

Financial Year 2019

Oberbank

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The Financial Year 2019 at a Glance

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Oberbank at a Glance

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

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

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

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

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

Oberbank's share	2019	2018	2017
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 €	96.20/93.00	89.80/88.50	81.95/71.40
Low (ordinary/preference share) in €	89.80/83.00	82.00/72.50	60.36/52.00
Close (ordinary/preference share) in €	95.80/89.50	89.80/83.00	81.95/71.40
Market capitalization in € m	3,363.5	3,150.2	2,861.8
IFRS earnings per share in €	6.13	6.39	5.68
Earnings per share in €	1.15	1.10	0.90
P/E ratio, ordinary shares	15.6	14.1	14.4
P/E ratio, preference shares	14.6	13.0	12.6

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

Letter from the Chairman of the Management Board

Dear readers,

2019 exceptional year for Oberbank for several reasons

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

Economy developing slower than forecast

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

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

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

The volume of loans rose substantially by 5.6% to EUR 16.8 billion, while primary deposits remained at the high level of the preceding year at EUR 14.2 billion. Credit risk is still doing very well despite the strong rise in credit volumes. Net interest income and net commission income were slightly higher year on year at EUR 345.8 million (+0.2%) and EUR 163.0 million (+2.4%) respectively, while income from equity investments was 64.2% lower year on year at EUR 29.7 million. The reason is that the gap created by much lower contributions to results from voestalpine was not covered by the excellent contributions from our partner banks.

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

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

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

Possibility of higher dividends on Oberbank share

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

Financial magazine "Börsianer" rates Oberbank number one again

The financial magazine "Börsianer" distinguished Oberbank for a fourth time in a row in 2019 for the excellent development described. Already in 2016, we won in the category "Best Universal Bank", and in 2017 and 2018, we also achieved the designation "Best Bank" in the overall rating.



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

On the surface, it seems to be about our capital increases (and those of our partner banks) over the past 30 years with questions like "Who has held shares in Oberbank and since when?" and "Who acquired how many shares in the capital increases and when?". Reading between the lines though clearly shows that the intent of UniCredit's

Letter from the Chairman of the Management Board

legal actions is to take away voting shares we and our partner banks have acquired rightfully and lawfully; UniCredit's intent is to obtain a controlling interest in three successful regional banks.

In a first step, UniCredit tabled a motion at the Annual General Meeting in May 2019 to elect a third representative from UniCredit to the Supervisory Board of Oberbank. After this motion was rejected by the large majority of shareholders, UniCredit filed a lawsuit contesting the resolutions of the Annual General Meeting. The lawsuit proceedings were closed on 20 December 2019, with the decision still outstanding at the time of this writing. At the end of December 2019, UniCredit demanded that an extraordinary general shareholder's meeting of Oberbank be convened. At this general shareholders' meeting, which took place on 4 February 2020, the motions put to a vote by UniCredit were rejected by a large majority (special audit of all Oberbank capital increases since 1989, termination of arbitration proceedings with Generali-3Banken-Holding).

Crucial success factor: our independence

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

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

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

Our independence should not be questioned!

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

What is in store for us in 2020?

According to the latest forecasts, the global economy is set to grow by 3.0% or more or less the same as in the preceding year. Growth is expected to be much slower for the EU (+1.5%) and the euro area (+1.3%), and also for Austria (+1.2%).

The ECB will continue its zero-interest rate and negative interest policy in 2020, while key lending rates are likely to remain unchanged in the euro area at 0%. ECB President Christine Lagarde even implied that interest rates might be cut even further if necessary.

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

Letter from the Chairman of the Management Board

Focus of Oberbank's business activities

Despite the expected slowing of economic growth, Oberbank expects demand for loans to continue to develop satisfactorily also in 2020. The trend among customers to put their money in sight deposits is likely to continue due to the sustained low interest rates.

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

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

Our customers who place their trust in us – our most valuable asset; our shareholders who stand for a solid, long-lasting stable ownership structure; and our employees who always work harder than others.

My special thanks go to all members of the Supervisory Board. The Supervisory Board is not only the top-most monitoring body, but also an important advisor for the management on crucial matters.

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

Linz, in March 2020

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

CEO Franz Gasselsberger
Chairman of the Management Board

Group Management Report

Oberbank's earnings developed excellently in the financial year 2019

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

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

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

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

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

Adequate provisions were set up for all discernible future risks

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

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

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

Net trading income

The net trading income comprises earnings from securities and derivatives in the trading book as well as earnings from dealings in foreign exchange, foreign bank notes and precious metals. In the financial year 2019, net trading income was EUR 2.3 million which is 56.0% lower than in the preceding year.

