Annual Report 2016

Future.
Challenge.

Oberbank
3 Banken Gruppe

Contents

Oberbank at a Glance

Income statement in €m	2016	2015	Change
Net interest income	359.6	381.2	-5.7%
Loan loss provisions	-25.0	-47.1	-46.9%
Net commission income	130.9	132.7	-1.4%
Administrative expenses	-251.8	-243.3	3.5%
Profit for the year before tax	219.1	191.5	14.4%
Profit for the year after tax	181.3	166.4	8.9%

Balance sheet in €m €	2016	2015	Change
Total assets	19,158.5	18,243.3	5.0%
Loans and advances to customers	13,777.9	12,839.9	7.3%
Primary funds	13,008.9	12,620.0	3.1%
of which savings deposits	2,794.2	2,912.6	-4.1%
of which securitised liabilities incl. subordinated debt capital	2,064.5	2,098.5	-1.6%
Equity	2,282.8	1,925.7	18.5%
Customer funds under management	26,524.2	25,245.1	5.1%

Regulatory capital in EUR million €	2016	2015	Change
Common equity Tier 1 capital	2,009.4	1,650.8	21.7%
Tier 1 Capital	2,086.0	1,733.3	20.4%
Own funds	2,482.2	2,158.0	15.0%
Common equity Tier 1 capital ratio	15.67%	13.51%	2.16%-P,
Tier 1 capital ratio	16.27%	14.19%	2.08%-P,
Total capital ratio	19.36%	17.66%	1.70%-P,

Performance indicators	2016	2015	Change
Return on equity before tax	10.76%	11.20%	-0.44% ppt
Return on equity after tax	8.91%	9.73%	-0.82% ppt
Cost/income ratio	50.77%	50.49%	0.28% ppt
Risk/earnings ratio (credit risk/net interest)	6.96%	12.35%	-5.39% ppt

Resources	2016	2015	Change
Average number of staff (weighted)	2.049	2.025	24
Number of branches	159	156	3

Oberbank stock - key figures	2016	2015	2014
Number of ordinary non-par shares	32,307,300	29,237,100	25,783,125
Number of non-par preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	60.30/52.75	52.80/38.20	50.35/38.11
Low (ordinary/preference share) in €	52.57/37.70	49.96/37.55	48.45/37.00
Close (ordinary/preference share) in €	60.30/52.50	52.80/37.70	50.35/37.81
Market capitalisation in €m	2,105.6	1,656.8	1,411.6
IFRS earnings per share in EUR	5.59	5.47	4.75
Dividend per share in EUR	0.65	0.55	0.55
P/E ratio, ordinary share	10.8	9.7	10.6
P/E ratio, preference share	9.4	6.9	8.0

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

Letter from the Chairman and CEO

Florian Hagenauer
Dirctor Oberbank AG

Franz Gasselsberger
CEO Oberbank AG

Josef Weißl
Director Oberbank AG

Dear Readers,

Let me first mention the most important thing: In 2016, Oberbank once again developed excellently and improved its key earnings ratios for the seventh time a row!

Profit before tax rose by 14.4% to EUR 219.1 million and after tax by 8.9% to EUR 181.3 million. The lending volume (+ 7.3% up to EUR 13.8 billion) and customer assets under management (+ 5.1% up to EUR 26.5 billion) rose significantly year-on-year; credit risk is pleasingly low at a CET1 ratio of 16.27% and a total capital ratio of 19.36%, both especially good figures in international comparison. In 2016, we recorded the best result in our 148-year history. We are especially pleased about the fact that we have been posting growth rates without interruption for years.

Oberbank again performed much better than the overall market.

Austria's banks expect declines in operating earnings, profit before tax and net profit for 2016, and also throughout Europe, banks are under pressure to take action. Cost structures are not ideal (cost/income ratio on the European average is 65%, Oberbank 50%), and as regards credit quality there is room for improvement (non-performing loans over 5%, Oberbank 3.5%), earnings are weak (RoE 4.5%, Oberbank a constant 10%).

A highlight of last year was the successful capital increase.

With a third capital increase within the past one and half years, we have placed over more than three million new ordinary shares, raising the free float significantly to about 36% and Oberbank's market capitalisation to over two billion euro. The CET1 capital of Oberbank has risen to over two billion euro, doubling in the past six years. We have secured our unrestricted capacity to extend loans and have funded the further expansion from own funds, and also substantially exceed regulatory capital requirements. We have also offered investors another opportunity to participate in a company with steady robust earnings and a feasible growth prospects after the strongly oversubscribed capital increases of the year 2015.

Such achievements are not easy to come by, because our market environment is in turmoil!

Uncertainty is increasing and in the banking sector as well, traditional values no longer seem to apply: personal business relations are falling out of style, long-term relationships are often sacrificed for short-term benefits, and trust has become a scarce good. For this reason, politics, business and banks should offer reliability, because people want to be able to rely on something and are seeking guidance. We at Oberbank believe that our enthusiasm for stable personal customer relations is our most important service.

For us this means: we offer stability!

We offer something that has become rare: personal advice, we are willing to provide support to customers also over the long term even when things do not run so smoothly at times. We offer a solid foundation of trust and closeness to customers, which cannot be replaced by digitalisation. This stability in business, lending and personnel policy makes us special and is the basis for trust and credibility. Especially in times of rapid digitalisation, which is spreading to all areas of the economy and life and sometimes creates unease, we believe that direct contact is the instrument of the future.

What is in store for us in 2017?

We expect inflation to increase slightly, mainly due to higher energy and commodity prices. We will not be able to attain the ECB inflation target of 2% for some time to come though. Interest rates remain low: The ECB will not make any fundamental changes to its interest rate policy in order not to fight the slightly higher inflation and make the economic situation of the weaker euro countries even more difficult.

This combination of higher inflation and lower interest rates means a sustained burden for savers and persistent pressure on the cost/income ratios of bank.

What are the concrete plans of Oberbank for 2017?

As of the second half of the year, we will start using the entire space of the expanded headquarters on Donaulände in Linz. This will be a real milestone – the public presence of Oberbank in Linz has never been so changed. By combining all central departments under one roof, we hope to become even more efficient. Additionally, we are opening new branches in Vienna, Germany, Hungary and the Czech Republic against the market trend. We naturally also have ambitious business goals: to raise the credit volume by EUR 800 million, customer deposits by EUR 650 million and aim to repeat the excellent result of 2016.

We can only achieve such ambitious goals if we continue to expand.

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

We can afford this offensive strategy on the market, because we have achieved a high degree of entrepreneurial freedom based on our traditional values: we do not have any cost or risk problems and we do not have to constantly work to fix ongoing operations. We have sufficient capital to continue to grow.

There is no question about it: we are proud of what we have achieved. But we also know that we owe our success to our employees, to the preservation and development of our values, and the trust of our customers that we have to earn every day anew. This is why we will meet the challenges of the future with humility and discipline.

The business model of Oberbank is very stable, especially in times of turmoil.

We can face all challenges with self-confidence and secure our future for the long term, which makes us a real alternative among Austrian banks: we protect our autonomy and independence for the benefit of our customers.

This makes it possible for us to take decisions in the region for the region and consider the interests of the entire Oberbank family, of all customers, of shareholders and of employees. This should never become routine, we have to constantly work for it.

Letter from the Chairman and CEO

On behalf of the entire Board of Oberbank I would like to thank everyone who has made our success possible.
I thank our customers who we have the privilege of continuing to support; our shareholders who by investing in Oberbank shares have placed their trust in us, and to our employees who once again have been crucial for the success achieved.
My special thanks go to all members of the Supervisory Board. It is not only the highest monitoring body, but an important advisor for the management in crucial matters.
We were able to achieve such good earnings in 2016 only with the cooperation of all of these persons. Let us continue together on this path of mutual trust and success.

Linz, in March 2017

CEO Franz Gasselsberger
Chairman of the Management Board

Corporate Governance Report for the Group

Preamble

A listed company with subsidiaries such as Oberbank must prepare a corporate governance report on a consolidated basis (§ 267a Austrian Business Code). As the Oberbank group does not have any exchange-listed subsidiaries, the information required is limited to the information stipulated by § 243b (2) Austrian Business Code – this is the information on the working methods of the management board and of the supervisory board of these companies, on the measures to promote women and on remuneration policy.

The information required was integrated into the appropriate places 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 usual national and international standards of good corporate governance aim to guarantee the long-term and sustainable creation of added value for listed companies to safeguard the interests of all stakeholders involved.

This goal of long-term and sustainable value added creation is also a strategic goal of Oberbank, and therefore, the establishment of effective corporate governance is a matter of course for us.

In its internal corporate governance principles, Oberbank takes guidance in this endeavour from the Guidelines of the European Banking Authority **(**EBA) on internal governance and on 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 made its first declaration of conformity at its meeting of 26 November 2007.

The version of the Code applicable to the reporting year entered into force on January 2015. At its meeting of 27 November 2014, the Supervisory Board of Oberbank considered the new version in detail and made a declaration of conformity with the Code.

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

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

<u>Rule 2 C:</u>

Based on a resolution of the Annual General Meeting of 15 April 1991, Oberbank, besides ordinary shares, has also issued preference shares. Preferred interest in profits provides preference shareholders with an attractive investment option. The ordinary shares issued by Oberbank carry one vote each; therefore, no shareholder has a disproportionately high share of voting rights.

<u>Rule 31 C:</u>

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

The remuneration rules applicable within Oberbank in compliance with the Austrian Banking Act ensure that any and all variable remuneration payments to Board Members are commensurate with the personal performance of the respective Board member and take appropriate account of the earnings, risk and liquidity position of Oberbank.

Rule 45 C:

Owing to the historically grown shareholder structure of Oberbank, the members of the Supervisory Board include representatives from the group of the major individual shareholders. Since these representatives also include banks, the respective Supervisory Board members also hold board functions at other banks that are competitors of Oberbank.

The statutory obligations of the members of the Supervisory Board ensure that the legitimate interests of Oberbank are protected to the fullest extent.

Rule 52a C:

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

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

The Management Board of Oberbank AG conducts the Company's business in accordance with clear principles and objectives derived from the overall bank strategy and on its own responsibility within the parameters defined by the Austrian Joint Stock Companies Act (AktG) to ensure the protection of the various interests at stake. The Supervisory Board monitors the implementation of the individual projects and their success in compliance with the Articles of Association and its 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 109), apart from the managing directors of the direct leasing subsidiaries in Austria (Oberbank LEASING GESELLSCHAFT MBH, Linz, 3 Banken Kfz-Leasing GmbH, Linz), Germany (Oberbank Leasing GmbH Bayern, Neuötting), Czech Republic (Oberbank Leasing spol. s.r.o., Prague), Hungary (Ober Lizing Kft, Budapest) and Slovakia (Oberbank Leasing s.r.o., Bratislava), the mandates of the management board, managing directors and, if required, supervisory boards are assumed by the current management board members and heads of department of Oberbank or by one of the partner banks (e.g. 3 Banken Wohnbaubank AG).

Members of the Management Board

In the 2016 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

Franz Gasselsberger, CEO

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

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

In November 2007, the German Federal President appointed Franz Gasselsberger Honorary Consul of the Federal Republic of Germany in Upper Austria. In addition, he is a Member of the Management Board of the Federation of Austrian Industries (IV), the Austrian Bankers Association (VOeBB), the Federation of Austrian Industries, 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 Code of Corporate Governance, Joint Stock Companies Act and the Banking Act were observed.

Josef Weissl, Member of the Management Board

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

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

In addition, he is President and 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 BAUSPARERHEIM Gemeinnützige Siedlungsgemeinschaft reg. Gen.m.b.H.

Member of the Supervisory Board of VBV-Pensionskasse AG

Member of the Supervisory Board of BRP-Powertrain Gmbh & Co.KG

Member of the Supervisory Board of Wiener Börse AG

Member of the Supervisory Board of CEESEG Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft (until 15 June 2016)

All upper limits regarding mandates pursuant to the Code of Corporate Governance, Joint Stock Companies Act and the Banking Act were observed.

Florian Hagenauer, Member of the Management Board

Upon his graduation from the University of Linz, where he studied business management and law, Florian Hagenauer started his career at Oberbank in 1987. In 1987 he joined Oberbank, where he worked in what was then the Foreign Department, later renamed the "Bank Relations and Payment Systems" department. In 1994 he was appointed *Prokurist* (authorised signatory) for the entire bank, and in 1999 became Deputy Head of the Organisation department. He completed the LIMAK General Management Programme in 1999 and completed the LIMAK MBA Programme in 2005. In 2005 Florian Hagenauer was appointed Managing Director of Drei-Banken-EDV Gesellschaft. In 2008 he returned to Oberbank, taking over the function of Head of Organisation.

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

In addition, he is Vice President of Verein der Förderer der OÖ Landmuseen and member of the Industriellenvereinigung of Upper Austria.

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

Member of the Supervisory Board and investment committee member of Gain Capital Participations SA

Member of the Supervisory Board and investment committee member of Gain Capital Participations II SA, SICAR

Member of the Supervisory Board of Generali Holding Vienna AG

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

Member of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft (until 15 June 2016)

All upper limits regarding mandates pursuant to the Code of Corporate Governance, Joint Stock Companies Act and the Banking Act were observed.

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 Rules of Procedure of the Management Board.

Cooperation within the Management Board is based on regular, usually weekly Management Board meetings. Resolutions are usually reached unanimously even though the areas of responsibility are clearly defined in the defined remits for each individual member of the Management Board.
In the case of major decisions with an impact on risk, it is customary to inform the Supervisory Board by the latest at the next subsequent meeting unless approval is mandatory anyway under the Articles of Association, the law or the Rules of Procedure of the Management Board and the Supervisory Board.

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

Current Management Board Remits

CEO and Chairman Franz Gasselsberger	**Director Josef Weissl**	**Director 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-Hauptplatz	Linz-Landstraße	
Salzkammergut	Innviertel	
Vienna	Salzburg	
Wels	Lower Austria	
Southern Bavaria	Slovakia	
Northern Bavaria	Czech Republic	
	Hungary	

1) CEE comprises the regions of Czech Republic, Slovakia and Hungary in the Oberbank definition.
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 latter designed the remuneration system of Oberbank so that it complies with the proportionality test pursuant to § 39b of the Austrian Banking Act and the appertaining Annex in respect of companies of a comparable size, industry and complexity and the risk inclination of the business model, and, moreover, in such a way as to ensure that the remuneration of the members of the Management Board is commensurate with their scope of activities and responsibilities.

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

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

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

In compliance with the circular letter issued by the Austrian Financial Market Authority (FMA) in December 2012, the Remuneration Committee determined that Oberbank, on the basis of the parameters defined by the FMA (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 2016, the size of which is determined by the Remuneration Committee on the basis of the "Parameters for the assessment of variable remuneration components for Management Board members", is to be paid to 50% in equity instruments and 50% in cash; the respective equity instruments are subject to a holding period of three years and the portion of 40% of variable remuneration that in accordance with paragraph 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors has to be deferred for a period of five years has to consist to equal parts of equity instruments and cash.

The total remunerations paid to the Management Board members in the reporting year was EUR 1,709,000, of which EUR 1,371,000 related to fixed salary components and EUR 338,000 constituted variable remuneration components for the year 2016.

Total remuneration 2016:	Franz Gasselsberger	EUR 792,000
	Josef Weißl	EUR 499,000[1)]
	Florian Hagenauer	EUR 418,000[1)]

1) Including contributions to the pension scheme

Sideline business activities pursued by members of the Management Board require approval by the Supervisory Board pursuant to the rules of procedure of the Management Board. Accordingly, the above-listed mandates of the individual Board Members have all been approved by the Supervisory Board and are in compliance with the limits that have been applicable pursuant to the Austrian Banking Act since 1 July 2014.
The amount of the benefits from the contractually-agreed company pension scheme for members of the Management Board depends on the respective member's period of service. Benefits are calculated on the basis of a progressive scale of 40 years and the fixed salary at the time of retirement. For members of the Management Board appointed in or after 2005, a company pension is accumulated under a contractual scheme based on monthly contributions to a pension fund. If a Board mandate is not extended or is prematurely terminated, the respective Management Board member is entitled to termination benefits in the maximum amount of two annual salaries, provided that no material reason is given for which the respective Board member is responsible pursuant to Rule 27a of the Austrian Code of Corporate Governance, as amended.

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

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

Members of the Supervisory Board

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

Year of birth/ initial appointment/scheduled end of period of office

Presidency:

Herta Stockbauer 1960 / 13 May 2014 / AGM 2019
Chairwoman (from 18 May 2016)
2nd Deputy Chairwoman (until 18 May 2016)
Vice Chairwoman of the Supervisory Board of Bank für Tirol und Vorarlberg AG
Member of the Supervisory Board of Österreichische Post Aktiengesellschaft
Member of the Supervisory Board of SW Umwelttechnik Stoiser & Wolscher AG

Ludwig Andorfer 1944 /24 May 2011/ AGM 2016
1st Deputy Chairman (from 13 May 2016)
Chairman (until 18 May 2016)

Peter Gaugg (until 18 May 2016) 1960 /27 April 2000 / AGM 2018
1st Deputy Chairman (until 18 May 2016)
Chairman of the Supervisory Board of BKS Bank AG (until 19 May 2016)

Gerhard Burtscher (from 18 May 2016) 1967 / 18 May 2016 / AGM 2021
2nd Deputy Chairman (from 18 May 2016)
Chairman of the Supervisory Board of BKS Bank AG (until 19 May 2016)

Representatives of shareholders:

Peter Mitterbauer 1942 / 15 April 1991 / AGM 2020
Member of the Supervisory Board of Rheinmetall AG (until May 2016)

Herbert Walterskirchen 1937 / 20 May 1997 / AGM 2020

Karl Samstag 1944 / 22 April 2002/AGM 2017
Member of the Supervisory Board of BKS Bank AG
Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG
Member of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment AG (until 25 May 2016)

Wolfgang Eder 1952 / 9 May 2006 / AGM 2021

Helga Rabl-Stadler (until 18 May 2016) 1948 /24 May 2011/ AGM 2016

Peter Thirring (until 18 May 2016) 1957 / 14 May 2013 / AGM 2018

Barbara Leitl-Staudinger 1974 / 13 May 2014 / AGM 2019
Barbara Steger 1980 / 13 May 2014 / AGM 2019

Peter Hofbauer (until 30 September 2016) 1964 / 19 May 2015 / AGM 2020
Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG (until 30 Sept. 2016)
Member of the Supervisory Board of BKS Bank AG (until 30 September 2016)

Alfred Leu (from 18 May 2016) 1958 / 18 May 2016 / AGM 2021

Martin Zahlbruckner (from 18 May 2016) 1966 / 18 May 2016 / AGM 2021

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

<u>Representatives of the Works Council:</u>
Wolfgang Pischinger, first delegated: 28 Jan. 1993; Chairman of the Central Works Council of Oberbank AG
Elfriede Höchtel, first delegated: 22 May 2007; Oberbank Wels
Josef Pesendorfer, first delegated: 29 Jan. 2001; Oberbank Gmunden
Herbert Skoff, first delegated: 28 March 2011; Oberbank Vienna
Stefan Prohaska, first delegated: 28 March 2013; Oberbank Salzburg-Taxham
Alexandra Grabner, first delegated: 26 March 2014; Central Works Council of Oberbank AG

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

Mode of operation of the Supervisory Board
The Supervisory Board consists of 12 elected shareholder representatives (after Mr. Hofbauer resigned, of 11 since 1 October 2016) and six staff representatives delegated by the Works Council. Given that one third each of capital representatives on the Supervisory Board and on the Works Council are women, the Bank exceeds the target ratio of 25% for women resolved by circular decision reached in November 2013 by the Nomination Committee.

The Supervisory Board held four regular meetings in the financial year 2016 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.

In order to accomplish its extensive tasks, the Supervisory Board establishes a certain number of Committees that include the relevant experts who deal with the topics defined by law, by the articles of association or by the internal business rules.

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 (after the resignation of Mr. Hofbauer from 1 Oct. 2016), the Working Committee of four shareholder representatives, and the Risk and Credit Committee and the Remuneration Committee of three each and the Nomination Committee consists of two shareholder representatives.

Audit Committee
It fulfilled 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 Company's internal control system, the internal auditing system and the risk management system;
- Monitoring the audit of the single-entity and consolidated financial statements taking into account the findings and conclusions in reports that the supervisory body for the auditing profession has published pursuant to § 4 (2) no. 12 Auditor Supervisory Act (APAG);
- The review and monitoring of the independence of the auditor (auditor of the consolidated financial statements), especially with respect to the additional services provided to the audited company; Art. 5 of Regulation (EU) No. 537/2014 and § 271a (6) Austrian Business Code) applies;
- The Audit Committee reports of the findings of the audit of the financial statements to the Supervisory Board and presents how the audit of the financial statements contributed to the reliability of financial reporting as well as on the role of the Audit Committee;
- The audit of the financial statements and the preparations for their approval, examination of the proposal for the appropriation of profits, the management report and, if applicable, the corporate governance report, as well as the report on the audit findings to Supervisory Board;
- If applicable, the audit of the consolidated financial statements and group management report, the consolidated corporate governance report as well as the report on the audit findings to Supervisory Board;
- The execution of the procedure for the selection of the auditor for the single-entity and consolidated financial statements considering also the appropriateness of the fee and the recommendation for the appointment of the auditor of the single-entity and consolidated financial statements to the Supervisory Board pursuant to Art. 16 of Regulation (EU) No. 537/2014.

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

entities, the Audit Committee was assigned additional monitoring obligations regarding the independence of the auditor; the Audit Committee also dealt intensely with this topic at its meeting of 26 September 2016.
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 auditor also presented the findings to the Audit Committee, which intensely discussed the matter directly with the auditors. The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.
In accordance with Rule 83 of the Austrian Code of Corporate Governance, the bank auditor was also charged with a review of the functioning of the risk management system in the reporting year. The bank auditor confirmed in the report to the Audit Committee that the risk management system set up is fully functional in all material aspects at its meeting of 26 September 2016.

Members of the Audit Committee: Ludwig Andorfer (Chairman), Herta Stockbauer, Peter Gaugg (until 18 May 2016), Gerhard Burtscher (from 18 May 2016), Herbert Walterskirchen, Peter Hofbauer (until 30 Sept. 2016), Wolfgang Pischinger, Stefan Prohaska (until 18 May 2016), Herbert Skoff, Alexandra Grabner (from 18 May 2016; until 30 Sept. 2016)

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 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 2016, the Working Committee approved six time-critical resolutions.
Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.
Members of the Working Committee: Ludwig Andorfer (Chairman), Herta Stockbauer, Peter Gaugg (until 18May 2016), Gerhard Burtscher (from 18 May 2016), Herbert Walterskirchen, Wolfgang Pischinger, Herbert Skoff

Risk and Credit Committee
The approval of the Risk and Credit Committee is required for every loan exceeding the threshold amount specified in the Rules of Procedure of the Management Board. Large loans 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 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 2016, the Risk and Credit Committee approved 49 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:

- Providing consulting to 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;
- Review of 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 presents a plan for remedial measures;
- Regardless of the tasks of the Remuneration Committee, it checks to ascertain if the incentives of the internal remuneration system take into consideration risk, capital, liquidity, probability and time of profits realized.

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

Members of the Risk and Credit Committee: Ludwig Andorfer (Chairman until 18 May 2016), Herta Stockbauer (Chairwoman from 18 May 2016), Peter Gaugg (until 18 May 2016), Gerhard Burtscher (from 18 May 2016), Wolfgang Pischinger, Herbert Skoff

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

- Find candidates for an appointment to any vacant positions on the Management Board and to present the relevant proposals to the Supervisory Board;
- If required by the respective legal form of the credit institution, provide support to 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, it must consider a balance and the differences in the levels of knowledge, skills and experience of all members of a relevant entity, to 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, it must define a target ratio for women in management positions and on the Supervisory Board as well as to develop a strategy to achieve this target; target ratio, strategy and progress achieved must be published pursuant to Art. 435 (2) lit. c of Regulation (EU) No. 575/2013;

- Within the scope of its tasks pursuant to nos. 1 and 2, it must 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 the Committee in such a manner that is contrary to the interests of the credit institution;
- Regularly, in any case when events occur that indicate the need for a re-assessment, an evaluation of the structure, size, composition and performance of the Management Board, and, if necessary, present the Supervisory Board proposals for changes;
- 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 to report its findings to the Supervisory Board;
- Review the course of the Management Board with respect to the selection of senior management staff and support the Supervisory Board in preparing recommendations for the Management Board.

