 85
D-63450 Hanau, Nussallee 7a
D-07743 Jena, Kirchplatz 6
D-04109 Leipzig, Dittrichring 18 – 20
D-92318 Neumarkt i. d. Oberpfalz, Ringstraße 5
D-97421 Schweinfurt, Schultesstraße 5 – 7
D-92637 Weiden, Sedanstraße 6
D-97070 Würzburg, Paradeplatz 4

Business Areas and Branches

Regional Division Czech Republic, CZ-12000 Praha 2, nám. I.P.Pavlova 5

Robert Pokorný, Phone: +420/224/1901 ext. 12, robert.pokorny@oberbank.cz

Affiliated Branches:
CZ-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-3530 Budapest Dél, Soroksari ut 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-7612 Pécs, Tímár u.2
H-6720 Szeged, Klauzál tér 2
H-8000 Szekesfehervar, Rakoczi ut 1
H-9700 Szombathely, Berzsenyi Dániel tér 2

Regional Division Slovakia, SK-821 09 Bratislava, Prievozská 4/A

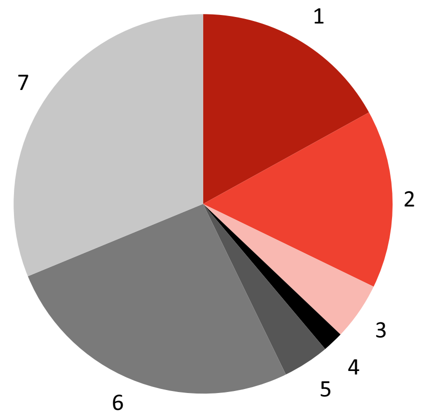
Yvonne Janko, Phone: +421/(02)/581068 ext. 10, yvonne.janko@oberbank.sk

Affiliated branches:
SK-949 01 Nitra, Mostná ulica 70
SK-010 01 Žilina, Jána Kalinčiaka 22

Shareholders of the 3 Banken Group by Voting Share

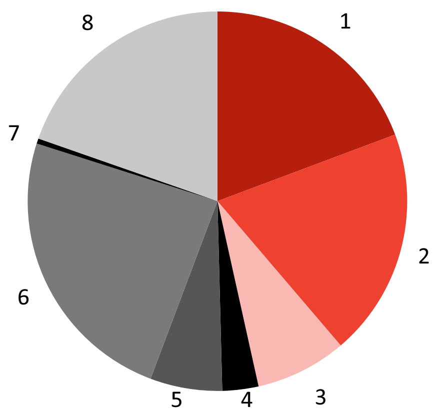
Oberbank

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	3.94%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	25.97%
7	Free float	31.23%



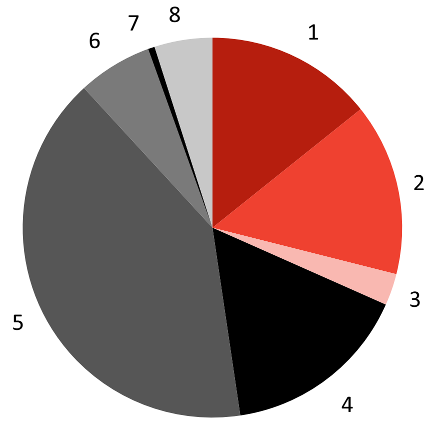
BKS

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	24.18%
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	0.44 %
8	Free float	19.64%



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.

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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.