Administrative expenses

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

The cost/income ratio remained very favourable at 50.04%.

Group Management Report

Profit before and after tax at highest level

The profit for the year before tax and after charges for losses on loans and advances was 2.1% higher year on year at EUR 276.2 million.

The income taxes of EUR 60.1 million were 33.8% higher than in the preceding year.

This lowered net profit for the year after tax by 4.2% to EUR 216.1 million.

Minority interests in net profit for the year amounted to EUR 1.1 million; Oberbank's consolidated net profit for the year was therefore EUR 215.0 million (-4.4%).

Profit distribution proposal

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

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

Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 1.15 per eligible share on the share capital of EUR 105.8 million; this dividend is EUR 0.05 higher than in 2018. Given a total of 32,307,300 ordinary and 3,000,000 preference shares, the distribution is EUR 40,603,395.00. Furthermore, the Management Board proposes to carry the remainder of EUR 164,553.50 forward to the new account.

Analysis of key performance indicators

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

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

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

Assets, earnings, and financial position

Total assets of the Oberbank Group amounted to EUR 22,829.0 million at the end of 2019 which was 2.8% higher than at the previous year's balance sheet date.

Balance sheet assets

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

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

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

Risk provisions decreased by 19.0% to EUR 203.7 million.

In 2019, financial assets rose slightly by 0.5% to 3,644.6 million (financial assets at fair value through profit or loss (FV/PL) EUR 533.4 million; assets at fair value through other comprehensive income (FV/OCI) EUR 498.2 million; assets at amortised cost (AC) EUR 1,699.0 million).

Group Management Report

The remaining assets comprise the line items Cash and balances at central banks; Trading assets; Intangible assets; Property, plant and equipment and Other assets as well as Charges for losses on loans and advances. Trading assets increased by 13.2% to EUR 40.9 million, intangible assets by 83.4% to EUR 1.7 million, and property, plant and equipment by 48.8% to EUR 414.8 million.

The line item Other assets (positive fair values of derivatives in the banking book, down payments on lease contracts as well as lease contracts not yet effective, other receivables of leasing companies as well as deferred tax assets and other deferred items) decreased by 15.9% to EUR 263.9.

Balance sheet - equity and liabilities

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

At EUR 14,166.0 million, primary funds remained almost unchanged (-0.5%).

The amounts owed to customers included in primary funds were EUR 11,980.70 million thus 1.4% lower year on year. Savings deposit remained almost unchanged at EUR 2,697.4 million (+0.5%), while Other liabilities decreased slightly by 1.9% to EUR 9,283.2 million.

Securitised liabilities rose by 9.7% to EUR 1,662.9 million, and subordinated capital was lower year on year by 10.3% at EUR 522.5 million.

The rise in equity capital by 5.8% to EUR 2,960.5 million is based on the substantial allocations to reserves due to the very good earnings.

The remaining liabilities include provisions for liabilities and charges as well as other liabilities.

At EUR 381.4 million, provisions remained practically unchanged (-0.5%). These consist mainly of provisions for termination and post-employment benefits (EUR 199.5 million) and loan loss provisions (EUR 121.8 million).

Other liabilities increased by 31.4% to EUR 525.3 million. This item comprises the negative fair values of derivatives in the banking book, other short-term provisions, other liabilities of the Leasing sub-group and deferred items.

Funding base in €m	2019	2018	Change
Amounts owed to customers	11,980.7	12,145.7	-1.4%
Securitised liabilities	1,662.9	1,515.7	9.7%
Subordinated debt capital	522.5	582.6	-10.3%
Primary deposits incl. subordinated debt capital	14,166.0	14,244.0	0.5%
Amounts owed to credit institutions	4,795.8	4,387.8	9.3%
Total	18,961.8	18,631.8	1.8%

Equity on the consolidated balance sheet of the Oberbank Group increased by 5.8% to EUR 2,960.5 million in the financial year 2019. 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 2,659.0 million on 31 December 2019 and exceeded the statutory requirement of EUR 1,078.3 million by EUR 1,580.7 million or 146.6%. Common equity tier 1 capital was EUR 2,709.0 million and exceeded the mandatory level of EUR 1,305.0 million by EUR 1,403.9 or 107.6%. Own funds stood at EUR 3,058.1 million and were EUR 1,450.7 million or 90.3% higher than required (EUR 1,606.3 million).