Among other things, the Nomination Committee regulates the relations between the company and the members of the Management Board, submits proposals regarding appointments to (soon to be vacated) management board positions and takes care of addressing succession planning issues. The full Supervisory Board takes decisions on these proposals.
In November 2013, the Nomination Committee in compliance with the statutory provisions applicable from 1 January 2014, by a resolution by reached by circular, among other things, worked out task descriptions and applicant profiles for Management Board and Supervisory Board members to be newly appointed, defined a target quota for 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 29 March 2016 based on these applicant profiles and the candidates deemed excellently qualified for their tasks on the Supervisory Board of Oberbank.

Members of the Nominations Committee: Ludwig Andorfer (Chairman until 18 May 2016), Herta Stockbauer (from 18 May 2016)

Remuneration Committee
The Remuneration Committee performs the tasks assigned to it by law. In this function, the Remuneration Committee of Oberbank, apart from defining the basic parameters of the Bank's remuneration policy and performing a proportionality analysis documented in writing with respect to the members of the Management Board who, in application of the proportionality principles laid down in § 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 also determined the parameters regarding the amounts of variable remunerations and the mechanism for reviewing them.
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 the Delegated Regulation (EU) No. 604/2014. Due to the low volume of variable remuneration for employees

at the level below the Management Board with an 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 Guidelines of EBA 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.

Members of the Remuneration Committee: Ludwig Andorfer (Chairman until 18 May 2016), Herta Stockbauer (from 18 May 2016), Herbert Walterskirchen, Wolfgang Pischinger

Remuneration of the Supervisory Board
The members of the Supervisory Board, besides the reimbursement of cash expenses incurred in connection with their function, are entitled to a fee of EUR 120 per meeting and annual emoluments. The amount of these emoluments was approved by the Annual General Meeting 2014 for the financial year 2014 and subsequent years until further notice as follows: EUR 21,000 for the Chairperson, EUR 17,000 for each of deputy and EUR 15,000 for the other board members.
The Annual General Meeting on 8 May 2012 resolved to disburse annual emoluments to the members of the committees for their work effective from the financial year 2012. The Annual General Meeting set the annual emoluments per committee member at EUR 4,000 for the members of the Audit Committee and the Risk and Credit Committee, EUR 2,000 for the members of the Working Committee and EUR 1,000 for the members of the Nomination Committee and the Remuneration Committee.
The emoluments are payable once the Annual General Meeting has discharged from liability the committee members for the respective business year retroactively.

Remuneration in € for FY 2016	Supervisor	Committees	Meetings	Total
Herta Stockbauer	19,501	12,000	480	31,961
Ludwig Andorfer	18,519	12,000	480	30,999
Gerhard Burtscher (from 18 May 2016)	10,544	6,202	360	17,106
Peter Gaugg (until 18 May 2016)	6,456	3,798	120	10,374
Wolfgang Eder	15,000		240	15,240
Alfred Leu (from 18 May 2016)	9,303		240	9,543
Peter Hofbauer (until 30 Sept. 2016 [1)])	0	0	0	0
Peter Mitterbauer	15,000		360	15,360
Helga Rabl-Stadler (until 18 May 2016)	5,697		120	5,817
Karl Samstag	15,000		480	15,480
Peter Thirring (until 18 May 2016)	5,697		0	5,697
Herbert Walterskirchen	15,000	7,000	480	22,480
Barbara Leitl-Staudinger	15,000		480	15,480
Barbara Steger	15,000		480	15,480
Martin Zahlbruckner (from 18 May 2016)	9,303		360	9,663

This member of the supervisory board does not received any emoluments or meeting fees under an internal arrangement within the UniCredit group

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

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

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

A Supervisory Board member shall be considered independent if he or she has not served as a member of the Management Board or as a 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 there is no doubt as to the independent exercise of the mandate.

The Supervisory Board member shall not maintain or have maintained, in the past year, any business relations with the Company or one of its subsidiaries to any extent of significance for such member of the Supervisory Board. This shall also apply to relationships with companies in which a member of the supervisory board has a material economic interest. The approval of individual transactions by the supervisory board pursuant to L Rule 48 does not automatically mean the person is qualified as independent. The 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 a closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) of a member of the management board of persons who hold 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), Peter Gaugg (Bank für Tirol und Vorarlberg AG, until 18 May 2016), Gerhard Burtscher (Bank für Tirol und Vorarlberg AG, from 18 May 2016), Karl Samstag and Peter Hofbauer (until 30 September 2016), 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 (§ 243b (2) no. 2 Business Code)

As at 31 December 2016, Oberbank (including Leasing) employed 85 women in executive positions; this corresponds to 21.4% (2015: 81 women or 19.9%).

In 2010, Oberbank launched the project "Zukunft Frau 2020", which serves the objective of doubling the number of women in executive positions in the company by 2020. In this context, it was defined that every year over 40% of new executive appointees must be female in order to lastingly attain this objective.

The project involves money support for childcare (also during the holiday months), the opportunity for women on childcare leave to participate in further education events, targeted development 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.

Despite all these efforts and the progress achieve in the past financial year, reinforcing the motivation of women to assume management positions will remain an enormous challenge for the coming years.

Within the framework of the project "Zukunft Frau 2020”, Oberbank also applied for certification as a family-friendly employer. Following an examination by a certified expert on 14 April 2011, the Federal Ministry of Economic Affairs, Family and Youth, awarded Oberbank the "*berufundfamilie*" Basic Certificate for its efforts for a period of three years from 5 June 2011. Following an external evaluation by TÜV SÜD Landesgesellschaft Österreich GmbH, Oberbank was awarded this government quality certificate for a further three years in 2014.

The implementation of further measures will be evaluated annually by external experts. This initiative has the purpose of paving the way for a greater number of qualified women in management positions at Oberbank who thus qualify for appointments to management board and supervisory board functions within the fully consolidated subsidiaries and therefore make it possible to achieve the 25% ratio aimed for over the long run.

The share of female members on the Supervisory Board who represent shareholders is 25% and the share for representatives of the Works Council is even 33%. Thus, the Bank partially more than fulfils the projected ratio of 25%.

Linz, 9 March 2017
The Management Board

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

Investor Relations and Compliance

Share and shareholder structure

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

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

Investors have a choice between Oberbank ordinary shares and Oberbank preference shares. The preference shares do not give shareholders voting rights, but 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 markdown versus ordinary shares, but feature higher dividend yields.

Highly successful capital increase in 2016

In November 2016, Oberbank carried out the third capital increase within 18 months. A number of 3,070,200 new ordinary shares were placed at an issue price of EUR 53.94, which corresponds to a market price of EUR 165.6 million. The nominal share capital of Oberbank was raised to EUR 105.9 million. Due to the enormous investor interest in the placement, demand was twice as high as the freely available volume.

Some 700 investors bought Oberbank shares for the first time. Because not all shareholders exercised their subscription rights, a significant volume was available to new shareholders and the free float to total capital ratio rose from 32.6% (as at 31 Dec. 2015) to 36.3%.

The new ordinary shares had full dividend rights for the financial year 2016. The new shareholders can take part in the 137th Annual General Meeting of Oberbank on 16 May 2017.

Oberbank shares soar to all-time highs in 2016

The shares of Oberbank rose to all-time highs in 2016. Ordinary shares reached a record level of EUR 60.30 on 30 Dec. 2016, while preference shares climbed to EUR 52.75 on 19 December 2016. The year-on-year performance (price trend and dividend) was + 16.1% for ordinary shares and + 41.3% for preference shares in 2016. Market capitalisation of Oberbank AG was EUR 2,105.6 million at the end of 2016, as compared to EUR 1,656.8 million at the end of the preceding year, which is an increase of the company’s value by 27.1%.

Oberbank shares – key figures	2016	2015	2014
Number of ordinary non-par bearer shares	32,307,300	29,237,100	25,783,125
Number of non-par preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	60.30/52.75	52.80/38.20	50.35/38.11
Low (ordinary/preference share) in €	52.57/37.70	49.96/37.55	48.45/37.00
Close (ordinary/preference share) in €	60.30/52.50	52.80/37.70	50.35/37.81
Market capitalisation in €m	2.105.6	1.656.8	1.411.6
IFRS earnings per share in €	5.59	5.47	4.75
Dividend per share in €	0.65	0.55	0.55
P/E ratio, ordinary shares	10.8	9.7	10.6
P/E ratio, preference shares	9.4	6.9	8.0

Oberbank ordinary shares have been listed on the Vienna Stock Exchange since 1 July 1986. Since then, the value of the share has been rising continuously. Shareholders who acquired Oberbank shares in 1986 and participated in all capital increases have achieved an average yield of 8.63% per year (before withholding tax) and taking into account dividend distributions.

Attractive valuation, constant dividends

Earnings per share rose significantly in 2016 from EUR 5.47 to EUR 5.59. Based on the shares' closing price 2016, the price-earnings ratio (PER) for ordinary shares was 10.8, and for preference shares 9.4.
At the 137th Annual General Meeting on 16 May 2017, the Board will recommend dividend payout EUR 0.65 per qualifying share; this is EUR 0.1 higher than in the preceding year.

Oberbank shareholder structure at 31/12/2016	Ordinary shares	Total
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	16.98%	15.88%
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, Wien	1.93%	1.76%
Employees	3.72%	3.59%
CABO Beteiligungsgesellschaft m. b. H., Vienna	25.97%	23.76%
Free float	31.29%	36.30%

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

Investor relations and communication

Oberbank informs shareholders in detail about its financial position and earnings performance in its quarterly and annual reports. The website www.oberbank.at also provides a continuous flow of information. The invitation to the Annual General Meeting encourages shareholders to seek direct contact with the members of the Management Board and the Supervisory Board.
Potentially price-sensitive events are disclosed through the euro adhoc-System under “Insider Information”. In the financial year 2016, Oberbank published seven such disclosures.

Investor Relations - Contact

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Financial calendar 2016	
Publication of the annual financial statements in Wiener Zeitung	5 April 2017
Record date in respect of Oberbank shares	6 May 2017
Annual General Meeting	16 May 2017
(Dividends) ex day	22 May 2017
Dividend payouts	24 May 2017
Publication of quarterly reports	
1st quarter	26 May 2017
1st half-year	25 Aug. 2017
1st to 3rd quarter	29 Nov.2017

136th* Annual *General Meeting of Oberbank on 18 May 2016 / resolutions passed

Agenda item 2: Resolution on the use of the net profit for financial year 2015 profit or loss
YES: 24,280,387 votes; NO: 0 votes; ABSENTIONS: 0 votes

Agenda item 3: Discharge of the Management Board for FY 2015
YES: 24,265,008 votes; NO: 0 votes; ABSTENTIONS: 0 votes

Agenda item 4: Discharge of the Supervisory Board for FY 2015
YES: 24,274,124 votes; NO: 0 votes; ABSENTIONS: 0 votes

Agenda item 5: Supervisory Board elections
Ludwig Andorfer: YES: 24,281,137 votes; NO: 0 votes; ABSENTIONS: 0 votes
Wolfgang Eder : YES: 24,281,137 votes; NO: 0 votes; ABSENTIONS: 0 votes
Gerhard Burtscher: YES: 24,281,137 votes; NO: 0 votes; ABSTENTIONS: 0 votes.
Alfred Leu: YES: 24,281,137 votes; NO: 0 votes; ABSENTIONS: 0 votes
Martin Zahlbruckner: YES: 24,281,137 votes; NO: 0 votes; ABSENTIONS: 0 votes

Agenda item 6: Appointment of the bank auditor for the financial year 2017
YES: 24,281,137 votes; NO: 0 votes; ABSENTIONS: 0 votes

Agenda item 7: Resolutions on

Revocation of the resolution passed at the 135th Annual General Meeting of 19 May 2015 authorising the Management Board to increase the share capital of the company for cash contributions by up to EUR 10,50,000 by issuing up to 3,500,000 ordinary non-par value bearer shares – if required in several tranches – within five years as of having entered the relevant amendment to the Articles of Association in the Companies Register and to define the issue price and the terms of issue in agreement with the Supervisory Board, which has not been used to date; at the same time to authorize the management board to increase the share capital within five years as of having entered the relevant amendment to the Articles of Association in the Companies Register – if required in several tranches – the share capital of the company for a cash contribution by up to EUR 10,500,000 by issuing up to 3,500,000 ordinary non-par value bearer shares and to define the issue price and the terms of offer in agreement with the Supervisory Board;

b) The authorisation of the Supervisory Board to pass resolutions on amendments to the Articles of Association that result from the issuance of shares from the approved capital, and

c) The corresponding amendment to the Articles of Association in § 4 (3).

YES: 24,281,057 votes; NO: 0 votes; ABSENTIONS: 0 votes

Agenda item 8: Resolution on

the revocation of the authorisation passed by the 134th Annual General Meeting of 13 May 2014 for the repurchase of own shares pursuant to § 65 (1) no. 4 Joint Stock Companies Act for the un-used volume, and at the same time, to authorize the Management Board pursuant to § 65 (1) no. 4 Joint Stock Companies Act to repurchase, within a period of 30 months from the date of the resolution taken by the 136th Annual General Meeting and to an extent of up to 5% of the share capital, own shares for the purpose of offering these to the staff, top executives and Management Board and Supervisory Board members of the company or of an associated company.

YES: 24,277,915 votes; NO: 3,331 votes; ABSENTIONS: 0 votes

Agenda item 9: Resolutions on

the revocation of the authorisation passed by the 134th Annual General Meeting of 13 May 2014 for the repurchase of own shares pursuant to § 65 (1) no. 4 Joint Stock Companies Act for the un-used volume, and at the same time, to authorize the Management Board pursuant to § 65 (1) no. 4 Joint Stock Companies Act to repurchase own shares, within a period of 30 months from the date of the resolution taken by the 136th Annual General Meeting to an extent of up to 5% of the share capital for the purpose of securities trading pursuant to § 65 (1) no. 7 Joint Stock Companies Act..

YES: 24,281,246 votes; NO: 0 votes; ABSENTIONS: 0 votes

Agenda item 10: Resolution on

the revocation of the authorisation passed by the 134th Annual General Meeting of 13 May 2014 for the repurchase of own shares pursuant to § 65 (1) no. 4 Joint Stock Companies Act for the un-used volume, and at the same time, to authorize the Management Board pursuant to § 65 (1) no. 4 Joint Stock Companies Act to repurchase own shares with a neutral purpose up to 10% of the share capital pursuant to § 65 (1) no. 8 Joint Stock Companies Act within a period of 30 months from the date of the resolution taken by the 136th Annual General Meeting.

YES: 24,281,246 votes; NO: 0 votes; ABSENTIONS: 0 votes

Directors' Dealings

As of the date of entry into force of the Market Abuse Regulation (MAR) on 3 July 2016, Directors' Dealings are no longer published by the FMA but by the issuer. The person subject to the reporting obligation must send the Directors' Dealings report to the issuer and to the FMA. Immediately after this, the issuer publishes the report pursuant to Art 19 (3) Market Abuse Regulation. Persons discharging managerial responsibilities within the issuer and persons closely associated with such persons must report to the issuer and to the FMA every transaction for their own account in shares or in debt instruments of said issuer or relating to derivatives or other financial instruments linked thereto (Art 19 (1) MAR).

In financial year 2016 such reports were made on the basis of the former legal framework (until 2 July 2016); there were eight such reports to the FMA. Under the new legal framework effective from 3 July 2016, Oberbank AG made twenty such reports through euro adhoc-System.

Compliance

The year 2016 was dominated by the implementation of the new Market Abuse Regulation. This new legislation has fundamentally reorganised core areas of the capital market law in Europe. Insider law, ad hoc disclosures, the prohibition of market manipulation and the disclosure of Directors' Dealings are no longer regulated by the laws of the individual member states such as Austria by the Stock Exchange Act, but by the provisions of the Market Abuse Regulation that are directly applicable in all member states.

The focus of compliance activities was again the monitoring and support for capital increases as well as accompanying measures to ensure compliance with legal requirements.

Compliance monitoring in accordance with the Standard Compliance Code of the Banking Industry, the Securities Supervision Act (SSA 2007), and the provisions of the Issuers' Compliance Regulation was performed as required also in 2016. The Compliance Office conducted regular checks of financial transactions with the help of computer-assisted processes.

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

Money laundering:
In the financial year 2016 as in the past, the measures to prevent money laundering and terrorism financing were a special focus of Oberbank.

The computer-assisted checking of suspicious transactions, embargo checks and the thorough examination of new business relationships with politically exposed persons were performed in accordance with legal requirements. Within the scope of an ongoing improvement process, the findings gained from interaction with the supervisory bodies were implemented after careful analysis so as to be able to continuously develop and improve the processes and methods applied.

Special training courses were organised for employees on the topics of money laundering and terrorist financing to enable them to detect potentially risky transactions and business cases early on. Any suspicious activities are reported to the competent anti-money-laundering authorities.
The management was informed of the Bank's anti-money laundering activities in regular reports.

Mandatory e-learning training for all employees
All employees of Oberbank must attend an extensive e-learning course on the themes of compliance, money laundering and fraud every year.

Company Profile

A Brief History of Oberbank
Oberbank's Investment Portfolio
Value-based Strategy
Strategy 2020

A Brief History of Oberbank

On 13 April 1869, "Bank für Ober-Oesterreich und Salzburg" was founded in Linz.
The official date of establishment was 1 July 1869 and the registered office of the company was in Linz.
The Federal Province of Upper Austria became a shareholder of Oberbank in 1920, followed by Bayerische Vereinsbank in 1921. In 1929, Creditanstalt für Handel und Gewerbe (CA) became the majority owner of Oberbank.

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

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

The stocks of Oberbank have been listed on the Vienna Stock Exchange since 1 July 1986.
When Oberbank went public, it removed itself from the influence of CA and started pursuing an independent strategy. Today, Oberbank's shareholder structure includes, besides its two sister banks, UniCredit Bank Austria, Wüstenrot, Generali and Oberbank employees, around 26% of ordinary shares held in free float.

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

Oberbank's Investment Portfolio

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

- The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV. Oberbank also holds stakes in other companies with whom it cooperates closely, among them Bausparkasse Wüstenrot, Oesterreichische Kontrollbank AG and CEESEG AG (the parent company of Wiener Börse AG).

- As a strategic partner, Oberbank owns stakes, among others, in voestalpine AG (7.64%), the Energie AG Oberösterreich (4.12%), Lenzing Aktiengesellschaft (4.23%), LINZ TEXTIL HOLDING AKTIEN-GESELLSCHAFT (6.22%) and Gasteiner Bergbahnen AG (32.62%).
- Oberbank invests directly as a private equity finance partner through holding companies.
- In the real estate business, Oberbank holds equity interests in companies set up for the construction or management of Oberbank-owned real estate, as well as in selected residential developers that feature as potentially important partners in residential construction finance.
- Oberbank's leasing sub-group bundles the Bank's Austrian and foreign leasing companies, and also includes companies established for the purpose of financing individual customer projects or Oberbank projects.
- Other investments include stakes in companies whose activities lie outside the core business of Oberbank and which either provide bank-related services (DREI-BANKEN-EDV Gesellschaft and Einlagensicherung der Banken und Bankiers GmbH, the deposit protection company of the Austrian commercial banks) or have specific regional significance in the catchment area of Oberbank (various technology or business incubation centres).

Value-based Strategy

- ***Safeguarding the independence and autonomy of Oberbank has top priority***
  It is, first and foremost, Oberbank's focus on this goal that ensures that all the Bank's activities always serve to maintain a balance of interests for its customers, employees and shareholders.
- ***Oberbank offers corporate and private clients the highest quality of advisory services.***
  In corporate and business banking, Oberbank has established itself as a highly competent partner in cross-border business, a key player with special know-how in the field of investment finance and as a supplier of alternative forms of financing such as equity and mezzanine capital finance.
  In personal banking, Oberbank excels with high quality and expertise in providing advisory-intensive services: in private banking, in asset management and in residential construction finance.
- ***Oberbank's organic growth is achieved by expanding its network of branches.***
  The goal of the expansion is to support existing customers and to win new customers in attractive regions. At the end of 2016, Oberbank operated 159 branches: 49 in Upper Austria, 14 in Salzburg, 35 in Lower Austria and Vienna, 61 in Germany, Czech Republic, Hungary and Slovakia.
- ***Oberbank only takes risks it can handle on the strength of its own resources.***
  The aim is to stabilize the company’s risk at a low level. The target is a risk-to-earnings ratio below 25% over the long term, and an impairment allowance ratio of below 0.7%.
- ***Oberbank refinances retail loans with customer deposits and other long-term refinancing funds.***
  Additionally, Oberbank holds extensive liquidity reserves in the form of eligible loan assets and securities eligible for refinancing as well as access to open refinancing lines at a large number of other banks and institutional investors.
- ***Proprietary trading plays a minor role at Oberbank.***
  The Global Financial Markets department provides services for interest rate and currency risk management for customers and asset/liability and liquidity management of the bank.
- ***Oberbank consistently works to improve the professional expertise and social competence of its staff.***
  Management by objectives (MbO) and predefined standards of performance provide clear guidance for the management and ensure regular feedback.
- ***Attractive cost structures contribute enormously to the earnings power of Oberbank.***

Efficient processes, lean company structures, ongoing rationalisation projects and the shift of resources from administrative processes to sales help to create the basis for the constant improvement of earnings and secure good profitability ratios.

Strategy 2020

Oberbank developed guidelines in the "Strategy 2020" for the coming years with the objective of preparing the company for future challenges.

The strategy and the business model of Oberbank have proved to be highly crisis-resistant, and for this reason there is no need for a fundamental reorientation of the company.

Rather, the new strategy is a further development of what exists now. It continues to be based on the values, the corporate culture and the eight strategic goals of Oberbank, but accounts for the changed market conditions (low-interest environment) and new market trends (digitalisation).

Corporate and Business Customers: greater focus on self-employed, small businesses and professions

The goal is to defend and expand the strong position of Oberbank as the “bank for industry and SMEs”. Furthermore, a campaign has been started in the segment self-employed/small businesses/ professions. The aim is to acquire new market shares based on existing expertise in the commercial and business segment and to guarantee the swift and efficient granting of loans to micro businesses.

Personal banking: Growth, further improvement of earnings

The personal banking segment is losing appeal for many banks for cost and earnings reasons. Oberbank aims to continue growth in this segment and to increase earnings by offering high-quality personal advisory services and convenient digital products.

Regionally-diversified strategy

Oberbank is still a universal bank, but is regionally diverse.

Within Austria, Vienna (in addition to Upper Austria/Salzburg) has become its “second home market”.

In Germany, the focus is on the advisory business with the establishment of investment centres and the further development of the bank’s know-how in corporate advisory services.

In the Czech Republic, Oberbank continues to be a universal bank, in Hungary expansion is still ongoing despite the difficult market environment, and in Slovakia the focus is on the corporates business.

More branches and multi-channel strategy

Digitalisation and automation are trends that banks have to tackle proactively. Therefore, Oberbank has developed an overall digital concept for its business. At the beginning of 2016, the new customer portal was launched and the bank is testing new types of branches to meet changed customer preferences.

Group Management Report

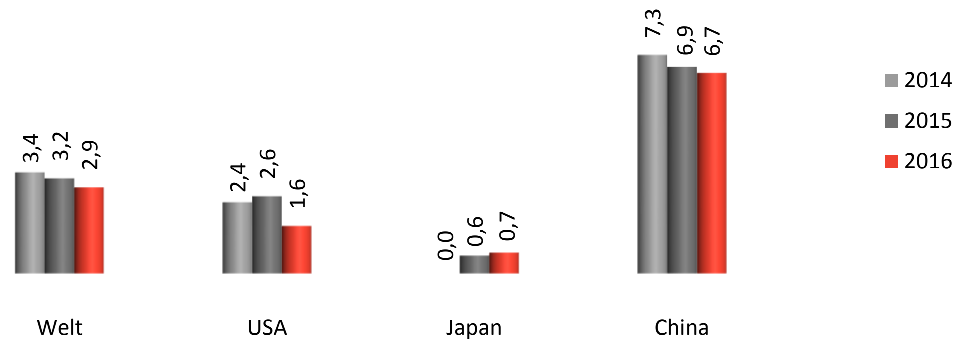
General Economic Environment
General Accounting Policies
Business Development and Economic Situation
Outlook 2017
Risk Management and Internal Control System
Human Resources
Assuming Responsibility
Information pursuant to § 243a Business Code

Global economic growth of 2.9%

Global economic growth was slightly lower than in the preceding year at 2.9% (2015: 3.2%).

Economic growth in the US was clearly slower at 1.6% year on year (2015: 2.6%), Japan's economy grew by only 0.7% (after 0.6% in 2015); China's economy continued to weaken despite a nominally high growth rate of 6.7% versus the average of preceding years.

GDP growth in %

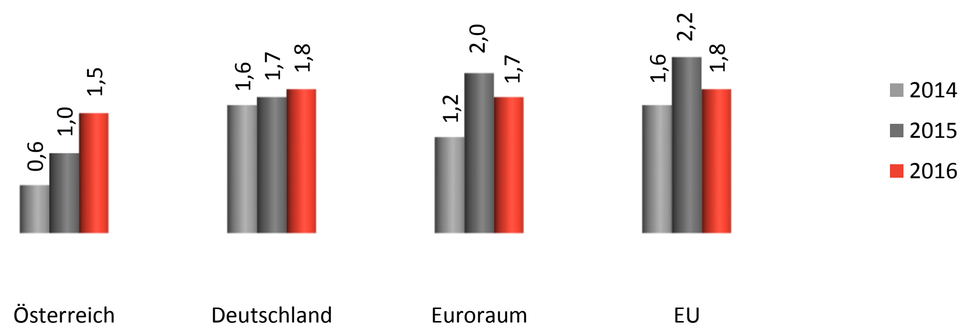


European Union GDP growth 1.8% slightly higher than euro area (1.7%)

In the euro area, economic growth in 2016 was 1.7% which is slower than in 2015 (2.0%) and the same is true for the EU (1.8% after 2.2%). Economic growth trends were relatively strong in the member states of Central and Eastern Europe.

Germany's economy was marginally higher than the euro zone average at 1.8%, while Austria's economy grew in 2016 by 1.5% thus again below the average.

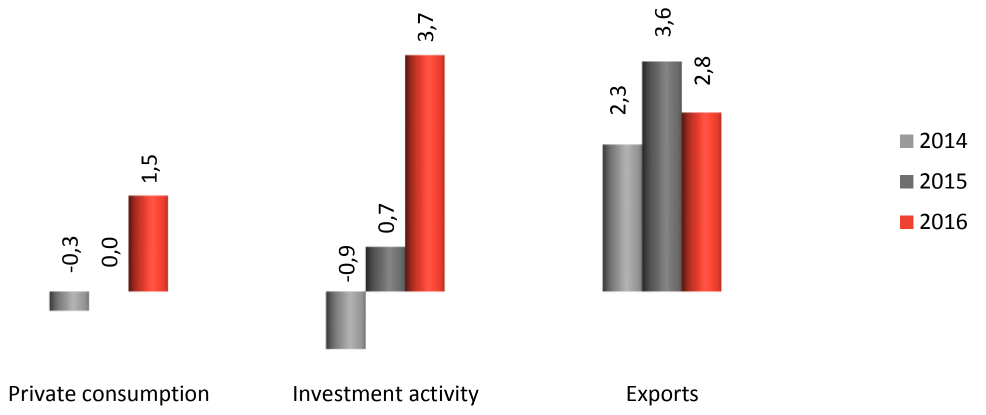
GDP growth in %



Austria's economy grew in 2016 by 1.5%

Growth was driven both by private consumption (1.5% after 0.0%) and investment activity (+ 3.7% after +0.7%) and exports (+2.8% after + 3.6%).

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



Interest rates still at record low

The US central bank, the Fed, raised the federal funds rate on 14 December 2016 by 0.25 percentage points to a spread of 0.50% to 0.75%. The ECB took the opposite step for interest rates and lowered the key lending rate on 11 March 2016 from 0.05% to 0.00%.

Money market and capital market rates were also stuck at very low levels in 2016.

The annual average for the 3-month Euribor was -0.26% and the 3-month USD Libor was 0.74%. The 10-year SWAP for the euro was on average 0.53% in 2016; for the USD it was 1.68%.

Currency trends

The EUR/USD exchange rate rose from 1.09 (January average) to 1.12 (September average) in 2016 before declining again to 1.05 (December average). On the annual average, the exchange rate was almost unchanged year-on-year at 1.11.

The EUR/CHF exchange rate was on average 1.09 which is slightly higher than the average of the preceding year of 1.07.

Recovery on international stock markets after sluggish start into the new year

In 2016, many stock markets saw their worst start into the new year in history. The principal cause for the correction was worry over growth trends in China and the dramatic decline of oil prices (with the entailing decline in emerging markets).

A recovery has been under way since the middle of February driven by rising commodity prices and the action taken by the major central banks.

Index	31/12/2016	31/12/2015	Development 2016
Dow Jones (USA)	19,763	17,425	13.4%
S&P 500 (USA)	2,239	2,044	9.5%
Topix (Japan)	1,519	1,547	- 1.8%
Euro Stoxx 50 (Europe)	3,291	3,268	0.7%
DAX (Germany)	11,481	10,743	6.9%
ATX (Austria)	2,618	2,397	9.2%

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 report pursuant to § 59a Banking Act and § 245a Business Code. The group management report was prepared in accordance with international financial reporting standards.

The Oberbank group of consolidated companies

Besides Oberbank AG, the group of consolidated companies included 31 domestic and 18 foreign subsidiaries in 2016.

Compared to 31 December 2015, the group of consolidated companies changed as follows:

- Sale of Oberbank Mattigtal Immobilienleasing Gesellschaft m.b.H., Linz (resulted in a change in Other operating profit of EUR +338,000, a decline in Loans and advances to customers by EUR 26,196,000 and of Other liabilities by EUR 4,829,000).
- Liquidation of Ober Lizing Inprox Misk kft., Budapest (this resulted in a change in Other operating profit of EUR -1,000 and no change to Loans and advances to customers and Other liabilities).
- Foundation of Oberbank Weißkirchen Immobilienleasing GmbH, Linz (this resulted in an increase of Other liabilities by EUR 2,000 and no change in Loans and advances to customers and Other liabilities).
- Foundation of Oberbank Arsenal Immobilienleasing GmbH, Linz (this resulted in an increase of Other liabilities by EUR 1,000 and no change in Loans and advances to customers and Other liabilities).
- Foundation of Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz (this resulted in an increase of Other liabilities by EUR 1,000 and no change in Loans and advances to customers and Other liabilities).

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

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

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

Segmentation

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

In regional terms, the 159 branch offices of Oberbank are spread over the following markets: Austria (98 branches), Germany (28), Czech Republic (21), Hungary (9) 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 Reports” and “Consolidated Financial Statements” of this Annual Report.

Oberbank reported excellent earnings again for the financial year 2016.

The profit for the year before tax grew by 14.4% to EUR 219.1 million. Despite a year-on-year increase in tax expenses by 8.9%, net profit was 50.9% up to EUR 181.3 million.

IFRS consolidated income statement in €m	2016	2015	Change
Net interest income	359.6	381.2	-5.7%
Charges for losses on loans and advances	-25.0	-47.1	-46.9%
Net commission income	130.9	132.7	-1.4%
Net trading income	11.4	9.7	17.0%
Administrative expenses	-251.8	-243.3	3.5%
Other operating income	-6.1	-41.8	-85.5%
Profit for the year before tax	**219.1**	**191.5**	**14.4%**
Income taxes	-37.8	-25.1	50.9%
Profit for the year after tax	**181.3**	**166.4**	**8.9%**
of which attributable to equity holders of the parent	181.1	166.3	**8.9%**
of which attributable to minority interests	0.2	0.1	100%

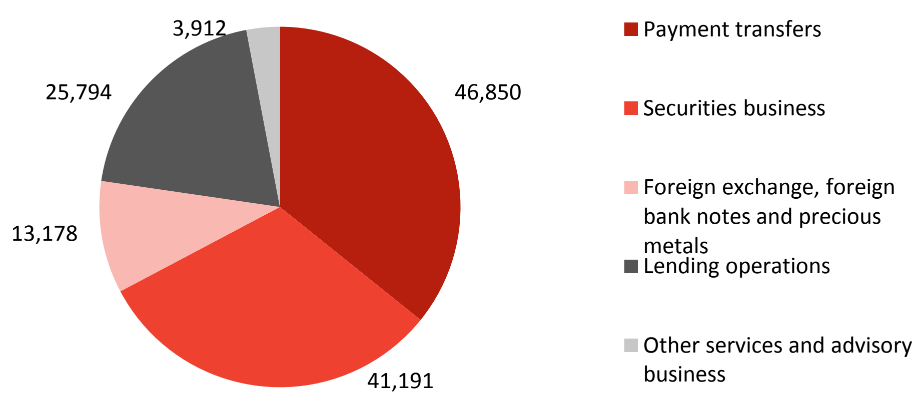
Net interest income decreased by 5.7% to EUR 359.6 million.

Operating net interest income was 2.9% higher than 2015 at EUR 308.3 million. By contrast, the contribution attributable to earnings from equity investees recognised at equity declined by 37.1% to EUR 51.3 million.

Adequate provisions were set up for all discernible risks.

Besides specific valuation allowances, a general allowance for impairment of the portfolio in accordance with IAS 39 was also recognised. Including write-offs on receivables, the Group's net charges for losses on loans and advances came to EUR 25.0 million in 2016, after EUR 47.1 million in the preceding year. This resulted in a decrease of the impairment allowance ratio from 0.37% to 0.18%.

Structure of net commission income in €k



Net commission income dropped by 1.4% to EUR 130.9 million in 2016.

Commission income from payment services rose by 4.0% to EUR 46.9 million and declined by 7.4% to EUR 41.2 million in the securities business. Commission income from foreign exchange, foreign notes and coins increased by 4.1% to EUR 13.2 million, while commission income from lending operations remained unchanged at EUR 25.8 million.

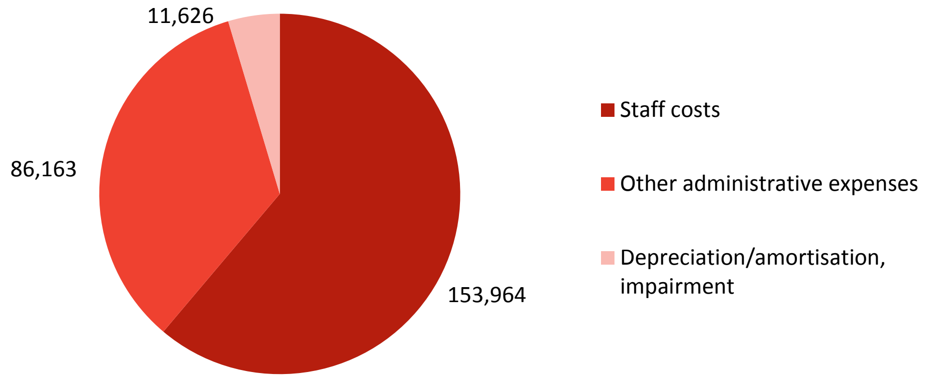
Net trading income

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 2016, net trading income was 17.0% higher than in the preceding year at EUR 11.4 million.

Administrative expenses

Administrative expenses increased year-on-year by 3.5% to EUR 251.8 million in 2016.
Staff costs rose by 3.3% to EUR 154.0 million; other administrative costs increased by 4.1% to EUR 86.2 million.
At EUR 11.6 million, depreciation was higher by 2.0% year on year.
The cost/income ratio stayed especially favourable at 50.77%.

Structure of administrative expenses in €k



Excellent development of profit before and after taxes

At EUR 219.1 million, the profit for the year before tax and after charges for losses on loans and advances increased by 14.4% year on year.
The income taxes of EUR 37.8 million were 50.9% higher than in the preceding year.
This resulted in an increase of net profit for the year after tax by 8.9% to EUR 181.3 million.
Minority interests in net profit for the year was EUR 214,000, therefore, Oberbank's consolidated net profit for the year was EUR 181.1 million (+8.9%).
The average number of shares in circulation of Oberbank AG was 32,444,640. Earnings per share amounted to EUR 5.59, after EUR 5.47 in the previous year.

Proposed appropriation of profit

Distributable profit is determined on the basis of the financial statements of the Group parent, Oberbank AG. Its profit for the financial year 2016 was EUR 131,171,823.56 million.
After the allocation of EUR 108,178,339.74 to reserves and including the profit brought forward of EUR 326,487.75, the profit available for distribution was EUR 23,319,971.57.
Subject to approval by the Annual General Meeting, the management board proposes the payout on the share capital of a EUR 0.15 higher dividend versus 2015 of EUR 0.65 per entitled share (on 32,307,300 ordinary shares and 3,000,000 preference shares this is a distributable amount of EUR 22,949,745.00) and to carry the remainder of EUR 370,226.57 forward to a new account.

Analysis of key performance indicators

The return on equity (ROE) before tax decreased slightly – owing to the strong increase in capital – from 11.20% to 10.76% and after tax from 9.73% to 8.91%.

The IFRS earnings per share rose from EUR 5.47 to EUR 5.59.

The cost/income ratio stayed at an excellent level of 50.77 in 2016. The risk/earnings ratio improved from 12.35% to 6.96% due to the better-than-average risk situation.

Key performance indicators, IFRS	2016	2015
Return on equity before tax[1)]	10.76%	11.20%
Return on equity after tax[1)]	8.91%	9.73%
IFRS earnings per share in €	5.59	5.47
Cost-income-ratio (cost/income coefficient)[2)]	50.77%	50.49%
Risk/earnings ratio (credit risk/net interest income)[3)]	6.96%	12.35%

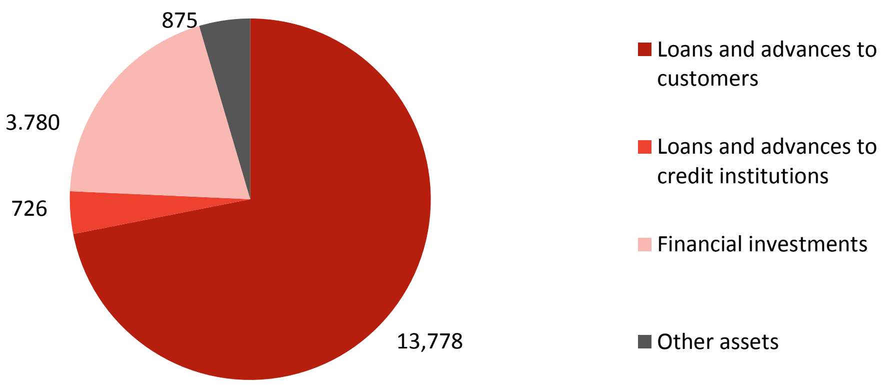
1) Return-on-equity before/after tax shows the return on equity of the company within a defined period. The calculation is based on the ratio of the net profit before / after taxes versus the average equity available on the quarterly cut-off dates of the period and adjusted for planned dividend distributions.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

Assets, Earnings, and Financial Position

Total assets of the Oberbank Group amounted to EUR 19,158.5 million at the end of 2016 and thus 5.0% higher compared with the previous year's balance sheet date.

Balance sheet assets

Structure of balance sheet assets in €m



Loans and advances to credit institutions declined by 31.9% to EUR 726.1 million in 2016.

Loans and advances to customers increased significantly by 7.3% to EUR 13,777.9 million.

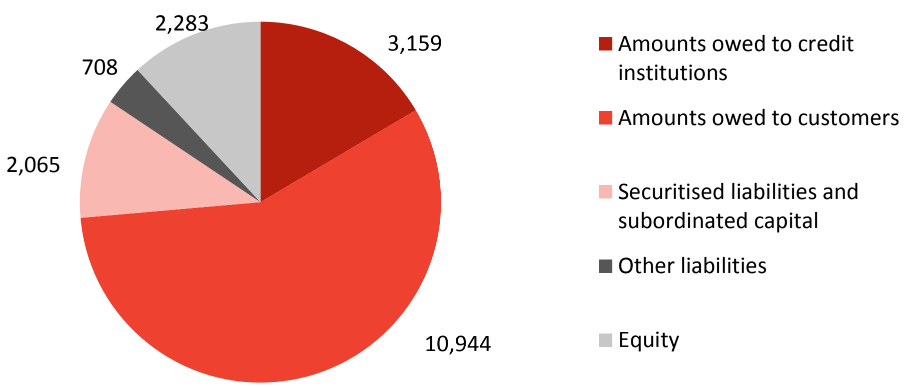
While loans and advances to domestic customers increased by 6.9% to EUR 8,350.9 million, loans and advances to foreign customers rose by 8.0% to 5,427.0 million.

The decrease in impairment provisions by 7.3% to EUR 452.5 million on balance is due to differences between allocations and reversals of specific valuation allowances and portfolio adjustments recognised in accordance with IAS 39.

Financial investments remained almost unchanged in 2016 at EUR 3,779.6 (+0.2%) and break down as follows: financial assets recognised at fair value, EUR 236.9 million; available-for-sale financial assets EUR 712.2 million; held-to-maturity financial assets EUR 2,113.7 million, investments measured at equity EUR 716.7 million.
The remaining assets comprise the line items Cash and balances at central banks; Trading assets; Intangible assets; Property, plant and equipment and Other assets.
Trading assets increased by 35.9% to EUR 62.7 million; intangible assets declined by 13.5% to EUR 1.1 million and property, plant and equipment by 2.3% to EUR 240.8 million.
The line item Other assets (such as positive fair values of derivatives in the banking book, down payments on lease contracts as well as lease contracts not yet effective, other receivables of leasing companies as well as deferred tax assets and other deferred items) decreased by 10.2% to EUR 365.3 million.

Balance sheet equity and liabilities

Structure of balance sheet equity and liabilities in €m



Amounts owed to credit institutions rose in 2016 by 5.4% to EUR 3,158.6 million.
Primary funds rose by 3.1% to EUR 13,008.9 million.
Amounts owed to customers of EUR 10,944.50 million included in this item were 4.0% higher than in the preceding year. Due to low interest rates and the associated decline in the savings ratio throughout Austria, savings deposits dropped 4.1% to EUR 2,794.2 million. In contrast, other liabilities rose by 7.1% to EUR 8,150.3 million.
Securitised liabilities declined by 2.7% to EUR 1,404.0 million; subordinated debt capital was 0.8% higher year on year at EUR 660.5 million.
The rise in equity capital by 18.5% to EUR 2,282.8 million was driven by the very successful capital increase in 2016 and the substantial allocations to reserves due to the excellent profit situation.

The item Other liabilities includes provisions for liabilities and charges and other liabilities.

Provisions for liabilities and charges declined in total by 2.2% to EUR 322.0 million. These consist mainly of provisions for termination and post-employment benefits (EUR 173.4 million) and loan loss provisions (EUR 98.1 million).

Other liabilities increased by 3.5% to EUR 386.1 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	**2016**	**2015**	**Change**
Amounts owed to customers	10,944.5	10,521.5	4.0%
Securitised liabilities	1,404.0	1,443.4	-2.7%
Subordinated debt capital	660.5	655.1	0.8%
Primary deposits including subordinated debt	**13,008.9**	**12,620.0**	**3.1%**
Amounts owed to credit institutions	3,158.6	2,995.5	5.4%
Total	**16,167.5**	**15,615.5**	**3.5%**

Statement of changes in equity

Equity on the balance sheet in € m	**2016**	**2015**	**Change**
Subscribed capital	105.8	96.4	9.8%
Capital reserves	505.5	348.3	45.1%
Retained earnings (incl. net profit)	1,614.5	1,424.5	13.3%
Negative goodwill	1.9	1.9	-
Additional equity capital components	50.0	50.0	-
Minority interests	5.0	4.6	9.5%
Equity on the balance sheet	**2,282.8**	**1,925.7**	**18.5%**

Regulatory capital pursuant to Part 2 of Reg.(EU) No 575/2013)[1)]	**2016**	**2015**	**Change**
Common equity Tier 1 capital	2,009.4	1,650.8	21.7%
Tier 1 capital	2,086.0	1,733.3	20.4%
Own funds	2,482.2	2,158.0	15.0%
Common equity Tier 1 capital ratio	15.67%	13.51%	2.16% ppt
Tier 1 capital ratio	16.27%	14.19%	2.08% ppt
Total capital ratio	19.36%	17.66%	1.70% ppt

1) Subject to approval by the Supervisory Board on 28 March 2017.

In financial year 2016, equity on the consolidated balance sheet of the Oberbank Group increased by 18.5% to EUR 2,282.8 million. The share capital of EUR 105.8 million was 9.8% higher year on year.

Consolidated common equity Tier 1 capital of the Oberbank Group amounted to EUR 2,009.4 million on 31 December 2016, and thus exceeded the statutory requirement of EUR 657.1 million by EUR 1,352.3 million or 205.8%. Common equity Tier 1 capital was EUR 2,086.0 million and exceeded the required level of EUR 849.4 million by EUR 1,236.6 or 145.6%. Own funds stood at EUR 2,482.2 million and were EUR 1,376.4 million or 124.5% higher than required.

Common equity Tier 1 capital ratio was 15.67% in 2016; the Tier 1 capital ratio was 16.27% and the total capital ratio 19.36%.

Important events since the end of the financial year

No important events have occurred since the close of the 2016 financial year.

Outlook 2017

Solid global growth, Europe clearly lagging behind US

The global economy is forecast to achieve 3.2% growth in 2017, which is slightly stronger than recently and would create a sound environment for businesses operating internationally.
The US economy is expected to grow by around 2.3%, while the growth rate in the EU and in the euro area is estimated to be clearly lower at 1.5% in both cases.
The economy is projected to develop robustly in Central and Eastern Europe in 2017. GDP is expected to grow substantially in the three Oberbank countries Czech Republic (+ 2.7%), Hungary (+ 2.5%) and Slovakia (+ 3.2%).
At slightly more than 6%, economic growth in China is expected to increase more steeply than in Western industrialised nations, but compared to the average of the previous years, there are signs that the economy will slow further.

Economic growth in Austria in line with EU average

Austria’s economy is expected to grow by 1.5% in 2017, which is the average of the euro area. Private consumption developed slightly weaker at + 1.2% in 2016; capital expenditure was also slightly down at + 2.6%. Inflation is estimated at 1.7%, and therefore, close to the ECB's target.
Unemployment will continue to be high in Austria at 6.2%.
The current account is still clearly positive in 2017 and the budget deficit is almost unchanged at 1.5% of GDP.

Interest / exchange rates / stock markets

The US carried out a first interest hike at the end of 2016; further cautious steps may be expected. In contrast, the ECB is sticking to its zero-interest policy due to the labour market situation and the lack of growth impulses. The differences in economic growth, the divergent development of interest rates and the uncertainty in Europe (BREXIT, referendum in Italy, refugee issue, coming elections in France and Germany...) will continue to strengthen the US dollar versus the euro in 2017. The euro is expected to move sideways versus the Swiss franc as long as the insecurity mentioned above persists.
The stock markets will generally profit from the search for returns in the low-interest rate environment and from the solid global economy. However, volatility will increase due to the possible interest rate hikes in the US and the uncertainty factors mentioned.

Focus of Oberbank's business activities

In the challenging environment expected, Oberbank will continue its proactive policy in 2017.
A substantial increase in lending volumes of around EUR 800 million is budgeted. The growth drivers will be corporate spending and residential construction loans.
Increases are also expected in customer assets under management. Although interest levels and the low propensity to save will depress deposit trends on the market, Oberbank expects customer deposits to rise by around EUR 650 million.

The policy of organic growth will be continued in 2017.
Additionally, Oberbank is planning to open new branches in Vienna, Germany, Hungary and the Czech Republic in contrast to the general market trend. The number of employees is also developing against the market trend: There are plans to hire up to 30 employees, above all, due to the expansion of the branches.

Outlook 2017

Earnings development in 2017

On account of the insecurity over the economic development it hardly possible to give precise earnings estimates for 2017.

Operating net income interest will stay at around or slightly above the level of the preceding year; slightly higher year-on-year equity returns are expected from the investees.

As regards risk management, Oberbank will continue its proven cautious strategy and allocate slightly higher provisions after the exceptional year 2016.

Net commission income is expected to rise markedly in 2017.

Expenses are expected to be only slightly higher in 2017 due to the consistent cost policy pursued despite the continued branch expansion.

Overall, the aim is to achieve the excellent results of 2016 again in 2017.

Risk Management and Internal Control System

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

Organisation of risk management

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

Risk management pursuant to §39 (5) Banking Act

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

Internal Control System

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

The control mechanisms of ICS with respect to the accounting 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 subprocesses are the responsibility of the Strategic Risk Management department. The Internal Audit department conducts the statutory audits as an independent unit.

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

Audit environment

Apart from compliance with the statutory requirements, the code of conduct and corporate governance rules defined by Oberbank are important. The staff involved in accounting 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 are the basis for the timely implementation of any innovations in the accounting process. To meet the extensive legal provisions, daily work is supported by numerous guidelines, manuals and work manuals, which are regularly reviewed and updated as necessary.