Common equity tier 1 capital ratio was 17.59% in 2019; the tier 1 capital ratio was 17.92% and the total capital ratio was 20.23%.

Group Management Report

Use of financial instruments

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

Own shares

In the course of the year, Oberbank briefly held own shares on its trading book.

In the reporting year, it acquired 287,736 of its own ordinary shares at an average price of EUR 94.88 as well as 45,832 of its own preference shares at an average price of EUR 91.37; these were offset by the sale of 319,480 own ordinary shares at an average price of EUR 94.35 and by the sale of 39,284 own preference shares at an average price of EUR 90.00.

The proceeds from the sale were allocated to working capital.

As of the balance sheet date, Oberbank held 7,744 own ordinary shares and 17,973 own preference shares.

The highest level in the course of the year 2019 was 0.24% of the share capital.

Research and development

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

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

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (hereinafter: "UniCredit") put forth a motion at the Annual General Meeting of Oberbank in May 2019 to elect a third representative from their side to the Supervisory Board of Oberbank. The motion failed to receive a consenting vote. Subsequently, UniCredit filed a lawsuit contesting the individual resolutions adopted by the Annual General Meeting. The proceedings in this matter were closed on 20 December 2019, the ruling has not yet been handed down. These proceedings are not expected to have any relevant effects on the balance sheet.

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

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

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

Material events since the close of the financial year

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

Compliance und Money laundering

Securities Compliance

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

To discover potential violations of statutory provisions, Oberbank uses a computer-aided compliance tool to help mitigate risk by quickly and specifically revealing instances of malversation in exchange trading, in particular, market manipulation and insider dealings. It provides for proactive monitoring through ad hoc and regular evaluations, and helps to avoid reputational damage and monetary loss. Furthermore, this IT tool also maintains the lists and records that must be kept by law, such as insider lists, blocking 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 securities compliance in place (Compliance Manual). The Compliance Manual contains a description of general organisational aspects as well as detailed information on the compliance rules and regulations relating to investment activities and the capital market. The Compliance Manual is published internally on the internal intranet and is therefore available at all times to all employees. The employees of Oberbank are under the obligation to comply with the rules and regulations in this Manual and their attention is drawn to the sanctions under criminal law and labour law in the event of violations of these rules and regulations; they also receive the relevant training courses on a regular basis. The training courses include mandatory annual e-learning courses as well as the regular attendance courses.

Therefore, this ensures that Oberbank meets its statutory obligations 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 program 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 expert departments.

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

Anti-Money Laundering Compliance

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

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

In the autumn of 2019, a project was initiated to put into practice the strategies and procedures required by the supervisory bodies to fight money laundering and terrorism financing; it will be continued in 2020. The objective of

Compliance und Money laundering

this project was to strengthen the high quality of the cross-border fight against money laundering within Oberbank as well as to raise the quality of the review procedures for sanctions and embargoes, and to guarantee compliance with the Group-wide standards.

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

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

Fraud Prevention

In accordance with the Guidelines of the European Banking Authority (EBA), Oberbank uses a dedicated IT tool for the prevention of fraud in payment services. This IT tool automatically stops suspicious transactions which are then critically reviewed by the Compliance Unit. Only after a positive outcome of a review are the transactions released. Oberbank also has an extensive internal set of rules and regulations to fight fraud. These contain detailed descriptions of the different types of fraud and the corresponding preventive measures taken within Oberbank. The Fraud Prevention Policy is available to all employees on the intranet and is therefore available for viewing at any time. Employees are informed regularly of the contents of the Fraud Prevention Policy in the form of annual e-learning courses and also at physical attendance events.

Investor Relations

Share and shareholder structure

Autonomy and independence are high priorities for Oberbank. This is achieved by robust earnings, pursuing a sound risk policy and having shareholders who are committed to preserving the independence of Oberbank.

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

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

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

Oberbank shares soar to all-time highs in 2019

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

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

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

Oberbank ordinary shares have been listed on the Vienna Stock Exchange since 1 July 1986. Since then, the value of the share has risen continuously. Shareholders who acquired Oberbank shares in 1986 and participated in all capital increases have earned an average yield of 9.52% per year (before withholding tax) taking into account dividend distributions.