Audit measures

Audits comprise the systemic inspections of the IT, which are defined by Oberbank, and also manual audits and plausibility checks as well as the principle of dual control. The IT authorisation concept used at Oberbank is an additional protection mechanism. This guarantees the correctness and integrity of the data published and reported.

Surveillance measures

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

Overall risk management process and calculation of risk-bearing capacity

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

Credit risk

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

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

Every lending decision is based on a credit rating, 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 a shortfall in cover 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 generally organisationally separated from sales throughout the Oberbank Group and is performed exclusively by the respective back-office credit management groups of the Payment Systems and Central Production department.

Equity risk

Equity risk is the risk of value impairments caused by dividends not paid out, partial write-offs and realised losses as well as a reduction of undisclosed reserves caused by the risk of negative business developments.

The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV; together with these two institutions, Oberbank AG forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only for reasons related to banking or sales, i.e. if their activities are a direct extension of banking 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 competence centres, which manage these risks within the framework of the limits assigned to them.
The Global Financial Markets department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book, and the foreign currency risk of the entire Oberbank Group. The Strategic Risk Management department is in charge of daily limit control as well as reporting on the risk and earnings situation to the Management Board and to 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 and Internal Audit.

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

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

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

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

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.

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

Liquidity risk

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

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 assistance funds made available by 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 proactively dealing with eligible collateral when granting loans.

The responsibility for managing short-term liquidity lies with the Global Financial Markets department, which is also responsible for the Bank's compliance with regulatory provisions. The Strategic Risk Management department calculates a 30 and 90-day forward liquidity gap analysis including the available risk buffer minus liquidity at risk, thus determining the limit for day-to-day liquidity management and prepares reports to the Management Board member responsible for risk. The Bank's long-term, strategic liquidity or Oberbank is the responsibility of the Management Board and the ALM Committee. The Strategic Risk Management department is responsible for reporting. A comprehensive liquidity gap analysis is drawn up for the purpose of medium and long-term liquidity risk management. A contingency plan is in place for the eventuality of extreme market conditions.

Risk concentration

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

A differentiation is made between two types of risk concentration:

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

Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories. Owing to the specific business model of Oberbank, the intra-risk concentration risk is a crucial factor primarily 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.

Human Resources

Committed, motivated and well-trained employees are critical for the success of the company. Oberbank's investment in these qualities is the foundation for achieving a lasting positive development. In 2016, the strategy for Human Resources (HR) was revised to fit the corporate strategy 2020 and the external and internal challenges facing the Bank. Activities and projects until 2020 have been defined on the basis of the strategy.

Attractive employer

The image as an employer and employer branding were reinforced with clear core messages and new advertising themes in 2016. A common vision, corporate values consistently put into practice, a sustainable business model and an attractive working environment are achievements reflected in the top ratings for Oberbank as an employer on the internet platform "kununu". Employees are on average with the company more than 15 years in the core markets, and especially the key staff is very loyal to the Bank, with a very favourable staff turnover rate of 5.9% in 2016. This sets Oberbank apart from others on the labour market.

Promoting and developing human resources

The management staff has a clear responsibility for personnel development. Guidelines, regular MbO talks and "HR Checks" as well as development programmes are the standard instruments applied. The identification and development of employees with potential is given high priority to secure the long-term competitiveness and success of Oberbank. Thanks to targeted staff development and career support, Oberbank is in most cases able to fill vacant key positions from within the Company's own ranks.

Training and further education for employees

The high quality of advisory services is assured by continuous training and further education. The high quality and broad range of training and further education courses is constantly being updated and the staff has autonomy in deciding which to attend. New and modern learning management software for all learning forms was introduced in all markets in 2016 that enables the modern and professional management of personnel development.

The commitment to continuous further education at Oberbank is well established. Employees invest more than five days a year on average alone in internal further education courses. Apart from the established certification programmes of three academies for employees in the areas "management", "retail customers" and "corporate and business customers", a new training programme was launched in 2016 for the certification of risk managers. In 2016, the focus of the enlargement of the learning formats "cross learning" and the workshop "crossing borders" was on sharing experiences and best practice learning in the area of personal banking.

Almost EUR 1.5 million were invested in training and further education for employees in 2016.

Employee management

A key element of what is understood to constitute management at Oberbank is an MbO system used for the top management and for employees that provides clear guidance for all employees. At Oberbank, we believe that the way management is exercised has a major influence on the behaviour of employees and is a key success factor.

The MbO performance standards for management-level staff ensure a uniform understanding of what is management. Management staff members train the required qualities and how to implement them in the training courses “Basic”, “Advanced” and “Experts” of the internal management academy run in cooperation with the LIMAK Austrian Business School. An evaluation of the required management competence takes place within the scope of the annual MbO talks.

“Aktive Gesundheit” *(“Health Share”)*

The initiative “Aktive Gesundheit” has a focus on physical exercise, nutrition and mental fitness and aims to point out individual options for employees to take responsibility for their own health. Oberbank was awarded the quality seal for employee health promotion (*Gütesiegel für betriebliche Gesundheitsförderung)* for the measures taken. Activities, workshops and seminars on the topics of “natural exercise” and “preventive healthcare” as well as the offer of a check for physical agility, fitness and coordination with the "Uniqa Vitaltruck” were very popular among employees. The traditionally very high health ratio was 97.1% in 2016.

“Zukunft Frau 2020” *(“Future Woman 2020”)*

Promoting the compatibility of career and family and career opportunities for women enjoy high priority at Oberbank. The objective is to achieve a 40% ratio of all newly appointed management staff by 2020. Flexible working time arrangements, teleworking options, active parental leave planning, breakfast events for women returning to the workplace and financial assistance for childcare are all measures that help create a favourable environment combining a career with family life. Networking events, special seminars for women and participation in the cross mentoring programme of the province of Upper Austria and the Frauenfachakademie Mondsee are measures to support and promote women.

Managing human resources risks

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

Number of employees

The average number of staff (full time equivalents) rose by 24 to 2,049 in 2016. The reason for the increase was the expansion in Vienna, Hungary and Germany as well as more stringent regulatory requirements. Parallel to this, costs were cut by taking advantage of natural fluctuations and by optimising processes in central areas.

Assuming Responsibility

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

Sustainability of all activities

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

Economic responsibility

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

Ecological responsibility

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

Responsibility in product design

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

Social responsibility

Addressing social issues constitutes a further important aspect of Oberbank`s commitment.

Financial and organisational assistance for different projects ensures that Oberbank's economic success also benefits people and groups that live in a less privileged environment.

Oberbank furthermore takes an active role in promoting cultural activities, which the Bank perceives as an important aspect of its corporate social responsibility.

Research and development

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

Information pursuant to § 243a Austrian Business Code

Share capital, share denomination and authorised capital

As of 31 December 2016, Oberbank AG's share capital was EUR 105,921,900 and was divided into 32,307,300 ordinary no-par bearer shares and 3,000,000 non-voting no-par bearer preference shares entitling their holders to a minimum dividend of 6% per share, payable, if necessary, at a later time.

Share buy-back

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

Syndicate agreement and shares vested with special rights of control

There is a syndicate agreement between Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. to safeguard the independence of Oberbank AG. In this agreement, the members of the syndicate have agreed to jointly exercise their voting rights and have granted mutual pre-emptive rights. A large share of the voting shares owned by Oberbank employees are held by the syndicate OBK-Mitarbeiterbildungs- und Erholungsförderung registrierte Genossenschaft mit beschränkter Haftung. Furthermore, BOB Mitarbeiterbeteiligungsgenossenschaft e.Gen. exercises voting rights on a proxy basis for a special group of employee shareholders of Oberbank AG and acts in accordance with instructions.

Shareholder structure and employee stock ownership

The largest single shareholder of Oberbank on 31 December 2016 was CABO Beteiligungsgesellschaft m.b.H. with a stake of 23.76%. Bank für Tirol und Vorarlberg Aktiengesellschaft held 15.88% and BKS Bank AG 14.21%. Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. held 4.50%, Generali 3 Banken Holding AG 1.76%, and the employees of Oberbank 3.59 %.

Appointment of boards and officers and change of control

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

Linz, 9 March 2017

The Management Board

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

Segment Reports

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

Segmentation and Overview

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

The Corporate and Business Banking segment encompasses business with corporates, businesses and the self-employed. Oberbank has positioned itself as a bank serving industry and medium-sized enterprises with respect to this customer constituency. The Leasing sub-group is also included in this segment.

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

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

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

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

Segment overview 2016 in €m	**Corporate and Business Banking**	**Personal Banking**	**Financial Markets**	**Other**	**Consolidated income statement for 2016**
Operating interest income	225.2	55.6	27.6		308.3
equity method			51.3		51.3
Net interest income	225.2	55.6	78.9		359.6
Charges for losses on loans and advances	-17.2	0.2	-8.0		-25.0
Net commission income	71.2	59.7	0		130.9
Net trading income	0		11.4		11.4
Administrative expenses	-134.6	-86.2	-7.7	-23.3	-251.8
Other operating income/loss	-6.5	-3.1	16.6	-13.2	-6.1
Extraordinary profit/loss					
Profit for the year before tax	138.1	26.3	91.2	-36.5	219.1
Return on equity before tax	12.3%	13.3%	12.8%		10.8%
Cost/income ratio	46.4%	76.8%	7.2%		50.8%

The following changes apply to the presentation as of financial year 2016:

- Net interest income: The equity allocated to the segments was measured based on the average 10-year Swap rate calculated for the last 120 months and recognised in net interest income as income from equity investments. In the financial year 2015, the interest rate applied was still 6%. This adjustment accounts for the lower interest rates. The preceding year’s values were adjusted accordingly (interest rates applied: 31/12/2016: 2.67%; 31/12/2015: 2.96%).
- Other operating income/loss: The stability charge was distributed across the respective segments. Until 31/12/2015 the stability charge had been allocated fully to the segment Financial Markets. The figures of comparison of the preceding year were revised accordingly.

Segment Corporate and Business Banking

Corporate and Business in €m	2016	2015[1)]	Change
Net interest income	225.2	217.6	3.5%
Charges for losses on loans and advances	-17.2	-35.1	-51.0%
Net commission income	71.2	68.7	3.7%
Net trading income	0	-0.5	-95.3%
Administrative expenses	-134.6	-123.5	9.0%
Other operating income/loss	-6.5	-2.9	> 100.0%
Extraordinary profit/loss			
Profit for the year before tax	138.1	124.3	11.1%
Segment's contribution to consolidated profit for the year	63.0%	64.9%	-1.9% ppt
Average credit and market risk equivalent (Banking Act)	8,570.6	8,100.5	5.8%
Segment assets	10,549.8	9,758.8	8.1%
Segment liabilities	7,564.0	7,311.1	3.5%
Average allocated equity	1,126.4	1,014.5	11.0%
Return on equity before tax (RoE)	12.3%	12.3%	-
Cost/income ratio	46.4%	43.7%	2.7% ppt

1) The adjustment to income from equity investments lowers the figure of comparison of the preceding year for net interest income by EUR – 30.8 million from EUR 248.4 million to EUR 217.6 million. The distribution of the stability charge according to the respective segment assets lowers the figure of comparison of the preceding year for other operating income by EUR -7.7 million from EUR 4.8 million to EUR -2.9 million.

Overview of business performance in 2016

In Corporate and Business Banking, the profit for the year increased in 2016 by 11.1% to EUR 138.1 million.

Net interest income rose by 3.5% to EUR 225.2 million and net commission income widened by 3.7% to EUR 71.2 million.

Charges for losses on loans and advances decreased markedly from EUR 51.0% to EUR 17.2 million.

Administrative expenses rose by 9.0% to EUR 134.6 million and other operating income showed a negative balance of EUR 6.5 million.

RoE in the segment Corporate and Business Banking remained unchanged at 12.3%, while the cost/income ratio went up by 2.7%-points to 46.4%.

At the end of 2016, Oberbank served a total of approximately 48,000 businesses; 6,300 of these were newly acquired.

Corporate and business loans

Oberbank increased the volume of loans to corporate and business customers by 7.5% to EUR 10.902,7 million in 2016. Thanks to its excellent capital base and liquidity position, Oberbank was able to supply its corporate customers with sufficient funding.

Investment finance

The volume of investment finance loans extended by Oberbank increased by 9.4% to EUR 7.9 billion in 2016.

In spite of the adverse economic environment, the number of applications for subsidised loans was around 1,000 projects in Austria and Germany, which is an increase of over 9% versus 2015.

In ERP business promotion loans, Oberbank is clearly top ranking in Austria in subsidised lending, both to industry and SMEs: over 20% of all approved ERP loans were for applications filed by Oberbank for its customers.

Structured finance
The result for 2016 was close to the excellent level of the preceding year for complex financial transactions. In total, new loans with a volume of almost EUR 400 million were granted in this area. Most loans went again, as in the year before, to real estate and tourism projects.
The expertise and advisory quality of Oberbank was proven in the reporting year especially in financing for acquisitions. More than 50 transactions in connection with changes in shareholders were supported, which is a rise by 25% versus 2015.

Private equity and mezzanine capital from Oberbank
With a total volume of EUR 150 million, the Oberbank Opportunity Fund is one of the largest private equity and mezzanine capital funds in all of Austria, Bavaria and the Czech Republic. Of this total, EUR 50 million is earmarked for equity / private equity participation capital and some EUR 100 million for mezzanine capital finance (primarily subordinated, unsecured loans). The Oberbank Opportunity Fund concentrates on established companies in the later stages of development. Through its stake in the Upper Austrian high-tech incubator fund OÖ HightechFonds GmbH, Oberbank helps to finance early-stage ventures as well.
The Oberbank Opportunity Fund handled a total of 120 enquiries in 2016, which given the unchanged high quality of the projects is around the same high level of last year. Seven new projects were successfully finalised last year.
Since its inception, the Oberbank Opportunity Fund has approved 58 transactions and nine add-on investments in equity and mezzanine capital and thus granted roughly EUR 118 million in loans.

Leasing
In the leasing financial year 2015/16, the volume of new business was enlarged again and at EUR 749.1 million the volume was 3.6% higher year on year. Total leasing receivables stood at EUR 2,027.1 million which is 6.2% higher than in financial year 2014/15.
Once again, the car retail business was the growth driver. Both the car retail business in cooperation with Generali as well as the traditionally strong truck business achieved highly gratifying results. In the area of movables leasing, the excellent level of the preceding year was attained again. In real estate leasing, because several large projects were not commissioned, the volume of new business declined in 2015/16.
A breakdown by region shows that the core markets and growth markets of Austria and Germany posted a gain of 7% which is slightly more than the expansion markets (+ 6%).

Foreign business
In 2016, export finance gained 8.7%, with growth being driven mainly by long-term foreign investments and factoring such as debt purchasing.
The market share in export finance under Export Fund procedures, the market share of Oberbank at 31 December 2016 was 11.08% and in the KRR procedure for corporates it was 10.67%. Oberbank improved its top rankings thus highlighting its competence in this line of business.

Syndicated loans and international lending
In the area of syndication and international lending (loans to syndicates, borrower’s note) the number of transactions and volume have developed slightly downwards. The reasons are the persistent pressure on margins on the market and the more selective approach to financing. Additionally, there were more premature repayments of borrower’s notes.

The number of financing transactions for which Oberbank was mandated as arranger and syndicate leader remained constant. As a financing partner, Oberbank was involved in several attractive projects in Austria and Germany.

The market for borrower's notes surpassed all preceding years with respect to individual transactions and volumes. On account of the increasing internationalisation of issuers and the continued decline in margins for this product, Oberbank was less involved in borrower's notes transactions than in 2015.

Documentary business and guarantees

The market environment for Austrian exporters remained challenging in 2016 (sanctions against Russia and parts of Ukraine, after-effects of the Iran sanctions, weak economic growth of BRIC countries, Turkey ...).

In this setting, the focus was again on the use of classical instruments for risk mitigation. Therefore, Oberbank posted a clear increase in the documentary business (letters of credit, documentary collections, guarantees) with respect to volumes and transactions and thus the corresponding rise in earnings.

Factoring

In 2016, Oberbank invested in modern banking industry software and in this way complemented its portfolio of products for Austria and Germany. It now offers customers an additional option for using banking services in their ongoing business operations with an up-to-date and secure system. The first feedback received from customers has been very positive.

Payment services

In 2016, the range of products for electronic banking was developed further (eBanking replaced by customer portal) and work was done to implement the statutory and technical requirements (SEPA introduced in the Czech Republic and Hungary, changes to SEPA debit orders, recording of full date for payments using payment slips in Austria).

As it is a topical issue, an information campaign on "security in payment transfers" was launched. Customers were made aware of the issues at events for customers and in individual consultations.

To continue improving the know-how of our sales staff in payment transfers, numerous training courses were held again in all five countries in 2016.

The success of these activities helped lift earnings from payment transfers by 4.1% year on year.

Segment Personal Banking

Personal Banking segment in €m	2016	2015[1)]	Change
Net interest income	55.6	53.8	3.3%
Charges for losses on loans and advances	0.2	-3.5	
Net commission income	59.7	64.1	-6.8%
Net trading income			
Administrative expenses	-86.2	-86.4	-0.2%
Other operating income/loss	-3.1	-3.1	-1.1%
Extraordinary result			
Profit for the year before tax	26.3	24.9	5.6%
Segment's contribution to consolidated profit for the year	12.0%	13.0%	-1.0% ppt
Average credit and market risk equivalent (Banking Act)	1,508.9	1,350.9	11.7%
Segment assets	2,828.9	2,644.5	7.0%
Segment liabilities	5,305.2	5,009.8	5.9%
Average allocated equity	198.3	169.2	17.2%
Return on equity before tax (RoE)	13.3%	14.7%	-1.4% ppt
Cost/income ratio	76.8%	75.2%	1.6% ppt

1) The adjustment to income from equity investments lowers the figure of comparison of the preceding year for net interest income by EUR -5.2 million from EUR 59.0 million to EUR 53.8 million. The distribution of the stability charge according to the respective segment assets lowers the figure of comparison of the preceding year for other operating income by EUR -1.9 million from EUR -1.2 million to EUR -3.1 million.

Overview of business performance in 2016

In the Personal Banking segment, profit before tax in 2016 was EUR 26.3 million which is 5.6% higher year on year.

Net interest income rose by 3.3% to EUR 55.6 million; net commission income dropped by 6.8% to EUR 59.7 million.

Charges for losses on loans and advances, showed a positive balance of EUR 0.2 million due to reversals of prior impairments.

Administrative expenses decreased by 0.2% to EUR 86.2 million.

The return on equity in the Personal Banking segment declined by 1.4%-points to 13.3%; the cost/income ratio increased by 1.6%-points to 76.8%.

At the end of 2016, Oberbank served approximately 285,000 retail customers, of which some 16,000 were newly acquired in 2016.

Deposit banking

The savings ratio in Austria increased slightly in 2016, but still remained at a low level over the entire year. Thus, trend of the past few years continued.

In spite of the low savings ratio, savings deposits, sight deposits and term deposit accounts of Oberbank's retail customers remained stable at the high level of the preceding year at EUR 5,003.3 million.

Deposits on online savings products increased year on year by 56.1% to EUR 326.8 million.

Personal loans

Private financing at Oberbank AG developed very well again in 2016. The volume of personal loans outstanding rose versus the preceding year by 6.7% to EUR 2,875.2 million.

In all sub-markets, the EU Mortgage Credit Directive was passed into national law EU in 2016. The Directive contains extensive disclosure obligations, an extended creditworthiness assessment (affordability) and proof of the required levels of knowledge and competence of the employees involved in the loan process.

Segment Personal Banking

At Oberbank, we have always set great store by a solid education and training of our employees. The comprehensive information for customers and a review of affordability have always been part of the Bank’s credit policy.

Personal accounts

In 2016, the Bank's portfolio of personal accounts increased by 1,610 to a total of 181,280 accounts.
A new successful path was taken in the campaign for new personal accounts. The “Golden Account Package” (*Goldenes Kontopaket*) with a 100% satisfaction guarantee includes an “Advantage Account Mobile” (*Vorteilskonto mobil*) feature as well as a number of attractive banking products all for an inexpensive flat rate.

Portfolio of card products

The portfolio of card products developed very well in 2016: At the balance sheet date, there were 158,342 ATM cards (of which 42,070 “ATM Gold”) and 60,796 credit cards issued by various Austrian card providers in circulation.
At the start of 2016, the mobile ATM card was launched. This is a virtual ATM card in a wallet on a smartphone. The contractual partners of Oberbank are the card companies SIX Payment Services (Austria) GmbH and card complete Service Bank AG, and additionally, Oberbank issues its own MasterCard under the name “Oberbank MasterCard”. Credit cards issued by Diners Club and American Express round off the portfolio of cards.

Securities business

In 2016, income from securities transactions declined slightly by 7.4% to EUR 41.2 million. The deviations occurred especially during the first half-year, while the second half of 2016 was the best half-year of all times.
All of the declines resulted from lower transaction earnings in all customer groups. Private investors and institutional investors were hesitant about stock investing, especially during the first half of the year. By contrast, commission from management activities increased substantially. These commissions are generally more stable than transaction revenues.
On 31 December 2016, the value of customer custody accounts was EUR 13.5 billion and thus 7.1% or EUR 893.7 million higher year on year. Apart from the performance effects, the inflow of fresh funds accounted for this increase.

3-Banken Wohnbaubank AG

The total assets of 3-Banken Wohnbaubank AG rose by 12.0% or EUR 14.8 million to EUR 137.9 million versus year-end 2015. A volume of EUR 14.7 million in tax-privileged home construction bonds was issued.
The overall market posted a marked decline again in 2016 versus the preceding years. The extremely low level of interest rates has dampened demand. A large share of the volume was placed in Q4 within the scope of investments made to benefit from a tax-free allowance on investments.
The volume broken down by trustor is EUR 83.6 million for Oberbank, EUR 23.7 million for BKS Bank AG and EUR 19.7 million BTV AG.

Oberbank issues

The issuing activities of the bank were in line with projections despite the very low interest rate environment. In total, EUR 340.5 million was issued. This nearly compensated the high volume of redemptions. In total, the line item securitised liabilities including subordinate capital remained at almost the same level as in the preceding year. Specifically, the line item is EUR 2,064.5 million following EUR 2,098.5 million.

It is remarkable that the share of issues floated in the Czech Republic in Czech koruna increased significantly. The bandwidth of investors includes a broadly diversified base of retail customers as well as institutionals. This is a clear signal that the excellent creditworthiness of Oberbank is increasingly being recognised in this market as well.
In Austria and Germany, apart from unsecured papers, subordinate bonds were also issued. In consideration of the higher risk of these securities, a special risk disclosure and information for customers with the corresponding documentation was implemented.

3 Banken-Generali Investment-Gesellschaft
At the end of 2016, 3-Banken Generali Investmentgesellschaft managed a volume of assets of EUR 8.4 billion, which is nearly the same as in 2015. For the first time since 2008, Oberbank did not outperform the market (2.7%).
The fund business attributable to Oberbank developed very well. The stable net inflow of funds into public and special funds of EUR 101.3 million, the volume of funds mediated by Oberbank grew by 5.8% to EUR 3.0 billion. In total, the Bank managed 170 different funds at the end of 2016. Demand for stock investing strategies with hedging options remained very popular. The innovative product “3 Banken Dividende+Nachhaltigkeit 2022” (3 Banken dividende+sustainability 2022) attracted a volume of new funds of just over EUR 40 million.
A view of the entire fund company shows that 58% of managed assets are invested in bonds and a remarkable 39% in stocks; the remaining 3% are invested in commodities and gold.

Asset Management
Overall, EUR 491.8 million in assets were managed under individual contracts (possible from EUR 500,000). This is an increase by 8.2% or EUR 37.2 million versus year-end 2015. The average mandate size is EUR 826,500.
The share invested in stocks usually followed a neutral weighting. The weightings in blue chips were not changed for the three major events in 2016 (Brexit, US elections, referendum in Italy).
Oberbank’s asset management in the area of investment funds for the public, recorded in increase of 29.6% or EUR 32.5 million to EUR 142.2 million.
Therefore, in both variants new all-time highs were reached with a total volume of EUR 634 million.
All strategies achieved a clearly positive performance over the full year.

Private banking
Assets under management (market value of securities custody accounts, savings accounts and sight deposits) of the 5,591 private banking clients of Oberbank grew in 2016 by 7.2% or EUR 386.9 million to a new record of EUR 5,746.3 million.
The investment behaviour of this customer group did not change significantly in 2016. This is true for both the cash and share ratios.
Private banking services are offered at nine locations of Oberbank. A concept defining support on an ongoing basis means that all branches with a relevant pool of potential customers are served by these units. This ensures that the services are available everywhere.
The special brokerage services were used by more than two hundred customers. A highly experienced team of experts (23 market experience on average) provided support to customers in a very challenging market environment who reach their own stock market decisions.

Segment Personal Banking

Building and loan association saving

At a number of 9,398 new accounts, Oberbank building society accounts decreased in 2016 by 14.9% year on year. Although subsidised building society accounts are one of the most popular savings form in Austria, the persistently low interest rates and declining savings ratios are having a negative influence on the building and loan association business.

Insurance services

Life insurance

The life insurance business in Austria expanded as projected despite the difficult market conditions. The best-performing area with an increase of 34% was company pension schemes. The rising share of fund-guided and fund-linked life insurance policies was a highlight.
The sale of risk insurance also developed very well at a rate of increase of 12%.
Overall, the projected target for life insurance premiums was surpassed by 8.8%.

Accident and property industry

In the non-life insurance segment, accident insurance surpassed the projected target by 4.6%. The segment of company property insurance also developed very satisfactorily.

Segment Financial Markets

Financial Markets in € m	2016	2015[1)]	Change
Operating interest income	27.6	28.2	-2.2%
equity method	51.3	81.6	-37.1%
Net interest income	78.9	109.8	-28.1%
Charges for losses on loans and advances	-8.0	-8.5	-4.9%
Net commission income	0	0	
Net trading income	11.4	10.3	11.2%
Administrative expenses	-7.7	-6.5	19.0%
Other operating income/loss	16.6	-15.0	
Extraordinary result			
Profit for the year before tax	91.2	90.0	1.3%
Segment's contribution to consolidated profit for the year	41.6%	47.0%	-5.4% ppt
Average credit and market risk equivalent (Banking Act)	5,407.5	4,201.9	28.7%
Segment assets	5,172.7	5,185.7	-0.3%
Segment liabilities	5,626.0	5,265.6	6.8%
Average allocated equity	710.7	526.2	35.1%
Return on equity before tax (RoE)	12.8%	17.1%	-4.3% ppt
Cost/income ratio	7.2%	6.2%	1.0% ppt

1) The adjustment to income from equity investments lowers the figure of comparison of the preceding year for net interest income by EUR 36.0 million from EUR 73.8 million to EUR 109.8 million. The distribution of the stability charge according to the respective segment assets 20.4% increases the figure of comparison of the preceding year for other operating income by EUR -10,2 million from EUR -25,2 million to EUR -15,0 million.

Overview of business performance in 2016

In the segment Financial Markets, net interest income decreased by 28.1% to EUR 78.9 million. Operating net interest income was EUR 27.6 million and thus only slightly below the like figure of the preceding year; however, net result from investments accounted for by the equity method was EUR 51.3 million which is 37.1% lower year on year.

Charges for losses on loans and advances decreased by 4.9% to EUR 8.0 million year on year.

Net trading income increased by 11.2% to EUR 11.4 million; Other operating income improved from EUR -15.0 million to EUR 16.6 million.

The profit in Financial Markets thus increased slightly by 1.3% to EUR 91.2 million.

RoE decreased by 4.3%-points to 12.8% and the cost/income ratio rose by 1.0%-points to 7.2%.

Currency risk management

The quite satisfactory development of the US economy, the emerging insecurity regarding the activities of the new US president, BREXIT which came as a surprise to many, and the referendum on the constitution in Italy were only a few of the major themes for developments on currency markets. These caused in some case severe fluctuations for the currencies concerned. As an example, we would like to mention the British pound. The depreciation triggered by the announced exit from the EU was at peak times more than 20% versus the euro. Additionally, the US Fed caused fluctuations of the US dollar due to the constant speculations about its next interest rate move.

For Oberbank’s customers who engage in international business, the challenging year was mastered quite well with the appropriate, individually-defined hedging measures. The most frequently-traded currency pair in Austria and Germany was again the EUR/USD – hardly surprising as this reflects the situation in international trade.

Trade in CZK and HUF is becoming livelier. The two Oberbank segments, Czech Republic and Hungary recorded a rising number of transactions and revenues.

Direct customer services

Foreign exchange hedging transactions for customers were the main activities and the number of direct customers supported increased further. Quick responses, competent contact partners and individual concepts for hedging earnings from the import and export business are the benefits highly appreciated by customers.

Primary deposits

Prevailing economic policy and the unchecked offensive stance of the ECB resulted in historic lows in interest rates in the euro area in 2016. In mid-March, the ECB lowered the key lending rate from 0.05% to 0.00% and the applicable interest rate for deposits with central banks in the euro area from -0.3% to -0.4%. The current purchasing programme for government bonds was prolonged until September 2017 for the time being. All of these measures emphasize the intention of the ECB to continue its expansionary monetary policy.

Despite these difficult conditions, Oberbank succeeded in raising the volume of primary deposits again in 2016. Year on year, the rise was EUR 388.9 million or an increase of 3.1% to EUR 13,008.8 million.

Apart from sight deposits – in a low-interest environment, naturally the fastest-growing segment of deposits – term deposits also recorded satisfactory increases. Around the end of the year, the market was already charging negative interest for large deposits in some cases, especially for institutional customers. Oberbank is approaching this theme very cautiously. Negative interest was charged only in individual cases for very large deposit amounts.

In this low-interest setting, the Oberbank Cash Garant was an alternative once again to short-term investments. With two issues in euro and two further issues in Czech koruna placed under the name Bond Garant, we again reached a large number of retail and corporate customers.

International network of partner banks and institutions

The ongoing support provided to internationally active customers continues to be a top priority for Oberbank. The significance of customer activities in the more or less crisis-free Asian region, but also in difficult markets with growth opportunities such as Iran is growing. Even in countries with higher levels of security, Oberbank’s network of correspondent banks help it meet customer demands for payment transfers, documentary and guarantee transactions as well as hedging and financing services.

Tighter compliance regulations, the prevention of money laundering and terrorist financing, compliance with US and EU sanctions, and US tax regulations as well as the know-your-customer rules are factors that increasingly determine how we work together with other banks and have developed into an enormous challenge and substantial cost factor.

Not least due to its excellent financial data and many decades of collaboration is Oberbank viewed as a factor of stability in the global banking network. Therefore, with around 1500 banking partners worldwide, it is easier than ever for us to meet the high demands of companies that do business internationally.

Segment Other

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

In the business year 2016, the one-time payment of the stability tax was included in the item Other operating income.

The loss for the year before tax in 2016 in the segment Other was EUR -36.5 million after EUR -47.8 million in the preceding year.

Consolidated Financial Statements

Consolidated Financial Statements of the Oberbank Group for 2016

Prepared in Accordance with International Financial Reporting Standards (IFRS)

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

Statement of comprehensive income for the financial year 2016

Consolidated income statement in €k		2016	2015	Change in €k	Change in%
1. Interest and similar income	(3)	420,940	437,422	-16,482	-3.8
2. Interest and similar expenses	(3)	-112,619	-137,821	25,202	-18.3
3. Income from entities, equity method	(3)	51,323	81,602	-30,279	-37.1
Net interest income	(3)	359,644	381,203	-21,559	-5.7
4. Charges for losses on loans and advances	(4)	-25,026	-47,090	22,064	-46.9
5. Commission income	(5)	146,729	149,090	-2,361	-1.6
6. Commission expenses	(5)	-15,804	-16,353	549	-3.4
Net commission income	(5)	130,925	132,737	-1,812	-1.4
7. Net trading income	(6)	11,395	9,741	1,654	17.0
8. Administrative expenses	(7)	-251,753	-243,272	-8,481	3.5
9. Other operating income	(8)	-6,082	-41,833	35,751	-85.5
a) Net income from financial assets - FV/PL	(8)	10,851	-10,265	21,116	
b) Net income from financial assets - AfS	(8)	11,925	-3,524	15,449	
c) Net income from financial assets - HtM	(8)	0	243	-243	-100.0
d) Other operating profit	(8)	-28,858	-28,287	-571	2.0
Profit for the year before tax		219,103	191,486	27,617	14.4
10. Income taxes	(9)	-37,825	-25,067	-12,758	50.9
Profit for the year after tax		181,278	166,419	14,859	8.9
of which attributable to the owners of the parent company and the owners of additional equity components		181,064	166,312	14,752	8.9
of which attributable to non-controlling interests		214	107	107	100.0

Income and expenses recognised directly in equity in €k	2016	2015
Profit for the year after tax	181,278	166,419
Items not reclassified to profit or loss for the year	**-5,297**	**8,735**
+/- Actuarial gains/losses IAS 19	2,986	30,507
+/- Deferred taxes on actuarial gains/losses IAS 19	-746	-7,627
+ / - Share from entities accounted for using the equity method	-7,537	-14,145
Items reclassified to profit or loss of the year	**38,330**	**14,998**
+ / - Value changes recognised directly in equity IAS 39	49,641	27,322
Amounts recognised in equity	65,868	28,036
Reclassification adjustments	-16,227	-714
+ / - Deferred tax on value changes recognised directly in equity IAS 39	-12,411	-6,830
Amounts recognised in equity	-16,468	-7,009
Reclassification adjustments	4,057	179
+ / - Exchange differences	317	584
+ / - Share from entities accounted for using the equity method	783	-6,078
Total income and expenses recognised directly in equity	33,033	23,733
Total comprehensive income for the period from net profit and income/expenses recognised directly in equity	214,311	190,152
of which attributable to the owners of the parent company and the owners of additional equity components	214,097	190,045
of which attributable to non-controlling interests	214	107

Performance indicators	2016	2015
Cost/Income ratio in%	50.77	50.49
Return on equity before tax in%	10.76	11.20
Return on equity after tax in%	8.91	9.73
Risk/earnings ratio (credit risk to net interest income) in%	6.96	12.35
Earnings per share in €	5.59	5.47

Consolidated Financial Statements

Balance sheet as at 31/12/2016 / Assets

	in €k		31/12/2016	31/12/2015	Change in €k €	Change in%
1.	Cash and balances at central banks	(11)	657,558	354,023	303,535	85.7
2.	Loans and advances to credit	(12)	726,110	1,065,913	-339,803	-31.9
3.	Loans and advances to customers	(13)	13,777,893	12,839,944	937,949	7.3
4.	Loan loss provisions	(14)	-452,515	-488,292	35,777	-7.3
5.	Trading assets	(15)	62,729	46,173	16,556	35.9
6.	financial investments	(16)	3,779,595	3,771,209	8,386	0.2
	Financial assets - FV/PL	(16)	236,934	237,662	-728	-0.3
	b) Financial assets - AfS	(16)	712,238	709,536	2,702	0.4
	c) Financial assets - HtM	(16)	2,113,691	2,134,565	-20,874	-1.0
	d) Interest in entities accounted for	(16)	716,732	689,446	27,286	4.0
7.	Intangible assets	(17)	1,080	1,248	-168	-13.5
8.	Property, plant and equipment	(18)	240,790	246,449	-5,659	-2.3
	a) Investment property	(18)	96,545	99,501	-2,956	-3.0
	b) Other property, plant and	(18)	144,245	146,948	-2,703	-1.8
9.	Other assets	(19)	365,299	406,682	-41,383	-10.2
	Deferred tax assets	(19)	37,850	55,984	-18,134	-32.4
	b) Positive fair values of closed out derivatives in the banking book	(19)	170,047	170,644	-597	-0.3
	c) Other	(19)	157,402	180,054	-22,652	-12.6
	Total assets		19,158,539	18,243,349	915,190	5.0

Balance sheet as at 31/12/2016 / Equity and liabilities

	in €k €		31/12/2016	31/12/2015	Change in €k	Change in %
1.	Amounts owed to credit institutions	(20)	3,158,643	2,995,503	163,140	5.4
2.	Amounts owed to customers	(21)	10,944,486	10,521,547	422,939	4.0
3.	Securitised liabilities	(22)	1,403,957	1,443,376	-39,419	-2.7
4.	Provisions for liabilities and charges	(23)	322,049	329,176	-7,127	-2.2
5.	Other liabilities	(24)	386,142	372,962	13,180	3.5
	a) Trading liabilities	(25)	44,896	45,350	-454	-1.0
	b) Tax liabilities	(24)	6,268	7,846	-1,578	-20.1
	ba) Current tax liabilities	(24)	2,103	2,569	-466	-18.1
	bb) Deferred tax liabilities	(24)	4,165	5,277	-1,112	-21.1
	c) Negative fair values of derivatives closed out in the banking book	(24)	35,151	26,960	8,191	30.4
	d) Other	(24)	299,827	292,806	7,021	2.4
6.	subordinated debt capital	(26)	660,499	655,121	5,378	0.8
7.	Equity	(27)	2,282,763	1,925,664	357,099	18.5
	a) Equity after minorities	(27)	2,227,772	1,871,105	356,667	19.1
	b) Minority interests in equity	(27)	4,991	4,559	432	9.5
	c) Additional equity capital components	(27)	50,000	50,000	0	
	Total equity and liabilities		19,158,539	18,243,349	915,190	5.0

Consolidated statement of changes in equity as at 31/12/2016

in €k €	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Gains (losses) rec. in equity acc. to IAS 39	Actuarial gains (losses) acc. to IAS 19	Associated companies	Equity after minorities	Minorities	Additional equity components	Equity
As at 1/1/2015	**85,924**	**193,592**	**856,042**	**-2,579**	**27,330**	**-44,688**	**415,218**	**1,530,839**	**3,238**		**1,534,077**
Consolidated net profit			100,775	584	20,492	22,880	45,314	190,045	107		190,152
Net annual profit / loss			100,775				65,537	166,312	107		166,419
Other comprehensive				584	20,492	22,880	-20,223	23,733			23,733
Dividend distribution			-15,822					-15,822			-15,822
Coupon payments on additional equity capital components			-1,200					-1,200			-1,200
Capital increase	10,362	154,381						164,743			164,743
Issue of additional equity components										50,000	50,000
Repurchased own shares	145	318						463			463
Other changes not recognised in income			-4,008				6,045	2,037	1,214		3,251
As at 31.12.2015	**96,431**	**348,291**	**935,787**	**-1,995**	**47,822**	**-21,808**	**466,577**	**1,871,105**	**4,559**	**50,000**	**1,925,664**
As at 1/1/2016	**96,431**	**348,291**	**935,787**	**-1,995**	**47,822**	**-21,808**	**466,577**	**1,871,105**	**4,559**	**50,000**	**1,925,664**
Consolidated net profit			152,255	317	37,230	2,240	22,055	214,097	214		214,311
Net annual profit/loss			152,255				28,809	181,064	214		181,278
Other comprehensive income				317	37,230	2,240	-6,754	33,033			33,033
Dividend distribution			-17,692					-17,692			-17,692
Coupon payments on additional equity capital components			-2,925					-2,925			-2,925
Capital increase	9,211	156,396						165,607			165,607
Issue of additional equity components											0
Repurchased own shares	195	836	-1,555					-524			-524
Other changes not recognised in income			3,684				-5,579	-1,895	218		-1,677
As at 31/12/2016	**105,837**	**505,523**	**1,069,554**	**-1,678**	**85,052**	**-19,568**	**483,053**	**2,227,772**	**4,991**	**50,000**	**2,282,763**

Changes in equity due to available-for-sale assets	2016	2015
Profit	51,801	23,628
Loss	-2,401	-2,601
Deducted from equity	-12,170	-535
Total	37,230	20,492

Consolidated statement of cash flows

in €k	2016	2015
Profit for the year	181,278	166,419
Non-cash positions in profit for the year and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	4,258	11,911
Change in provisions for staff benefits and other provisions for liabilities and charges	-4,887	-30,955
Change in other non-cash items	53,050	-182
Gains and losses on financial investments, property, plant and equipment and intangible assets	-16,772	-292
Subtotal	216,927	146,901
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
Loans and advances to credit institutions	364,475	421,411
Loans and advances to customers	-982,369	-581,970
Trading assets	-7,699	15,501
Other current assets	34,390	5,725
Other assets arising from operating activities	64,387	30,538
Amounts owed to credit institutions	156,183	-266,023
Amounts owed to customers	411,241	528,886
Securitised liabilities	-51,681	-156,339
Other liabilities from operating activities	-92,638	-29,725
Net cash from operating activities	113,216	114,905
Proceeds from the sale of		
financial investments	325,931	205,706
property, plant and equipment and intangible assets	6,290	13,677
Outlay on purchases of		
financial investments	-262,935	-228,980
property, plant and equipment and intangible assets	-24,617	-29,594
Net cash from investing activities	44,669	-39,191
Capital increase	165,607	214,743
Dividend distributions	-17,692	-15,822
Coupon payments on additional equity components	-2,925	-1,200
Subordinated liabilities and other financing activities	660	-66,421
Net cash from financing activities	145,650	131,300
Cash and cash equivalents at the end of previous period	354,023	147,009
Net cash from operating activities	113,216	114,905
Net cash from investing activities	44,669	-39,191
Net cash from financing activities	145,650	131,300
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	657,558	354,023
Interest received	423,747	423,504
Dividends received	33,379	27,142
Interest paid	-116,457	-117,180
Coupon payments on additional equity components	-2,925	-1,200
Income taxes paid	-21,784	-26,947

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		Operating activities	Investing activities	Financing activities	Total
Interest received	201	367,251	56,496	0	423,747
	201	362,851	60,653	0	423,504
Dividends received	201	1,051	32,328	0	33,379
	201	3,113	24,029	0	27,142
Interest paid	201	-97,219	0	-19,238	-
	201	-97,423	0	-19,757	-
Dividends paid	201	0	0	-17,692	-17,692
	201	0	0	-15,822	-15,822
Coupon payments on	201	0	0	-2,925	-2,925
additional equity components	201	0	0	-1,200	-1,200
Income tax payments	201	-12,469	-14,124	4,810	-21,784
	201	-16,723	-15,163	4,939	-26,947

Notes to the consolidated financial statements

Introduction

Oberbank AG is Austria's oldest remaining independent *Aktienbank* (joint stock bank). It is fully privately owned (no state shareholders) and is listed on the Vienna Stock Exchange. Oberbank's registered office is at Untere Donaulände 28, 4020 Linz, Austria. Oberbank AG's positioning in the marketplace is characterised by its regional ties, its independence, its strong Oberbank offers all the classical banking services of a universal bank. Oberbank does not engage in any proprietary foreign business, which is not related to its customers, but aims to assist and support customers with international operations.
The financial statements for the financial year 2016 were approved and released for publication on 28 March 2017.

1) Group of consolidated companies of Oberbank

Besides Oberbank AG, the group of consolidated companies in 2016 included 31 domestic and 18 foreign subsidiaries.
Compared to 31 December 2015, the group of consolidated companies changed as follows:

- Sale of Oberbank Mattigtal Immobilienleasing Gesellschaft m.b.H., Linz (this entailed €k +338 in Other operating profit and a decline in Loans and advanced to customers by €k 26.196 and in Other liabilities by €k 4,829).
- Liquidation of Ober Lizing Inprox Misk kft., Budapest (this entailed €k - 1 in Other operating profit and no changes to Loans and advanced to customers or to Other liabilities).
- Foundation of Oberbank Weißkirchen Immobilienleasing GmbH, Linz (this entailed €k + 2 in Other liabilities and no changes to Loans and advanced to customers or to Other liabilities).
- Foundation of Oberbank Arsenal Immobilienleasing GmbH, Linz (this entailed €k + 1 in Other liabilities and no changes to Loans and advanced to customers or to Other assets).
- Foundation of Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz (this entailed €k + 1 in Other liabilities and no changes to Loans and advanced to customers or to Other assets).

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

2) Summary of the accounting policies

Application of IAS and IFRS

The consolidated financial statements of Oberbank AG for the financial year 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as in force and as adopted by the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC). They also satisfy the requirements of § 59a of the Banking Act and § 245a of the Business Code regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. The going concern assumption was applied. No events of special significance took place after the end of the financial year.

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

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
Amendments to IAS 19	Defined benefit plans: employee contributions	1/2/2015	Yes
Annual improvements (2010 – 2012 cycle)	Diverse	1/2/2015	Yes
Amendments to IFRS 11	Acquisition of an interest in a joint operation	1/1/2016	Yes
Amendment to IAS 16 Amendments to IAS 38	Clarification of acceptable methods of depreciation and amortisation	1/1/2016	Yes
Amendments to IAS 27	Separate financial statements (equity method)	1/1/2016	Yes
Annual improvements (2012 – 2014 cycle)	Diverse	1/1/2016	Yes
Amend. To IAS 1	Presentation of financial statements	1/1/2016	Yes
Amendments to IFRS 10, 12 and IAS 28	Consolidation of investment entities	1/1/2016	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 15	Revenue from contracts with customers	1/1/2018	No
IFRS 9	Financial instruments	1/1/2018	No
IFRS 16	Leasing	1/1/2019	No
Amend. to IAS 7	Statement of cash flows – disclosure initiative	1/1/2017	No
Amend. to IAS 12	Income tax – recognition of deferred tax assets for unrealised losses	1/1/2017	No
Amend. to IFRS 15	Revenue from contracts with customers – clarifications	1/1/2018	No
Amend. to IFRS 2	Share-based payment	1/1/2018	No
Amend. to IFRS 4	Application of IFRS 9 with IFRS 4 insurance contracts	1/1/2018	No
Annual improvements (2014 – 2016)	Diverse	1/1/2018 and 1/1/2017	No
IFRIC 22	Foreign currency transactions and advance payments	1/1/2018	No
Amend. to IAS 40	Classification of property under construction	1/1/2018	No

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

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

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

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

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

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

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

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

The effects of IFRS 9 on the Oberbank Group are being reviewed. The actual effects of the application of IFRS 9 on the consolidated financial statements for 2018 cannot yet be reliably assessed, because they will depend on the financial instruments held by the Group, on the economic conditions at the time as well as on the accounting methods selected and the discretionary decisions reached. The new standard requires the Group to adjust its accounting processes and internal control system relating to the reporting of financial instruments; these adjustments have not yet been completed.
The final version of IFRS 9 was published in July 2014 and contains the following changes of material importance 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.

IFRS 9 includes three important classification categories for financial assets: recognition at amortised cost, at fair value through the profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). If financial instruments are held in a business model with the goal of retaining the assets, and if these financial instruments represent claims to interest and principal payments on agreed dates (SPPI criteria), these are to be measured at amortised costs. Under certain conditions, a designation at fair value valuation is possible. All other financial instruments are to be measured at fair value. Changes in the value of these assets must be recognised in the income statement. For certain equity instruments, it is optional to recognize changes in value under Other income. Only dividend claims on these assets must be recognised in the income statement. The standard eliminates the current categories of IAS 39: held-to-maturity, loans and receivables and available for sale assets.

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

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

Impairment – financial assets and contract assets

IFRS 9 replaces the model of "incurred losses" of IAS 39 by a forward looking model or "expected loss impairment". This calls for substantial discretionary decisions regarding the extent to which expected loss impairment is influenced by changes in economic factors. This measurement is done on the basis of weighted probabilities.
The new impairment model applies to financial assets recognised at amortised costs or at FVOCI – with the exception of dividend securities held as financial assets – and contract assets.

Under IFRS 9, impairments are measured on one of the following:

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

The valuation pursuant to the concept of default over the full lifetime of the credit is applied when, on the reporting date, the credit risk of financial assets was significantly higher versus initial recognition; otherwise, measurement according to the 12-month expected credit loss applies. A company can define that the credit risk of a financial asset has not increased significantly when the asset has a lower credit risk on the reporting date.
In Oberbank's opinion, the impairment expenses for assets to which the impairment loss model of IFRS 9 applies will probably be more volatile. The Group has not yet finally decided which impairment model it will apply pursuant to IFRS 9.

Classification – financial liabilities

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

- The change in the fair value due to changes in the credit risk of the liability is reported under Other income.
- The remaining change to fair value is reported in the income statement.
  A preliminary assessment by the Group does not reveal any major effects of the application of the requirements of IFRS 9 with respect to the classification of financial liabilities as of 31 December 2016.

Hedge accounting

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

According to IFRS 9, the Group must ensure that the accounting of hedging transactions is in line with the objectives and strategy of the Group's risk management, and that the approach selected has a bias toward a more qualitative and forward-looking approach when assessing the effectiveness of hedging transactions. IFRS 9 furthermore introduced new requirements with respect to the new weighting of hedging contracts and does not permit the voluntary termination of accounting for hedging transactions. According to the new model it is possible that more risk management strategies will meet the criteria

for hedge accounting, especially strategies that contain a risk hedging component (with the exception of foreign currency risk) of a non-financial item. The Group currently does not hedge any such risk components.
The changes to hedge accounting are not of relevance for the Oberbank Group, as currently we have no hedge accounting.