Attractive valuation, constant dividends

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

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

Investor Relations

Oberbank shareholder structure at 31/12/2019	Ordinary shares	Total
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	16.98%	16.15%
BKS Bank AG, Klagenfurt	15.21%	14.21%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.90%	4.50%
Generali 3 Banken Holding AG, Vienna	1.77%	1.62%
Employees	4.14%	3.98%
CABO Beteiligungsgesellschaft m. b. H., Vienna	25.97%	23.76%
Free float	31.03%	35.78%

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

Investor Relations and Communication

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

Potentially price-sensitive events are disclosed through the euro ad hoc system under "Insider Information". In the financial year 2019, Oberbank published two such disclosures.

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Financial calendar 2020	
Publication of the annual financial statements in the Official Gazette "Wiener Zeitung"	24/3/2020
Date of record in respect of Oberbank shares	10/5/2020
Annual General Meeting	20/5/2020
Ex dividend day	26/5/2020
Record date dividend	27/5/2020
Dividend payout date	28/5/2020

Publication of quarterly reports	
Q1	22/5/2020
HY1	28/8/2020
Q1 – 3	27/11/2020

Directors' Dealings

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

Oberbank AG published 30 such reports through the euro-adhoc system in 2019.

Segment Report

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

(*BWG = Austrian Banking Act)

In Corporate and Business Banking, the profit for the year rose by 19.9% to EUR 196.5 million in 2019. Net interest income rose by 5.6% to EUR 258.8 million, and net commission income by 3.3% to EUR 87.6 million. Charges for losses on loans and advances decreased by 80.4% to EUR 3.2 million. Administrative expenses rose by 8.4% to EUR 156.5 million, while other operating income was EUR 9.6 million, after EUR -5.5 million in 2018. RoE rose to 11.8%, the cost/income ratio improved to 43.9%.

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

(*BWG = Austrian Banking Act)

In the Personal Banking segment, profit before tax in 2019 was EUR 46.7 million which was almost as high as in 2018.

Segment Report

Net interest income rose by 5.0% to EUR 63.8 million and net fee and commission income was up by 1.4% to EUR 75.5 million.

Charges for losses on loans and advances amounted to EUR 4.0 million after EUR 2.8 million in the preceding year.

Administrative expenses were 3.1% higher year on year at EUR 93.0 million.

RoE decreased by 1.4% ppt to 15.4% and the cost/income ratio remained practically unchanged at 64.7%.

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

(*BWG = Austrian Banking Act)

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

Charges for losses on loans and advances amounted to EUR 5.0 million after EUR 6.7 million in the preceding year.

Net trading income decreased by 58.5% to EUR 2.2 million; other operating income improved from EUR -7.0 million to a positive EUR 29.6 million.

Therefore, profit in the Financial Markets segment shrunk by 32.9% to EUR 70.9 million.

RoE decreased by 4.1%-points to 7.9% and the cost/income ratio rose by 3.2%-points to 10.3%.

Other

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

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

Consolidated Financial Statements

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

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

1) Administrative expenses in relation to net interest income, equity method, net fee and commission income and net trading income and other operating income

2) Profit/loss for the year before tax in relation to average shareholders' equity

3) Profit/loss for the year after tax in relation to average shareholders' equity

4) Charges for losses on loans and advances in relation to net interest income

5) Profit/loss for the year after tax in relation to average number of shares in circulation

6) Since no financial instruments with diluting effect were issued, diluted earnings per share were identical with undiluted earnings per share. Earnings per share were the same for ordinary and preference shares (see also Note 11).