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

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

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

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

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

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

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

Consolidation policies

All material subsidiaries under the control of Oberbank AG were accounted for in the consolidated financial statements.

Material equity investments up to a participating interest of 50% were accounted for using the equity method (Drei-Banken Versicherungs-Aktiengesellschaft, BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG). For an entity to be accounted for using the equity method, Oberbank must be able to exert a significant influence on its business policies. Such an influence also gives a strategic investor a degree of responsibility for the entity concerned. Consequently, it seems insufficient for its valuation to be based solely on its share price. In the interest of a sustainable equity investment strategy, it is in any event appropriate also to take account of the entity's equity from time to time. Similarly, profit distributions are no yardstick for the Group's interest in an associate's performance. Income from an equity investment is more accurately captured by taking into account the Group's share in its profit for the year.

Joint ventures (ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.) were accounted for by proportionate consolidation.

Subsidiaries whose effect on the assets and financial position of the Group and the results of its operations was, as a whole, immaterial were not consolidated.

Other equity investments were recognised at their fair values where these can be reliably measured.

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

Corporate acquisitions

There were no company acquisitions in the financial year 2016.

Discretionary decisions, assumptions and estimates

These consolidated financial statements contain values whose amounts were arrived at based on discretionary decisions, assumptions and estimates. These assumptions and estimates are based on past experience, budgets and forecasts regarding future events that appear likely from our current perspective.

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

Charges for losses on loans and advances

The calculation of impairment provisions depend, above all , on expectations regarding future loan losses and the structure and quality of the loan portfolio. In addition, the calculation of any future impairment loss requires estimates of the amounts and dates of future cash flows. Losses incurred but not reported are accounted for by setting up portfolio impairment allowances in in accordance with IAS 39. These are based on the probability of default in the individual rating categories.

For further details see note 41 (Credit risk).

Fair value of financial Instruments

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

Impairment losses on investments accounted for using the equity method

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

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

Impairment losses on debt securities and equity securities

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

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

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

Useful life of fixed assets

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

Deferred taxes

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

Provisions for staff benefits

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

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

Provisions for liabilities and charges

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

Leasing

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

Foreign currency translation and Group currency

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

Cash and balances at central banks

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

Trading assets

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

Loans and advances to credit institutions and customers

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

Derivatives

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

Leasing

Oberbank offers customers both finance leases and operating leases.

Pursuant to IAS 17, a finance lease is a lease that essentially transfers all the risks and rewards incidental to ownership of an asset. Even title may eventually be transferred. In the case of a finance lease, Oberbank as lessor recognises an amount

receivable from the lessee equal to the present value of the contractually agreed payments. Income from leases is shown in the item Interest and similar income.
An operating lease is a lease other than a finance lease. In the case of operating leases, leased assets reduced by depreciation and amortisation are shown in the item Property, plant and equipment. Real estate held as financial investments is carried at amortised cost.
Leasing income is shown in the item Other operating income.

Charges on losses on loans and advances

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

Financial investments

Financial investments comprise the categories FV/PL (Fair Value/Profit or Loss), HtM (Held to Maturity), AfS (Available for Sale) and interests in entities accounted for using the equity method. Assets recognised using the fair value option pursuant to IAS 39 are measured at their fair values. Assets in the held-to-maturity portfolio were measured at amortised cost; impairments arising due to reduced creditworthiness that were expected to be permanent were recognised in the income statement. Interests in entities that were neither consolidated nor accounted for using the equity method were classified as available-for-sale. Assets in the available-for-sale portfolio were measured at fair values and unrealised gains and losses were taken directly to equity. Participating interests and shares in affiliated undertakings, with a volume of EUR 95.2 million (previous year: EUR 94.0 million), which are not intended to be sold and for which there is no active market, are measured at cost. For the purpose of determining the necessity to recognise impairment, Oberbank distinguishes between debt instruments (loans and receivables, HtM assets, and fixed-interest AfS assets) and equity instruments. Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. If there are objective indications that an asset accounted for using the equity method is impaired, the value in use is calculated on the basis of the estimated future payment flows expected to be generated by the respective associated company. The present value is determined using a discounted cash flow model. No impairment loss was recognised as at 31 December 2016.

Debt instruments have to be tested for impairment if their fair value has fallen by at least 20% below the cost of the debt instruments and this decline persists over a period of nine months. The instrument is reviewed to determine whether an event has occurred that has an impact on future cash flows of the debt instrument that can be reliably estimated (IAS 39.59). If it is found that the debt instrument cannot be expected to recover its initial value during the planned holding period (exclusion of market fluctuations), impairment has to be recognised.
Equity instruments have to be tested for impairment if their fair value has fallen by at least 20% below the cost of the equity instruments or if the fair value of an equity instrument remains persistently below its cost for a period of not less than nine months. The instrument is reviewed to determine whether an event has occurred that has an impact on future cash flows from the equity instrument that can be reliably estimated (IAS 39.59) or if there is a risk that the outlay cannot be recovered for the equity instrument (IAS 39.61). If it is found that an equity instrument cannot be expected to recover its cost during the planned holding period (exclusion of market fluctuations), impairment has to be recognised. No reclassifications of assets from AfS to HtM were made in the financial year 2016.

Intangible assets and property, plant and equipment

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

The following average useful lives are applied at Oberbank: buildings used for banking operations: 10 to 50 years; business equipment and furnishings: 4 to 20 years; standard software: 4 years.

As at the balance sheet date, these items are tested for impairment by determining the fair market value of the respective assets. Oberbank uses this impairment test to determine the recovery value of the asset. This value corresponds to the higher of the utility value or the net sales value. If the fair market value is below the carrying value of the asset, impairment losses in the amount of the difference are recognised in income.

Deferred tax

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

Trading liabilities

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

Amounts owed to credit institutions and customers

These were recognised at amortised cost with the exception of payables on the hedged items for which the fair value option was used.

Securitised liabilities

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

Provisions for liabilities and charges

a) Provisions for staff benefits

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

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

- An interest rate (long-term capital market interest rate) of 2.00% (previous year: 2.25%)
- Annual salary increases of 2.97% (pr. yr.: 3.5%); increases in post-employment benefits of 1.53% (pr. yr.: 1.86%);

- In accordance with the transitional provisions of the Austrian pension reform, the individually determined retirement age for men is between 65 years and for women between 59 and 65 years.

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

b) Other provisions for liabilities and charges

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

Other liabilities

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

Equity

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

The 132nd Annual General Meeting of Oberbank AG held on 8 May 2012 passed a resolution authorising the management board to increase the share capital by up to EUR 750,000.00 by issuing up to 250,000 new ordinary no-par bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. This capital increase through the issuance of shares excluding existing shareholders' subscription rights has the purpose to issue shares to be offered to the staff, top executives, Belegschaftsbeteiligungsprivatstiftung der Oberbank AG (the private foundation managing the non-cash stock compensation programme of Oberbank AG) and members of the management boards of Oberbank or associated companies.

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

Furthermore, the said Annual General Meeting authorised the Management Board to increase the share capital of the Company through offerings of up to 3,125,000 ordinary no-par bearer shares against contributions in cash of up to EUR 9,375,000.00 - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register.

The management board made use of this authorisation by resolution of 23 September 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 for the volume 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 up to the volume not yet used and authorised the management board to increase the share capital by up to EUR 10,500,000.00 by issuing up to 3,500,000 ordinary no-par value bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register.
The management board made use of this authorisation by resolution of 26 September 2016 to issue 3,070,200 Oberbank ordinary no-par-value shares. The offer price was EUR 53.94 per share.
The capital increase carried out through cash contributions and without excluding subscription rights raised the share capital by EUR 9,210,600.00 to EUR 105,921,900.00 and the appropriated capital reserves by EUR 156,395,988.00 to EUR 505,523,256.06.

The share capital is divided into 32,307,300 ordinary no-par bearer shares and 3,000,000 non-voting no-par bearer preference shares carrying an entitlement to a minimum dividend of 6% of the pro-rata share capital, payable, if necessary, in a later period. The Management Board will recommend to the Annual General Meeting that a dividend of EUR 0.65 per share be distributed out of the net profit of Oberbank AG for the financial year 2016 (corresponding to a payout of EUR 22,949,745.00). On the reporting date, 11,650,156 Oberbank shares were held directly by the Company itself or by Group members. Additional proceeds (premiums) from the issuance of own shares were recognised in capital reserves. Retained earnings include the Group's reinvested profits as well as all consolidation entries recognised in the income statement. Unrealised gains and losses recognised in equity in accordance with IAS 39 comprise gains and losses on available-for-sale financial instruments. These are taken to the income statement upon realisation. The reserves attributable to associated companies are equivalent to the difference between historic acquisition costs and the carrying amount of associated companies accounted for using the equity method.

Additional equity capital components

To date, Oberbank AG has carried out two issues of Additional Tier 1 bonds with a total volume of EUR 50 million.
These issues are subordinate to Tier 2 instruments (supplementary capital, subordinate capital) and senior bonds. These are all equivalent to each other and to Additional Tier 1 instruments as well as to liabilities from existing hybrid capital instruments. The have preference status over shares and other CET1 capital instruments.
Interest payments are based on the nominal amount and are fixed until the first possible premature repayment date. Subsequently, it is switched to variable interest rates.
Interest is only permitted to be paid from eligible items.
The issuer has the right to waive interest payments at its discretion. It is not permitted for interest previously waived to be paid out.
The bonds have unlimited maturities, but can be called by Oberbank AG at the fixed first premature repayment date, and afterwards, every five years on the coupon dates. The issuer has special call rights if the regulatory classification or the tax treatment of the concerned bonds changes.
Every premature call requires the prior consent of the competent supervisory authority.
The bond holder does not have the right to call the bond.

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

Net interest income

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

Both interest income and interest expenses contain negative interest.

Charges for losses on loans and advances

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

Net commission income

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

Net trading income

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

Details of the income statement in €k

3) Net interest income	2016	2015
Interest income from		
Credit and money market business	340,545	351,168
Shares and other variable-yield securities	3,994	5,284
Other equity investments	4,131	3,802
Subsidiaries	2,390	1,381
Fixed-interest securities and bonds	69,880	75,787
Interest and similar income	420,940	437,422
Interest expenses for		
Deposits	-69,654	-89,207
Securitised liabilities	-23,824	-29,028
Subordinated liabilities	-19,141	-19,586
Interest and similar expenses	-112,619	-137,821
Income from entities accounted for using the equity method	51,323	81,602
Net interest income	359,644	381,203

Net interest income on financial assets not measured through profit or loss at fair value came to €k 418,105 (previous year: €k 432,329). The corresponding interest expenses on financial liabilities amounted to €k 71.206 (previous year €k 93.950).
Net interest income includes income in the amount of €k 646 and the interest expenses include negative interest of €k 1,002.

4) Charges for losses on loans and advances	2016	2015
Allocated to loan loss provisions	-94,824	-126,040
Direct write-offs	-1,635	-2,742
Reversals of loan loss provisions	68,555	78,734
Recoveries of written-off receivables	2,878	2,958
Charges for losses on loans and advances	-25,026	-47,090

5) Net commission income	2016	2015
Payment services	46,850	45,059
Securities business	41,191	44,508
Foreign exchange, foreign bank notes and precious metals business	13,178	12,654
Credit operations	25,794	25,795
Other service and advisory business	3,912	4,721
Net commission income	130,925	132,737

This item includes income in the amount of €k 2,914 from asset management for the account of third parties.

6) Net trading income	2016	2015
Gains (losses) on interest rate contracts	2,024	2,058
Gains (losses) on foreign exchange, foreign bank note and numismatic business	3,874	7,175
Gains (losses) on derivatives	5,497	508
Net trading income	11,395	9,741

7) Administrative expenses	2016	2015
Staff costs	153,964	149,097
Other administrative expenses	86,163	82,780
Write-offs and valuation allowances	11,626	11,395
Administrative expenses	251,753	243,272

Pension fund contributions were €k 3,247 (previous year: €k 3,116).

8) Other operating income	2016	2015
a) Net income from financial assets - FV/PL	10,851	-10,265
b) Net income from financial assets - AfS	11,925	-3,524
c) Net income from financial assets - HtM	0	243
d) Other operating income	-28,858	-28,287
thereof stability tax	-38,164	-14,469
thereof operational risks	3,927	-17,440
thereof gains from the sale of land and buildings	814	59
thereof from operating leases	2,553	2,650
thereof other	2,012	913
Other operating income net of other operating expenses	-6,082	-41,833

This item includes impairments in the amount of € 6.7 million for financial investments. The corresponding carrying values amount to € 66.9 million.

9) Income taxes

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

	2016	2015
Current income tax expense	33,974	30,266
Deferred income tax expenses (income)	3,851	-5,199
Income taxes	**37,825**	**25,067**

Reconciliation: Relation between computational and reported income taxes:

	2016	2015
Current income tax expense	33,974	30,266
Deferred income tax expenses (income)	3,851	-5,199
Income taxes	37,825	25,067
Profit for the year before tax	219,104	191,486
Computed tax expense 25%	54,776	47,872
Tax savings arising due to tax-exempt income from equity investments	-2,372	-1,825
Tax savings arising due to profits accounted for using the equity method	-12,831	-20,401
Tax expenses (income) relating to prior years	111	-3,146
Tax savings arising from other tax-exempt income	531	-304
Tax incurred as a result of non-allowable expenses	-931	3,019
Tax savings arising due to used carry-forwards of losses	-231	353
Tax effects from differing tax rates	-1,228	-500
Reported tax expenses (income)	37,825	25,067
Effective tax rate	17.50%	13.26%

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

	2016			2015		
	Income before	Income taxes	Net income	Income before tax	Income taxes	Net income
Actuarial gains (losses) pursuant to IAS 19	2,986	-746	2,240	30,507	-7,627	22,880
Items reclassified to profit or loss of the year under IAS 39	49,641	-12,411	37,230	27,322	-6,831	20,492
Exchange differences	317	0	317	584	0	584
Share of income/loss from entities accounted for using the equity method	-6,754	0	-6,754	-20,223	0	-20,223
Total	**49,160**	**-13,157**	**33,032**	**38,190**	**-14,457**	**23,733**

10) Earnings per share in €	2016	2015
Number of shares as at 31/12	35,307,300	32,237,100
Average number of shares in issue	32,444,640	30,408,236
Profit for the year after tax	181,278	166,419
Earnings per share in €	5.59	5.47

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

Details of the balance sheet in €k

11) Cash and balances at central banks	**2016**	**2015**
Cash in hand	76,711	76,263
Credit balances with central banks of issue	580,847	277,760
Cash and balances at central banks	657,558	354,023

12) Loans and advances to credit institutions	**2016**	**2015**
Loans and advances to Austrian credit institutions	287,094	592,742
Loans and advances to foreign credit institutions	439,016	473,171
Loans and advances to credit institutions	726,110	1,065,913
Loans and receivables to credit institutions, by maturity		
On demand	226,946	150,917
To 3 months	307,898	580,595
3 months to 1 year	108,428	168,625
1 to 5 years	52,701	135,193
Over 5 years	30,137	30,583
Loans and advances to credit institutions	726,110	1,065,913

13) Loans and advances to customers	**2016**	**2015**
Loans and advances to Austrian customers	8,350,890	7,814,965
Loans and advances to foreign customers	5,427,003	5,024,979
Loans and advances to customers	13,777,893	12,839,944
Loans and advances to customers, by maturity		
On demand	1,999,686	1,897,252
To 3 months	1,039,195	1,094,185
3 months to 1 year	1,190,174	1,023,445
1 to 5 years	4,627,004	4,262,460
Over 5 years	4,921,834	4,562,602
Loans and advances to customers	13,777,893	12,839,944
Leasing business (finance leasing), gross investment value		
To 3 months	49,340	43,711
3 months to 1 year	235,131	201,960
1 to 5 years	785,710	675,787
Over 5 years	255,071	298,552
Total	1,325,252	1,220,010
Unrealised financial income		
To 3 months	5,977	5,843
3 months to 1 year	15,409	15,343
1 to 5 years	36,938	37,971
Over 5 years	12,298	15,521
Total	70,622	74,678
Net investment value		
To 3 months	43,363	37,868
3 months to 1 year	219,722	186,617
1 to 5 years	748,772	637,816
Over 5 years	242,773	283,031
Total	1,254,630	1,145,332
Cumulated impairment allowances	16,566	18,692

14) Impairment provisions see note 41 "Credit risk"

15) Trading assets	2016	2015
Bonds and other fixed-interest securities		
Listed	10,620	857
Stocks and other variable-yield securities		
Listed	813	351
Positive fair values of derivative financial instruments		
Currency contracts	2,870	2,158
Interest rate contracts	48,426	42,807
Other contracts	0	0
Trading assets	62,729	46,173

16) Financial investments	2016	2015
Bonds and other fixed-interest securities		
Listed	2,416,248	2,493,080
Unlisted	99,941	83,459
Stocks and other variable-yield securities		
Listed	144,790	111,454
Unlisted	197,713	179,988
Equity investments/shares		
In subsidiaries	84,700	88,207
in entities accounted for using the equity method		
Banks	325,585	306,425
Non-banks	391,147	383,021
Other equity investments		
Banks	13,051	13,246
Non-banks	106,420	112,329
Financial investments	3,779,595	3,771,209
a) Financial assets - FV/PL	236,934	237,662
b) Financial assets - AfS	712,238	709,536
c) Financial assets - HtM	2,113,691	2,134,565
d) Interest in entities accounted for using the equity method	716,732	689,446
Financial investments	3,779,595	3,771,209

17) Intangible assets	2016	2015
Customer base	512	566
Other intangible assets	568	682
Intangible assets	1,080	1,248

18) Property, plant and equipment	2016	2015
Investment property	96,545	99,501
Land and buildings	51,464	51,220
Business equipment and furnishings	77,054	77,598
Other property, plant and equipment	15,727	18,130
Property, plant and equipment	240,790	246,449

The Group owned land and buildings used by others with a carrying value of €k 96,545 (previous year €k 99,501); these properties had a fair value of €k 106,584 (previous year €k 110,940). The fair value is assignable to level 3 and is calculated using internal models. Rental income during the reporting year came to €k 4,500; the associated expenses (including depreciation) amounted to €k 2,957. 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 56,241.

Leasing (operating leases): future minimum lease instalments	2016	2015
To 3 months	4,640	4,635
3 months to 1 year	12,490	13,073
1 to 5 years	39,800	40,348
Over 5 years	30,017	36,100
Total	86,947	94,156

19) Other assets	2016	2015
Deferred tax assets	37,850	55,984
Other items	153,187	175,427
Positive fair values of closed out derivatives in the banking book	170,047	170,644
Deferred tax items	4,215	4,627
Other assets	365,299	406,682

Deferred tax assets/liabilities in €k

	Deferred taxes 2016		Deferred taxes 2015	
	Assets	Liabilities	Assets	Liabilities
Loans and advances to credit institutions	0	-7	0	-8
Loans and advances to customers	79	-11,166	1,775	-9,296
Impairment provisions	49,746	0	48,041	0
Trading assets	0	-12,515	0	-10,839
Financial investments	0	-34,233	0	-23,384
Financial assets - FV/PL	0	-10,983	0	-9,522
Financial assets - AfS	0	-23,013	0	-13,704
Financial assets - HtM	0	-237	0	-158
Intangible assets	0	-131	0	-142
Property, plant and equipment	11	-109	2	-94
Other assets	5	-27,068	0	-27,697
	49,842	-85,229	49,818	-71,460
Amounts owed to credit institutions	1,602	0	1,818	205
Amounts owed to customers	17,504	0	17,090	0
Securitised liabilities	5,881	0	5,955	0
Provisions for staff benefits	21,235	0	22,234	0
Other provisions	6,371	0	8,794	-198
Other liabilities	6,261	-780	5,917	-1,761
Subordinated debt capital	10,156	0	11,423	0
Untaxed reserves/valuation reserves	0	-414	0	-571
	69,010	-1,194	73,231	-2,325
Capitalisable tax loss carry-forwards	1,256	0	1,443	0
Deferred tax assets/liabilities	120,108	-86,423	124,492	-73,785
Valuation allowance	0	0	0	0
Balance of deferred tax assets/liabilities attributable to the same fiscal authority	-82,258	82,258	-68,508	68,508
Balance of deferred tax assets/liabilities	37,850	-4,165	55,984	-5,277

No deferred tax assets were recognised for loss carry-forwards from the Leasing subgroup of €k 2,640 as at 31 Dec. 2016, because their consumption within the foreseeable future does not appear feasible from today's perspective.
No deferred tax liabilities were recognised in accordance with IAS 12.39 on the temporary differences from interests in subsidiaries, joint ventures and associated companies held by Group companies of €k 553,675 (2015: €k 555,012), because the temporary differences are not expected to reverse in the foreseeable future.

20) Amounts owed to credit institutions	**2016**	**2015**
Amounts owed to Austrian banks	1,777,551	1,692,571
Amounts owed to foreign banks	1,381,092	1,302,932
Amounts owed to credit institutions	3,158,643	2,995,503
Amounts owed to credit institutions, by maturity		
On demand	973,604	767,964
To 3 months	449,105	681,071
3 months to 1 year	197,325	159,924
1 to 5 years	823,549	966,041
Over 5 years	715,060	420,503
Amounts owed to credit institutions	3,158,643	2,995,503

21) Amounts owed to customers	**2016**	**2015**
Savings deposits	2,794,166	2,912,646
Other	8,150,320	7,608,901
Amounts owed to customers	10,944,486	10,521,547
Amounts owed to customers, by maturity		
On demand	7,321,079	6,761,406
To 3 months	1,098,158	984,221
3 months to 1 year	1,441,592	1,711,565
1 to 5 years	549,413	576,102
Over 5 years	534,244	488,253
Amounts owed to customers	10,944,486	10,521,547

22) Securitised liabilities	**2016**	**2015**
Bonds issued	1,391,143	1,424,158
Other securitised liabilities	12,814	19,218
Securitised liabilities	1,403,957	1,443,376
Securitised liabilities, by maturity		
To 3 months	63,249	67,358
3 months to 1 year	92,114	143,183
1 to 5 years	1,042,724	957,412
Over 5 years	205,870	275,423
Securitised liabilities	1,403,957	1,443,376

23) Provisions for liabilities and charges	2016	2015
Provisions for benefits and pensions	173,370	178,698
Other provisions	148,679	150,478
Provisions for liabilities and charges	322,049	329,176
Provisions for anniversary bonuses	11,688	11,619
Provisions for credit risks	98,109	95,114
Other provisions	38,882	43,745
Other provisions for liabilities and charges	148,679	150,478

Movement in provisions for termination benefits and pensions	2016	2015
Provisions balance as at 1/1	178,698	235,942
Allocated to/reversed from provisions for termination benefits	-122	454
Allocated to/reversed from provisions for pensions	-5,206	-57,698
Provisions balance as at 31/12	173,370	178,698

Presentation of obligations under defined benefit plans pursuant to IAS 19	2016	2015
Plan assets	0	0
Provisions for termination benefits	43,087	43,209
Provisions for pensions	130,283	135,489
Provisions for anniversary bonuses	11,688	11,619
Total obligations under defined benefit plans	185,058	190,317

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

As at 31 December 2016, 920 employees were included in the "Severance Pay OLD" system (95%.8 of the entire volume of provisions) and 894 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 2016, provisions for pensions within the Oberbank Group included 484 pension beneficiaries (75.4% of the total volume of provisions) and 401 employees in active service (24% of total provisions).

400 active staff members are entitled to a pension based on acquired vested rights as calculated for the cut-off date of 1 January 1997 and value-adjusted for salary increases in accordance with the collective agreement on an annual basis. This group of employees accounts for almost 18.2% 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. No disability pension was granted in 2016.

Administrative pension: Upon termination of an employment contract by the Bank, active employees entitled to a pension based on acquired vested rights are entitled to an administrative pension calculated on the basis of the last salary, which is paid until such person becomes entitled to a statutory pension pursuant to the provisions laid down in the Austrian General Social Insurance Act (ASVG), from which date a transitional pension is disbursed (calculated on the basis of a fictitious ASVG pension. There were no such cases in 2016.

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 2016, provisions for anniversary bonuses covered the entitlements of 1,537 persons. No provisions have been set up for 285 persons (143 have already received their anniversary bonuses; 142 persons will reach retirement age prior to the entitlement date for the anniversary bonus).

Movements in provisions for termination benefits, pensions and similar obligations	**2016**	**2015**
Present value of defined benefit provisions as at 01/01	**190,317**	**246,475**
Recognised in the income statement		
+ Service cost	3,743	3,945
+ Interest cost	4,180	5,429
Subtotal	**198,240**	**255,849**
Revaluation effects		
Recognised directly in Other comprehensive income		
--/+ Actuarial gain/loss	-2,986	-30,507
- financial assumptions	-1,150	-16,170
- demographic assumptions	0	0
- experience-based assumptions	-1,836	-14,337
-/+ Gains / losses on plan assets	0	0
-/+ Gains / losses from exchange rate movements	0	0
Recognised in the income statement	-304	740
Subtotal	**-3,290**	**-29,767**
Other		
Payments for plan settlements	0	-25,098
- Payments during the reporting year	-9,892	-10,667
- Other changes	0	0
Subtotal	**-9,892**	**-35,765**
Provisions recognised as at 31/12	**185,058**	**190,317**

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

Important actuarial assumptions for calculating the present values of defined benefit obligations	**2016**	**2015**
Interest rate applied	2.00%	2.25%
Rate of increase under collective agreements	2.97%	3.25%
Pension increase	1.53%	1.86%
Turnover	none	none
Retirement age women	59 - 65 years	59 - 65 years
Retirement age men	65 years	65 years
Mortality tables	AVÖ 2008	AVÖ 2008

Assuming that the computational parameters remain unchanged, we anticipate a reversal of provisions for termination benefits, pensions and similar obligations of about EUR 2.3 million in the financial year 2017. The present value of post-retirement benefit obligations was €k 216,229 for the financial year 2009, €k 215,703 for the financial year 2010, €k 216,216 for the financial year 2011, €k 218,727 for the financial year 2012, €k 217,880 for the financial year 2013, and €k 246,475 for the financial year 2014.

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%	38,240	114,689	-
Interest rate applied - 1%	47,661	149,823	-
Collective agreement increase + 0.5%	44,956	131,636	-
Collective agreement increase - 0.5%	40,314	128,997	-
Pension increase + 0.5%	-	137,606	-
Pension increase - 0.5%	-	123,550	-

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
2017	1,542	7,100	-
2018	1,707	6,857	-
2019	2,717	6,627	-
2020	3,169	6,405	-
2021	3,631	6,238	-
Total of anticipated disbursements of benefits in the next five years	12,766	33,227	-

Maturity

The following table shows the weighted average term to maturity of defined benefit obligations as at 31 Dec. 2016:

In years	Termination benefits	Pensions	Anniversary bonuses
Maturity	10.09	13.97	-

Movements in other provisions for liabilities and charges	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
Balance as at 01/01	11,619	95,114	43,745
Allocated	69	18,234	13,836
Used / exchange differences / effect proportionate consolidation / reclassification	0	-2,387	-280
Reversed	0	-12,852	-18,419
Balance as at 31/12	11,688	98,109	38,882

24) Other liabilities	2016	2015
Trading liabilities	44,896	45,350
Tax liabilities	6,268	7,846
Current tax liabilities	2,103	2,569
Deferred tax liabilities[1)]	4,165	5,277
Other liabilities	227,218	234,761
Negative fair values of closed out derivatives in the banking book	35,151	26,960
Deferred items	72,609	58,045
Other liabilities	386,142	372,962

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

25) Other liabilities (trading liabilities)	2016	2015
Currency contracts	2,870	2,158
Interest rate contracts	42,026	42,777
Other contracts	0	415
Trading liabilities	44,896	45,350

26) Subordinated debt capital	2016	2015
Issued subordinated bonds incl. supplementary capital	601,391	595,993
Hybrid capital	59,108	59,128
Additional Tier 1 capital	0	0
Subordinated debt capital	660,499	655,121
Subordinated debt capital, by maturity		
To 3 months	10,372	46,186
3 months to 1 year	72,010	15,771
1 to 5 years	398,576	445,759
Over 5 years	179,541	147,405
Subordinated debt capital	660,499	655,121

27) Equity	2016	2015
Subscribed capital	105,837	96,431
Capital reserves	505,523	348,291
Retained earnings net profit)	1,614,540	1,424,511
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	4,991	4,559
Equity	2,282,763	1,925,664
Development of shares in issue (units)		
Shares in issue as at 01/01	32,209,010	28,743,044
New shares issued	3,070,200	3,453,975
Treasury shares purchased	-637,058	-340,277
Treasury shares sold	636,735	352,268
Shares in issue as at 31/12	35,278,887	32,209,010
Plus own shares held by the Group	28,413	28,090
Number of shares as at 31/12	35,307,300	32,237,100

The carrying value of own shares held was EUR 1.6 million (previous year: EUR 1.1 million) on the balance sheet date.

28) Non-current assets statement			
Movements in intangible assets and property, plant and equipment	Intangible assets	Property, plant and equipment	Of which investment property
Cost of purchase/conversion as at	19,649	475,890	115,865
Currency exchange differences	16	76	0
Transfers	0	0	0
Additions	216	24,470	0
Disposals	709	20,173	0
Cumulated depreciation	18,092	239,473	19,320
Book value as at 31/12/2016	1,080	240,790	96,545
Book value as at 31/12/2015	1,248	246,449	99,501
Depreciation during the reporting year	331	24,537	2,956

Of total depreciation of property, plant and equipment in the reporting year, €k 13,242 assignable to operating leases are shown in the line item Other operating income.

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

Development of investments in subsidiaries and equity investments	Investments in subsidiaries	Equity investments
Cost of purchase/conversion as at 01/01/2016	106,905	835,443
Additions	1,830	827
Change in investments in associates	0	27,286
Additions	0	5,108
Disposals	4,442	6,558
Cumulated depreciation	19,593	25,903
Book value as at 31/12/2016	84,700	836,203
Book value as at 31/12/2015	88,207	815,021
Depreciation during the reporting year	896	5,481

The Company realised proceeds of €k 0 in the reporting year from the disposal of unlisted equity investments/shares in subsidiaries, the fair value of which could not be reliably measured. .

This resulted in a book value reduction amounting to €k 0 and €k 0 in net income.

29) Fair value of financial instruments as at 31/12/2016

	HtM	**FV/PL**	**HFT**	**AfS**	**L&R/ liabilities**	**Other**	**Total**
Cash and balances at central banks						657,558 657,558	657,558 657,558
Loans and advances to credit institutions					726,110 729,645		726,110 729,645
Loans and advances to customers	54,227 54,358	62,588 62,588		96,780 96,780	13,564,298 13,645,678		13,777,893 13,859,404
Loan loss provisions					-452,515 -452,515		-452,515 -452,515
Trading assets			62,729 62,729				62,729 62,729
Financial investments	2,113,691 2,285,559	236,934 236,934		617,008 617,008		811,962[1)]	3,779,595
Intangible assets						1,080	1,080
Property, plant and equipment						240,790	240,790
Other assets			170,047 170,047			195,252	365,299
of which closed derivatives positions in the banking book			170,047 170,047				170,047 170,047
Total assets	**2,167,918** **2,339,917**	**299,522** **299,522**	**232,776** **232,776**	**713,788** **713,788**	**13,837,893** **13,922,808**	**1,906,642**	**19,158,539**

Amounts owed to credit institutions		66,794 66,794			3,091,849 3,109,607		3,158,643 3,176,401
Amounts owed to customers		424,261 424,261			10,520,225 10,539,673		10,944,486 10,963,934
Securitised liabilities		392,576 392,576			1,011,381 1,020,084		1,403,957 1,412,660
Provisions for liabilities and charges						322,049	322,049
Other liabilities			80,047 80,047			306,095	386,142
of which closed derivatives positions in the banking book			35,151 35,151				35,151 35,151
Subordinated debt capital		407,702 407,702			252,797 256,082		660,499 663,784
Capital						2,282,763	2,282,763
Total equity and liabilities	**-** **-**	**1,291,333** **1,291,333**	**80,047** **80,047**	**-** **-**	**14,876,252** **14,925,446**	**2,910,907**	**19,158,539**

The first line item shows the book value; the line below shows the fair value of the same item.
1) Euro 95.2 million in this item relate to equity interests and non-consolidated interests in associated companies shown at cost in the balance sheet.

29) Fair value of financial instruments as at 31/12/2015	HtM	FV/PL	HFT	AfS	L&R/ liabilities	Other	Total
Cash and balances at central banks						354,023 354,023	354,023 354,023
Loans and advances to credit institutions					1,065,913 1,066,206		1,065,913 1,066,206
Loans and advances to customers	43,914 44,060	67,811 67,811		69,412 69,412	12,658,807 12,743,424		12,839,944 12,924,707
Impairment provisions					-488,292 -488,292		-488,292 -488,292
Trading assets			46,173 46,173				46,173 46,173
Financial investments	2,134,565 2,316,642	237,662 237,662		615,577 615,577		783,405[1)]	3,771,209
Intangible assets						1,248	1,248
Property, plant and equipment						246,449	246,449
Other assets			170,644 170,644			236,038	406,682
of which closed derivatives positions in the banking book			170,644 170,644				170,644 170,644
Total assets	**2,178,479** **2,360,702**	**305,473** **305,473**	**216,817** **216,817**	**684,989** **684,989**	**13,236,428** **13,321,338**	**1,621,163**	**18,243,349**
Amounts owed to credit institutions		87,734 87,734			2,907,769 2,944,592		2,995,503 3,032,326
Amounts owed to customers		404,609 404,609			10,116,938 10,133,285		10,521,547 10,537,894
Securitised liabilities		461,872 461,872			981,504 994,581		1,443,376 1,456,453
Provisions for liabilities and charges						329,176	329,176
Other liabilities			72,310 72,310			300,652	372,962
of which closed derivatives positions in the banking book			26,960 26,960				26,960 26,960
Subordinated debt capital		441,884 441,884			213,237 214,558		655,121 656,442
Capital						1,925,664	1,925,664
Total equity and liabilities	**0** **0**	**1,396,099** **1,396,099**	**72,310** **72,310**	**0** **0**	**14,219,448** **14,287,016**	**2,555,492**	**18,243,349**

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

1) Euro 94 million in this item relate to equity interests and non-consolidated interests in associated companies shown at cost in the balance sheet.

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

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

Presentation of the fair value hierarchy for financial instruments carried at fair value			Book value						Fair value	
as at 31/12/2015 in €k	HtM	FV/PL	HFT	AfS	L&R / liabilities	Other	**Total**	Level 1	Level 1	Level 1
Financial instruments carried at fair value										
Loans and advances to customers	0	67,811	0	69,412	0	0	**137,223**	0	69,412	67,811
Trading assets	0	0	46,173	0	0	0	**46,173**	1,059	45,114	0
Financial assets - FV/PL	0	237,662	0	0	0	0	**237,662**	53,185	184,477	0
Financial assets - AfS	0	0	0	615,577	0	0	**615,577**	489,651	45,502	80,424[1)]
Other assets	0	0	170,644	0	0	0	**170,644**	0	170,644	0
of which closed derivatives positions in the banking book	0	0	170,644	0	0	0	**170,644**	0	170,644	0
Financial assets not carried at fair value										
Loans and advances to credit	0	0	0	0	1,065,913	0	**1,065,913**	0	0	1,066,206
Loans and advances to customers	43,914	0	0	0	12,658,807	0	**12,702,721**	0	44,060	12,743,424
Financial assets - HtM	2,134,565	0	0	0	0	0	**2,134,565**	2,252,876	63,766	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	87,734	0	0	0	0	**87,734**	0	32,622	55,112
Amounts owed to customers	0	404,609	0	0	0	0	**404,609**	0	404,609	0
Securitised liabilities	0	461,872	0	0	0	0	**461,872**	0	461,872	0
Other liabilities	0	0	72,310	0	0	0	**72,310**	0	72,310	0
of which closed derivatives positions in the banking book	0	0	26,960	0	0	0	**26,960**	0	26,960	0
Subordinated debt capital	0	441,884	0	0	0	0	**441,884**	0	441,884	0
Financial liabilities not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	2,907,769	0	**2,907,769**	0	57,126	2,887,466
Amounts owed to customers	0	0	0	0	10,116,938	0	**10,116,938**	0	57,187	10,076,098
Securitised liabilities	0	0	0	0	981,504	0	**981,504**	0	994,581	0
Other liabilities	0	0	0	0	0	0	**0**	0	0	0
Subordinated debt capital	0	0	0	0	213,237	0	**213,237**	0	214,558	0

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

The fair value corresponds to the amount at which an asset can be sold or a liability settled by market participants in a transaction under market conditions on the balance sheet date. The assessment of the fair value is based on the assumption that the transaction takes place either on the principal market for the respective asset or debt instrument or, if no such principal market exists, the most advantageous active market for the respective transaction, provided the entities involved have access to such markets.

Where market prices are available for identical assets or debt instruments in an active market to which access is available on the balance sheet date, the assets/debt instruments are measured using the prices quoted on these markets (level 1). Where no such market prices are available, the fair value is determined using valuation models based on market-based parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).

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

Valuation process

Responsibility for independent monitoring and communication of risks as well as the valuation of financial instruments lies with the Strategic Risk Management unit of Oberbank. The unit is functionally and organisationally separate from trading, which is responsible for the initiation and conclusion of transactions.

Trading book positions are marked-to-market daily at the close of business.

Valuation is based on current stock exchange quoted prices where such officially quoted prices are available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived from current market data (yield curves, volatilities, etc.) are used.

The market data is validated daily; at regular intervals, the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with the model values of the partner banks.

The management is forwarded a daily update on risk positions and the valuation results based on total trading book positions.

The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

Valuation methods for measuring fair values

The valuation methods used are in compliance with recognised mathematical methods for measuring financial instruments taking into account all factors that market participants would consider appropriate for determining a price.

The income-based methodology is the valuation approach applied to derivatives, securitised liabilities and subordinated capital bonds.

The market-based approach is applied in the fair value measurement of structured products.

Input factors for the fair value measurement

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

If direct measurement based on prices quoted on securities exchanges is not possible, the present value in **level 2** is estimated using model values derived from current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are obtained from the Reuters Market Data System.

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes options pricing model). Structured products are measured on the basis of price information obtained from third parties. The exchange rates used are the reference rates published by the ECB.

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

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

The fair value of **level 3** assets is measured using generally-accepted valuation models. In level 3, the discounted cash flow method is used to calculate the fair values of receivables and liabilities.
Discounted cash flows are calculated on the basis of future payment flows and the reference interest rate applicable on the respective closing date. The interest rates used for discounting are derived from the discount curve applicable for the respective currency. The exchange rates used are the reference rates published by the ECB.
For these financial instruments, no risk premiums commensurate with credit ratings are observable on the market. If measurements based on risk premiums were to increase by 50 bp, loans and advances to customers valued at fair value would decline by EUR 1.2 million (pr. yr.: EUR 1.5 million), while amounts owed to credit institutions valued at fair value would increase by EUR 1.1 million (pr. yr.: EUR 1.4 million).

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

Financial assets in the AfS portfolio (participating interests and shares in affiliated companies) in the amount of €k 95,230 are recognised at cost. There is no active market for these instruments, and Oberbank does not intend to sell these.
The following table shows the development of participating interests AfS measured at fair value and assigned to level 3. The fair value of these assets is measured using the discounted cash-flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method).

Exposure in €k	**2016**	**2015**
Carrying value as at 01/01	80,424	83,903
Additions (purchases)	0	0
Disposals (sales)	-2,501	0
Value changes recognised directly in equity	-187	200
Value changes recognised in income	-3,120	-3,679
Carrying value as at 31/12	**74,616**	**80,424**

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

	2016	**2015**
Realised gains	0	0
Value changes recognised in income	-3,120	-3,679
	-3,120	**-3,679**

The item Other comprehensive income from these instruments increased in the reporting year by €k 187 (pr. yr.: €k 150).

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

	Significant, non-observable input factors	**Relationship between significant, non-observable input factors and measurement at fair value**
Participating interests Available for	Discounting rate 5.25% - 8.52% (pr.yr. 5.75% - 8.29%), weighted average 5.59% (pr.yr. 5.94%)	The estimated fair value would increase (drop) if the discounting rate were lower (higher)

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

	31/12/2016		31/12/2015	
in €k Euro	**Increase**	**Reduction**	**Increase**	**Reduction**
Discounting rate (0.25% change)	-4,249	4,996	-2,368	2,379

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

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

Movement in 2015 in €k	Loans and advances to customers	Amounts owed to credit institutions	Amounts owed to customers
Carrying value as at 01/01	84,297	89,575	412,563
Additions	0	0	15,000
Disposals (repayments)	-14,915	0	-11,000
Changes in fair value	-1,571	-1,841	-11,954
of which disposals	-664	0	-557
of which portfolio instruments	-907	-1,841	-11,397
Reclassified to level 2	0	-32,622	-404,609
Carrying value as at 31/12	**67,811**	**55,112**	**0**

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

The result includes impairments of €k 57,853 (pr. yr.: €k 53,739) on loans and advances to customers. An amount of €k 56,218 (pr. yr: €k 50,996) thereof was added to specific valuation allowances, and direct write-offs amounted to €k 1,635 (pr. yr.: €k 2,743). The difference between the book value and the lower repayment values of financial liabilities recognised at fair value through profit or loss came to €k 140,461 (pr. yr.: €k 145,150). The Company acquired no pledged properties intended for immediate resale in the reporting year. The non-interest-related cumulated change in the fair value of financial liabilities amounted to €k -5,965 (pr. yr.: €k -8.103), that of financial receivables to €k 145 (previous year €k 687). The periodic change of non-interest-related of financial liabilities amounts to €k 2.138, that of financial assets to €k -542. In this context, the change in fair value resulting from creditworthiness is determined as the change in fair value not accounted for by changes in market risks (interest rates, currencies, etc.).

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

				Amounts not recognised		
	Financial liabilities gross	Gross amounts offset	Net amounts recognised	Effects of netting arrangements	Financial instruments pledged	Net
Assets as at 31/12/2016						
Loans and advances to customers	14,264,229	-486,336	13,777,893			13,777,893
Derivatives	220,106		220,106	-57,357	-84,181	78,568
Total	**14,484,335**	**-486,336**	**13,997,999**	**-57,357**	**-84,181**	**13,856,461**
Liabilities 31/122016						
Amounts owed to customers	11,430,822	-486,336	10,944,486			10,944,486
Central bank funds purchased and securities sold under repurchase agreements	777,119		777,119		-777,119	0
Derivatives	78,789		78,789	-57,357	-2,325	19,107
Total	**12,286,730**	**-486,336**	**11,800,394**	**-57,357**	**-779,444**	**10,963,593**
Assets as at 31/12/2015						
Loans and advances to customers	13,369,641	-529,697	12,839,944			12,839,944
Derivatives	214,002		214,002	-58,252	-81,031	74,719
Total	**13,583,643**	**-529,697**	**13,053,946**	**-58,252**	**-81,031**	**12,914,663**
Liabilities 31/12/2015						
Amounts owed to customers	11,051,244	-529,697	10,521,547			10,521,547
Central bank funds purchased and securities sold under repurchase agreements	734,649		734,649		-734,649	0
Derivatives	70,770		70,770	-58,252	-1,641	10,877
Total	**11,856,663**	**-529,697**	**11,326,966**	**-58,252**	**-736,290**	**10,532,424**

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

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

Total remunerations to the Management Board recognised in the consolidated financial statements amounted €k 1.708.7 (pr. yr.: € 1.526,7). The variable component thereof was € 338.0 (prev. year € 325.0).
Payments to former members of the Management Board and their surviving dependents amounted to € 1,226.0 (pr. yr.: € 1,402.9). Additionally, compensation payments for pension entitlements were paid to former members of the Management Board (including surviving dependents) in the financial year of € 2,552.5.
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 € 1.084,2 (pr. yr.: € -2.078,8). This amount includes changes in the provisions for termination benefits and pensions taken to equity (actuarial expenses or losses resulting from a change in the parameters used for the actuarial calculation of provisions).

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

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

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

Since variable remuneration components are always retrospectively determined and awarded, provisions must be set up in the balance sheet. However, given the very moderate policy course pursued by the Remuneration Committee, these can be easily planned. For the remuneration paid out in 2015 for the year 2014, the amount was €k 330, and for the remuneration paid out in 2016 for 2015, the amount was €k 350.
Remuneration to be paid out in 2017 for 2016 is recognised in the balance sheet as at 31/12/2016 €k 350.
Variable components, like payments made to staff members, are paid out in May together with the monthly salaries; the amount assignable to the portion to be paid in equity instruments is booked to a blocked securities account in the name of the respective Management Board member and used for paying for the shares to be acquired, which are then subject to a holding period of three years.
The provisions created for the portions which are not disbursed in accordance with legal requirements (20% in cash and 20% in equity instruments) remain untouched. These provisions amounted to €k 130 in 2015 and to €k 135 for 2016. These amounts are distributed across the subsequent five years to be paid out following approval by the Remuneration Committee.
In terms of accounting treatment, the provisions to be created for the variable components of Management Board

Remuneration of the Supervisory Board for the reporting year as recognised in the consolidated financial statements came to €k 220.7 (previous year: €k 229.1).

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

The Annual General Meeting of 2012 set the annual emoluments for the members of the committees in remuneration for the work rendered by each committee member at EUR 4,000 for the members of the Audit Committee and the Risk and Credit Committee, EUR 2,000 for the members of the Working Committee and EUR 1,000 for the members of the Nomination Committee and the Remuneration Committee.

Loans had been granted and guarantees were in place on behalf of the Supervisory Board of Oberbank AG in an amount of €k 1,155.1 (pr. yr.: €k 682.3). Loans in an amount of €k 242.1 (previous year: €k 239.1) had been granted to the members of the Management Board of Oberbank AG. They were subject to the customary terms and conditions.

Framework conditions of the 2016 employee stock option plan

- Offering period: 23 May to 13 June 2016; placing of orders until 13 June 2016
- Number of shares limited to 80,000 ordinary non-par value shares available for purchase and to 32,000 ordinary non-par value preference shares allocated free of charge ("bonus shares").
- Subscription price: quoted price as at 14 June 2016; maximum number of shares available for purchase: 190 shares
- Bonus shares: two bonus shares are allocated free of charge per five purchased shares.

Within the predefined timeframe, the employees of Oberbank AG were offered shares in the Company at preferential conditions (bonus shares). The purchase of shares is subject to restrictions on the amount employees are permitted to invest in purchasing shares.

In the reporting year, the number of shares obtained by employees within this offering was 80,000 ordinary non-par value shares for purchase and 32,000 ordinary non-par value preference shares free of charge ("bonus shares").

The 32,000 preference shares acquired through the 2016 buyback programme for the purpose of issuing these to the eligible group of persons at no cost entailed expenses in an amount of €k 1,254.

2016 buyback programme

The share buyback programme for ordinary and preference shares was concluded on 17 June 2016.

Within the buyback programme for ordinary shares, Oberbank, through the stock exchange and over the counter, repurchased a total of 81,693 ordinary non-par value shares between 6 June 2016 and 17 June 2016 which correspond to 0.2534% of the share capital. The weighted average price per ordinary share amounted to EUR 56.2018; the highest price paid per ordinary share was EUR 56.30; the lowest price paid per ordinary share was EUR 56.20. The value of repurchased shares amounted to EUR 4,591,295.50.

Within the buyback programme from 6 June 2016 and 17 June 2016, Oberbank repurchased over the counter a total of 32,000 preference shares which corresponds to 0.0993% of the share capital. The weighted average price per preference share was EUR 39.20; the highest price paid per preference share was EUR 39.20; the lowest price paid per preference share was EUR 39.20. The value of repurchased preference shares amounted to EUR 1,254,400.00.