Consolidated Financial Statements

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

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

Consolidated Financial Statements

Regulatory capital pursuant to Part 2 of Regulation (EU) No 575/2013 - pillar I in €k	2019	2018	Change	
			absolute	in %
Subscribed capital	99,622	100,522	-900	-0.9
Capital reserves	505,523	505,523	-	-
Retained earnings ¹⁾	2,181,127	2,023,438	157,689	7.8
Minority interests	0	0	-	-
Accumulated other comprehensive income	70,069	71,103	-1,034	-1.5
Regulatory adjustment items	6,530	7,695	-1,165	-15.1
Deductions from common equity tier 1 capital items	-203,899	-190,467	-13,432	7.1
COMMON EQUITY TIER 1 CAPITAL	2,658,972	2,517,814	141,158	5.6
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments purs. to national implementation rules	0	0	-	-
Deductions from AT1 capital items	0	-4,707	4,707	-100.0
Additional tier 1 capital	50,000	45,293	4,707	10.4
TIER 1 CAPITAL	2,708,972	2,563,107	145,865	5.7
Qualifying supplementary capital instruments	352,382	347,583	4,799	1.4
Nominal capital preference shares purs. to transition rules	6,300	5,400	900	16.7
AT1 capital instruments purs. to transition rules	0	0	-	-
Supplementary capital (tier 2) items purs. to national impl. rules	9,406	15,892	-6,486	-40.8
General credit risk adjustments	0	0	-	-
Deductions from tier 2 capital items	-18,992	-20,230	1,238	-6.1
Supplementary capital (tier 2)	349,096	348,645	451	0.1
OWN FUNDS	3,058,068	2,911,752	146,316	5.0
Total risk exposure purs. Art. 92 CRR				
Credit risk	13,978,718	13,338,275	640,443	4.8
Market risk, settlement risk and CVA risk	52,758	27,551	25,207	91.5
Operational risk	1,083,459	1,055,408	28,051	2.7
Total exposure	15,114,935	14,421,234	693,701	4.8
Own funds ratio purs. Art. 92 CRR				
Common equity tier 1 capital ratio	17.59%	17.46%	0.13% ppt	
CET 1 capital ratio	17.92%	17.77%	0.15% ppt	
Total capital ratio	20.23%	20.19%	0.04% ppt	
Regulatory own capital ratios purs. to transition rules in %				
Common equity tier 1 capital ratio	7.134%	6.474%	0.661% ppt	
Tier 1 capital ratio	8.634%	7.974%	0.660% ppt	
Total capital ratio	10.634%	9.974%	0.661% ppt	
Regulatory capital requirements purs. to transition rules				
Common equity tier 1 capital	1,078,299	933,559	144,741	15.5
Tier 1 capital	1,305,023	1,149,877	155,146	13.5
Total capital	1,607,322	1,438,302	169,020	11.8
Free capital components				
Common equity tier 1 capital	1,580,673	1,584,255	-3,583	-0.2
Tier 1 capital	1,403,949	1,413,230	-9,281	-0.7
Total capital	1,450,746	1,473,450	-22,704	-1.5

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

Organisational Chart and Structure of Oberbank

Management Board Members

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Compliance Officer Peter Richtsfeld
Money Laundering and Sanctions Officer Claudia Raml

Organisational Chart and Structure of Oberbank

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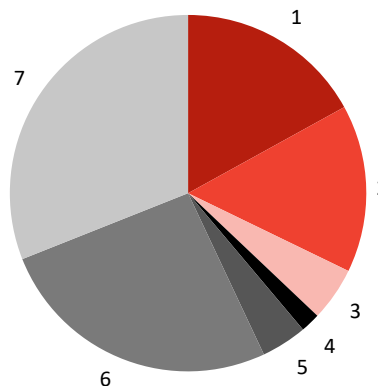
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Shareholders of the 3 Banken Group by Voting Share

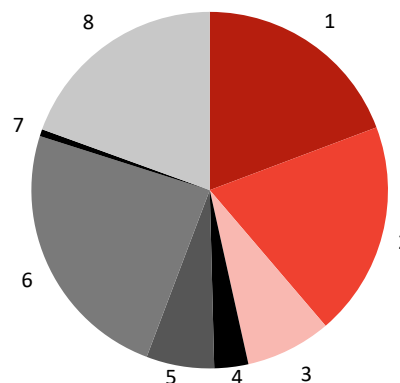
Oberbank

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	4.14%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	25.97%
7	Free float	31.03%



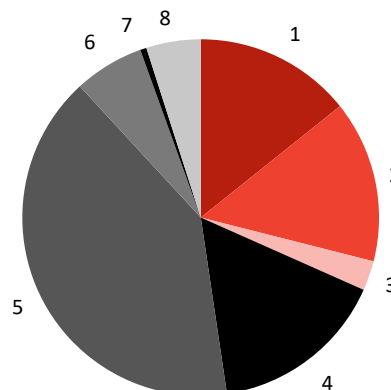
BKS

1	Oberbank AG, Linz	19.29%
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	19.45%
3	Generali 3 Banken Holding AG, Wien	7.77%
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	3.08%
5	UniCredit Bank Austria AG, Wien	6.14%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	24.16%
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	0.62%
8	Free float	19.47%



BTV

1	Oberbank AG, Linz	14.27%
2	BKS Bank AG, Klagenfurt	14.67%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.70%
4	Generali 3 Banken Holding AG, Wien	16.01%
5	CABO Beteiligungsgesellschaft m. b. H., Wien	40.51%
6	UniCredit Bank Austria AG, Wien	6.34%
7	BTV Privatstiftung, Innsbruck	0.56%
8	Free float	4.94%



There is a syndicate agreement with each of the shareholders shown in shades of red.

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

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.