On 20 June 2016, the Management Board of the company reached the following decisions:

1) of the own 81,693 ordinary shares acquired within the share buyback programme 2016, to sell or transfer 81,693 ordinary shares, specifically, 80,000 shares to employees (including the Management Board) within the context of the employee stock option plan of 2016 and 1,693 shares to the Management Board as the share-based remuneration of the Management Board pursuant to § 39b Banking Act in compliance with the proposal of the meeting of the Remuneration Committee of the Supervisory Board of Oberbank AG of 29 March 2016;

2) of the 32,000 preference shares acquired within the share buyback programme 2016, to transfer at no cost 32,000 preference shares to employees (including the Management Board) within the context of the employee stock option plan of

2016; Within the scope of the employee stock option plan 2016, employees (including the Management Board) receive two preference shares for five ordinary shares bought at no cost (Model 5+2).
This decision as well as the sale of own shares are herewith published pursuant to § 65 (1a) Joint Stock Companies Act in conjunction with § 82 paras. 8 and 9 Stock Exchange Act and pursuant to §§ 4 and 5 of the Austrian 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 2016, employees (including retirees) and the Management Board held the following shares:

	Ordinary shares	Preference shares
Employees	1,102,530	63,499
thereof Management Board	18,677	1,119
Gasselsberger	10,449	886
Weißl	5,922	163
Hagenauer	2,306	70

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

As at 31 December 2016, business transactions with related companies and persons were as follows:

in €k	Associates	Subsidiaries	Other related companies and persons[1)]
Business transactions			
Finance	58,437	4,500	1,106
Guarantees/collateral	13,763	0	2,401
Balances outstanding			
Receivables	132,097	30,747	14,450
Receivables in preceding year	242,818	43,246	1,709
Securities	28,057	0	0
Securities in preceding year	78,684	0	0
Payables	20,193	23,638	30,794
Payables in preceding year	162,309	41,982	28,334
Guarantees/collateral	39,916	0	12,280
Guarantees/collateral in preceding year	31,101	7,138	3
Provisions for doubtful receivables	402	0	0
Provisions for doubtful receivables in previous year	315	0	0
Income items			
Interest	2,451	46	122
Commission	401	10	411
Expenses			
Interest	27	20	45
Commission	2	0	0
Allowances for doubtful receivables	2,192	0	0
Administrative expenses	0	0	0

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

31) Segment reporting

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

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

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

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

Core business segments in €k	Personal	Corporate	Fin. Markets	Other	Total
Operating interest income	55,603	225,167	27,551		308,321
at equity			51,323		51,323
Net interest income	55,603	225,167	78,874		359,644
Charges for losses on loans and advances	228	-17,210	-8,044		-25,026
Net commission income	59,721	71,232	-28		130,925
Net trading income		-25	11,421		11,395
Administrative expenses	-86,175	-134,565	-7,696	-23,317	-251,753
Other operating income	-3,073	-6,479	16,642	-13,173	-6,082
Extraordinary result					
Profit for the year before tax	26,304	138,120	91,170	-36,490	219,103
Average risk-weighted assets	1,508,900	8,570,556	5,407,486		15,486,942
Average allocated equity	198,310	1,126,403	710,690		2,035,403
Return on equity before tax	13.3 %	12.3 %	12.8 %		10.8 %
Cost/income ratio	76.8 %	46.4 %	7.2 %		50.8 %
Cash and balances at central banks			657,558		657,558
Loans and advances to credit institutions			726,110		726,110
Loans and advances to customers	2,875,228	10,902,665			13,777,893
Loan loss provisions	-46,291	-352,902	-53,322		-452,515
Trading assets			62,729		62,729
Financial investments			3,779,595		3,779,595
of which interest in entities accounted for using the equity method			716,732		716,732
Other assets				607,169	607,169
Segment assets	2,828,937	10,549,763	5,172,670	607,169	19,158,539
Amounts owed to credit institutions			3,158,643		3,158,643
Amounts owed to customers	5,003,348	5,941,138			10,944,486
Securitised liabilities			1,403,957		1,403,957
Trading liabilities			44,896		44,896
Equity and subordinated debt capital	301,828	1,622,908	1,018,526		2,943,262
Other liabilities				663,295	663,295
Segment liabilities	5,305,176	7,564,046	5,626,021	663,295	19,158,539
Depreciation and amortisation	4,079	5,200	108	1,625	11,012

As a regional bank, Oberbank has a geographically limited catchment area. Consequently, because it would be immaterial, there is no segmentation by region.
As of the financial year 2016, equity bears interest derived from the average ten-year SWAP rate of the last 120 months.
The equity allocated was measured as at 31 December 2016 based on an interest rate of 2.67% (31/12/2015: 2.96%) and recognised in net interest income as income from equity investments. In the financial year 2015, the interest rate applied was still 6%. This adjustment accounts for the lower interest rates. The previous year's values were adjusted accordingly.

32) Non-performing loans (see also note 41 "Credit risk")	2016	2015
Loans and advances to credit institutions	0	0
Loans and advances to customers	226,662	274,930
Fixed-income securities	174	0

Loan loss provisions set up for these items are already taken into account in these values (non-performing loans net).

33) Assets pledged as collateral	2016	2015
Cover pool for trust money in savings deposits	29,909	24,823
Cover pool for covered bank bonds	129,179	129,167
Cover pool for mortgage-backed covered bank bonds	724,926	578,465
Margin cover and collateral deposits for securities transactions	35,997	40,247
Collateral for Euroclear credit line	7,527	7,547
Collateral for EIB global loan facility	109,857	113,357
Securities and receivables for refinancing operations with OeNB	777,119	734,649
Securities held as collateral for the refinancing programme with the Hungarian National Bank	42,293	42,628
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	314,603	256,908
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Germany	596,148	521,938
Other assets furnished as collateral to CCP Austria GmbH as the clearing agent for stock market transactions	367	410
Assets pledged as collateral	2,767,926	2,450,140

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

34) Subordinated assets	2016	2015
Loans and advances to credit institutions	12,000	12,000
Loans and advances to customers	35,847	49,029
Bonds and other fixed-interest securities	32,080	35,596
Stocks and other variable-yield securities	17,283	7,259
Subordinated assets	97,210	103,884

35) Foreign currency balances	2016	2015
Assets	2,321,785	2,150,118
Liabilities	2,082,476	1,931,487

36) Fiduciary assets	2016	2015
Fiduciary loans	378,669	364,664
Fiduciary investments	0	96
Fiduciary assets	378,669	364,760

37) Genuine repurchase agreements	2016	2015
Securities underlying genuine repo agreements had a book value of	0	0

38) Contingent liabilities and commitments	2016	2015
Other contingent liabilities (guarantees and letters of credit)	1,383,567	1,345,954
Contingent liabilities	1,383,567	1,345,954
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	3,828,322	3,265,901
Credit risks	3,828,322	3,265,901

39) Group of consolidated companies

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

Group parent
OBERBANK AG, Linz

Consolidated entities	Percentage in %
3-Banken Wohnbaubank AG, Linz	80.00
3-Banken Kfz-Leasing GmbH, Linz	80.00
Ober Finanz Leasing AG, Budapest	100.00
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	100.00
Oberbank airplane 2 Leasing GmbH, Linz	100.00
Oberbank Arsenal Immobilienleasing GmbH, Linz	100.00
Oberbank Bergbahnen Leasing GmbH, Linz (formerly Oberbank Airplane Leasing GmbH)	100.00
Oberbank Eugendorf Immobilienleasing GmbH, Linz	100.00
Oberbank 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.	
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	general partner
Oberbank Leasing GmbH Bayern, Neuötting	100.00
Oberbank Leasing JAF Holz, s.r.o., Prag	95.00
Oberbank Leasing Palamon s.r.o., Prag	100.00
Oberbank Leasing Prievidza s.r.o., Bratislava	100.00
Oberbank Leasing s.r.o., Bratislava	100.00
Oberbank Leasing spol. s r.o., Prag	100.00
Oberbank LIV Immobilienleasing GmbH, Linz	100.00
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	99.80
Oberbank Operating Mobilienleasing GmbH, Linz	100.00
Oberbank Operating OPR Immobilienleasing GmbH, Linz	100.00
Oberbank Pernau Immobilienleasing GmbH, Linz	100.00
Oberbank Riesenhof Immobilienleasing GmbH, Linz	100.00
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	100.00
Oberbank TREI Immobilienleasing GmbH, Linz	100.00
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100.00
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen (vorm. Oberbank Leasing Bauhaus)	100.00
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	100.00
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	100.00

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

Entities accounted for by proportionate consolidation	Share in %
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	50.00

Associated companies accounted for using the equity method	Share in %
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	13.22
BKS Bank AG, Klagenfurt	18.52
Drei Banken Versicherungsagentur GmbH, Linz (vorm. Drei-Banken Versicherungs-AG)	40.00
voestalpine AG, Linz	7.64

Non-consolidated entities	Share in %
A. SUBSIDIARIES	
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
Banken DL Servicegesellschaft m.b.H., Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
DPI S.A., Luxemburg (früher: Duktus S.A., Luxemburg)	57.50
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxemburg	58.69
„LA“ Gebäudevermietung und Bau - Gesellschaft m.b.H., Linz	100.00
Oberbank Beteiligungsholding Gesellschaft m.b.H.,	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
Cycleenergy Beteiligungs GmbH, Wien	26.28
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz	40.00
GAIN CAPITAL PARTICIPATIONS II S.A.	
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	30.65
Herold NZ Verwaltung GmbH, Mödling	24.90
Kontext Druckerei GmbH, Linz	25.20
LHL Immobilien Beteiligungs-GmbH in Liquidation, Linz	50.00
MY Fünf Handels GmbH, Wien	50.00
OÖ HightechFonds GmbH, Linz	24.70
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50
Nutzfahrzeuge Beteiligung GmbH, Wien	38.53

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 2016 and 2015.

Name	**Country of main activity**	**Equity interest in %**	
		2016	**2015**
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
3 Banken Kfz-Leasing GmbH	Austria	80.00	80.00
Oberbank Leasing GmbH Bayern	Germany	100.00	100.00
Oberbank Leasing spol.s.r.o.	Czech Rep.	100.00	100.00
Ober Finanz Leasing gAG	Hungary	100.00	100.00
Oberbank Leasing s.r.o.	Slovakia	100.00	100.00
Oberbank Hybrid 1 GmbH	Austria	100.00	100.00
Oberbank Hybrid 2 GmbH	Austria	100.00	100.00

As at 31 Dec. 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 under the equity method; three of these are of material importance for the following disclosures.

	BKS Bank AG	Bank für Tirol und Vorarlberg Aktiengesellschaft	voestalpine Group
Nature of relationship	Strategic banking partner	Strategic banking partner	Strategic partner
Type of activity	Credit institution	Credit institution	Steel-based technology and capital goods company
Headquarters of business activity	Austria	Austria	Austria
Interest held	18.52 % (2015: 18.52 %)	13.22 % (2015: 13.22 %)	7.64 % (2015: 7.64 %)
Fair value of ownership share (if listed)	€k 123,156 (2015: €k 112,752)	€k 76,341 (2015: €k 77,795)	€k 498,164 (2015: €k 378,666)

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

	Credit institutions		Other	
in €k	**2016**	**2015**	**2016**	**2015**
Revenues	498,182	542,218	10,689,800	11,415,087
Profit/loss from continuing operations	104,229	215,629	415,200	699,238
Profit/lo92 492,428 Profit/loss after taxes from discontinued operations	0	0	0	0
Other comprehensive income	-1,347	-63,399	-85,000	-146,440
Total income	102,882	152,230	330,200	552,798
short-term assets	1,304,332	1,187,559	5,505,200	5,313,300
long-term assets	15,797,924	15,079,465	8,569,600	8,235,600
short-term debts	2,130,674	2,230,522	3,683,900	3,354,200
long-term debts	12,875,628	12,104,851	4,780,400	4,685,300
Group's share in the net assets of associated companies at the beginning of the year	306,425	276,100	374,079	346,446
Profit/loss attributable to parent company	10,975	26,063	25,146	40,992
Dividends received in the reporting year	2,626	2,526	14,027	13,359
Additions in the reporting year	10,810	6,788	0	0
Group's share in the net assets of associated companies at the end of the year	325,584	306,425	385,198	374,079

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

The voestalpine Group was included mainly because of the sustained strategic substance of its shareholder structure and the associated possibility of exerting a significant influence on it. Moreover, as a strategic investor, Oberbank AG also has a representative on the Supervisory Board of voestalpine AG. To permit the timely preparation of annual financial statements, a cut-off date of 30 September was applied when recognising associates.
BKS Bank AG carried out a capital increase in the fourth quarter of 2016, which, however, had no impact on the percentage of the holding in the company. The impact on the book value was taken into account in the present consolidated financial statements.

Furthermore, one associated company which is not of material importance in terms of the above disclosures was recognised at equity. The profit/loss from continuing operations attributable to this company amounted to €k 7.175 (previous year: €k 621).

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

in €k	2016	2015
Assets	250,641	255,659
Liabilities	143,970	131,540
Revenues	140,749	97,903
Profit/loss for the period	4,654	2,232

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

Disclosures regarding jointly controlled operations

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

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

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

Disclosures regarding non-consolidated structured entities

Nature, purpose and extent of the Group's interest in non-consolidated structured entities

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

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

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

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

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

The entities covered by this disclosure note are not consolidated because the Oberbank Group does not control them through voting rights, contracts, funding agreements or other means. Material consolidated structured entities identified within the

Oberbank Group are generally carried at fair value in the IFRS financial statements as their performance is assessed and monitored in terms of their fair value development on the basis of a documented investment strategy.

Income

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

Maximum exposure to loss

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

Size

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

Financial 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	2016	2015
Assets		
Financial assets - FV/PL	22,833	31,060
Statement of comprehensive income		
Other operating income	4,397	6,224
Net income from financial assets - FV/PL	-1,093	126
Other operating income	5,490	6,098
Maximum exposure to loss	**22,833**	**31,060**

Risk report

40) Overall risk management

Risk strategy

Knowingly assuming risks is a key element of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term.

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

The basis for the risk strategy of Oberbank is the Bank's positioning as a regional bank.

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

Organisation of risk management

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

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

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

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

Efficient risk management within Oberbank is based on a differentiated management system that actively addresses the individual risk components. The Strategic Risk Management unit of the Bank is responsible for integrating the individual risk types into the overall bank risk as the steering basis for the Asset/Liability Management (ALM) Committee. The Committee is headed by the Management Board member in charge of risk management. 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 independent Strategic Risk Management unit. This unit has a complete overview of the existing risk types and their magnitude as well as of the risk situation of the Bank; it measures, analyses and monitors and reports on all material risks of Oberbank. The reporting line is to the Supervisory Board, the Management Board, the ALM Committee as well as to the respective department heads and employees. The Strategic Risk Management department is also involved in preparing the risk strategy.

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

Risk report to the Supervisory Board

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

Internal Control System

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

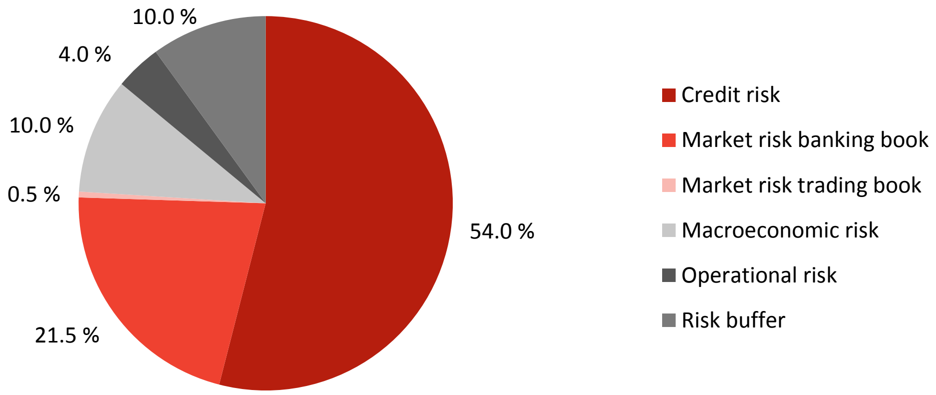
Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

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

Overall risk management process

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

Share of assigned risk limits in total available capital



On 31 Dec. 2016, limit utilisation stood at 54.3% (31/12/2015: 55.5%). The credit risk limit was utilised to 55.1% (31/12/2015: 58.3%), the limit for market risk in the banking book to 62.7% (31/12/2015: 58.2%), the market risk limit in the trading book to 16.8% (31/12/2015: 33.2%) and the limit for the macroeconomic risk to 31.2% (31/12/2015: 31.0%) and the operational risk limit to 60.7% (31/12/2015: 66.7%).

Effects of stress scenarios

Oberbank complements the risk-bearing capacity calculation by performing crisis stress tests on a quarterly basis. In these tests, Oberbank takes into account the effects of a deterioration of the macroeconomic environment (decline of GDP growth, increase in unemployment and business failures, dropping prices on stock markets and real estate markets, etc.). In these tests, Oberbank takes into account the effects of a deterioration of the macroeconomic environment (decline in GDP growth, increase in unemployment and business failures, decline on stock and real estate markets, etc.).

The overall bank limit was not exceeded in any of the scenarios as at 31 December 2016. The overall limit utilisation in the crisis scenario of Oberbank was 63.1% (31/12/2015: 63.6%).

Responsibility for the Group's risk management by risk category

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

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

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

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

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

Risk concentration

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

- <u>Inter-risk concentration</u> 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.

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

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

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

The share of the Bank's ten largest borrowers (groups of related customers) in terms of loans and receivables and fixed-interest bearing securities amounted to 13.93% (pr. yr.: 12.90%). Around 85% of the 13.93% are for receivables from the public sector of which around half from the federal government.
Concentration broken down by sovereign and sector reflects the risk and business strategy as a regional universal bank and is presented in the tables in note 41 – as well as further quantitative information on concentration risk.
The volume of each large-loan exposures was far below the regulatory cap in the reporting period.

41) Credit risk

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

Credit risk strategy

The Bank's credit risk strategy is based on the regionality principle, i.e., the locations of the headquarters of lending customers are located in the regions covered by the Bank's branch network.
In Austria and the German business areas, the principal focus is on lending to industry and small and medium-sized enterprises. In the Czech Republic, Slovakia and Hungary, Oberbank lends mainly to medium-sized businesses. At least once a year, management, in cooperation with the head of the Credit Management department, defines the operational risk targets within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments. The volume of foreign currency loans is limited with 10% of the total volume of loans to customers or 15% of the volume of personal loans. Effective January 2013, new foreign currency loans to consumers became subject to compliance with the strict FMA minimum standards. The organisational structure is in conformity with the minimum standards for credit operations.

Lending decision process

Duties and responsibilities in the lending decision process are clearly defined and standardised work processes 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 or the establishment of a credit line. These processes are based on standardised procedures in compliance with the Bank's risk strategy.

Internal rating and assessment of creditworthiness

An efficient system for the assessment of a customer's creditworthiness is a central prerequisite for effective credit risk management with the aim of fair and risk-adequate pricing in the lending business of a bank. In fact, Oberbank considers its credit rating process as one of the Bank's core 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.), additionally taking into account warning signals and account data to arrive at the final rating. The scoring procedures for new individual customers include an application scoring (negative information, income and structural data) and for existing customers of an automated follow-up scoring (account behaviour, income and structural data). All rating and scoring procedures serve to establish the estimated probability of default per customer. This default probability is mapped out on a master scale. The estimated probability of default is mapped into a default risk grid, which ensures that a rating grade established by means of different rating procedures reflects a uniform probability of default.

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

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

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

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

Risk management and controlling

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

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

Presentation of the portfolio

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

Exposure in €k	as at 31/12/2016	as at 31/12/2015
Loans and receivables	14,800,314	13,851,645
Fixed-income securities	2,639,454	2,645,939
Credit risks from derivatives and contingent liabilities	5,470,523	4,869,243
Total exposure	**22,190,290**	**21,366,827**

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: 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 48.3 million (previous year: EUR 45.9 million) in non-impaired receivables in the reporting year.

Rating category in €k per 31/12/2016	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Very strong	6,412,863	2,386,180	3,239,764	12,038,806
Strong	7,507,884	243,109	2,092,144	9,843,136
Weak	389,908	9,991	89,894	489,793
Non-performing	489,659	174	48,721	538,555
Total exposure	**14,800,314**	**2,639,454**	**5,470,523**	**22,910,290**

Rating category in €k per 31/12/2015	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Very strong	6,205,058	2,395,236	2,565,256	11,165,551
Strong	6,714,116	250,700	2,195,032	9,159,848
Weak	365,248	2	52,518	417,769
Non-performing	567,223		56,436	623,659
Total exposure	**13,851,645**	**2,645,939**	**4,869,243**	**21,366,827**

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. 2016 and 31 Dec. 2015 by Oberbank markets and other regions.

Geographic distribution in €k per 31/12/2016	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Austria	9,043,146	1,113,280	4,218,156	14,374,582
Germany	2,762,852	353,809	877,884	3,994,545
Eastern Europe (CZ, SK, HU)	2,383,004	107,252	230,369	2,720,624
Western Europe (ex DE)	326,987	335,484	88,108	750,579
PIGS countries	16,212	101,844	38,502	156,558
Other countries	268,113	627,785	17,505	913,402
Total exposure	**14,800,314**	**2,639,454**	**5,470,523**	**22,910,290**

Geographic distribution in €k per 31/12/2015	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total exposure
Austria	8,680,345	1,128,826	3,648,328	13,457,499
Germany	2,529,353	371,979	796,841	3,698,172
Eastern Europe (CZ, SK, HU)	1,941,888	117,535	250,965	2,310,387
Western Europe (ex DE)	448,086	318,757	111,472	878,315
PIGS countries	17,797	196,878	36,300	250,976
Other countries	234,177	511,964	25,336	771,477
Total exposure	**13,851,645**	**2,645,939**	**4,869,243**	**21,366,827**

The table below shows the PIGS countries in detail:

as at 31/12/2016 in €k	Loans and receivables to credit institutions and customers	Loans and receivables to sovereigns	Fixed-rate securities (credit institutions and customers)	Credit risk from derivatives and contingent liabilities	Total
Portugal	0	-	0	33,590	33,590
Italy	12,476	-	31,830	3,795	48,101
Greece	205	-	0	11	217
Spain	3,531	-	70,014	1,105	74,650
Total	**16,212**	**-**	**101,844**	**38,502**	**156,558**

as at 31/12/2015 in €k	Loans and receivables to credit institutions and customers	Loans and receivables to sovereigns	Fixed-rate securities (credit institutions and customers)	Credit risk from derivatives and contingent liabilities	Total
Portugal	0	-	0	33,610	33,610
Italy	12,388	-	87,087	2,421	101,896
Greece	31	-	0	21	52
Spain	5,379	-	109,791	248	115,418
Total	**17,797**	**-**	**196,878**	**36,300**	**250,976**

Distribution by sector

The following tables show the overall credit risk volume as at 31 Dec. 2016 and as at 31 Dec. 2015 broken down by sector.

Sector in €k per 31/12/2016	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	921,407	961,976	321,329	2,204,712
Public sector	1,224,694	1,451,125	203,120	2,878,939
Raw materials processing	532,937	28,536	408,901	970,375
Metals processing	724,444	41,678	555,176	1,321,299
Manufacture of goods	832,925	10,554	377,454	1,220,934
Trade	1,376,386		933,198	2,309,584
Services	1,838,733	20,095	520,518	2,379,345
Construction	569,310	8,601	560,985	1,138,896
Real estate	1,037,565		172,585	1,210,151
Transportation	605,724		135,291	741,015
Utilities	188,742	12,846	122,359	323,947
Agriculture and forestry incl. mining	110,707		14,960	125,667
Holding and investment companies	778,912	93,940	366,629	1,239,481
Individuals and self-employed	3,122,203		560,646	3,682,849
Other	935,624	10,104	217,369	1,163,097
Total	**14,800,314**	**2,639,454**	**5,470,523**	**22,910,290**

Sector in €k per 31/12/2015	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	1,317,044	986,321	291,327	2,594,692
Public sector	705,453	1,449,571	198,165	2,353,188
Raw materials processing	620,870	27,526	269,007	917,403
Metals processing	728,560	41,239	603,513	1,373,313
Manufacture of goods	891,348	11,655	401,676	1,304,680
Trade	1,432,753	11,129	770,990	2,214,873
Services	1,485,783	9,750	451,742	1,947,275
Construction	459,637	8,578	500,598	968,813
Real estate	804,448		155,314	959,763
Transportation	536,017		73,515	609,532
Utilities	200,251		101,809	302,060
Agriculture and forestry incl. mining	107,331		13,475	120,807
Holding and investment companies	783,765	100,170	334,621	1,218,556
Individuals and self-employed	2,968,794		553,895	3,522,689
Other	809,591		149,594	959,184
Total	**13,851,645**	**2,645,939**	**4,869,243**	**21,366,827**

Collateral assets

Strategies and processes applied in assessing 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 credit management groups of the Payment Systems and Central Production department.

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

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

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

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

The market value of financial assets is constantly monitored to ensure it is up to dated; 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 759 (pr. yr.: €k 835) 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. No collateral assets in compliance with the IFRS recognition criteria were liquidated in the reporting period.

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 with 85.85% (pr. yr.: 86.07%); the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" with 9.80% (pr. yr.: 10.16%) and "Fixed-rate securities" with 4.35% (pr. yr.: 3.77%).

The table below shows the reported value of eligible collateral to secure corporate exposures established within the framework of ICAAP quantification of credit risks.

Collateralised exposure value in €k	31/12/2016	31/12/2015
Financial collateral	**1,171,183**	**1,152,013**
Cash deposits	987,413	938.676
Bonds	76,924	113.062
Stocks and other variable-yield securities	106,847	100.275
Real estate collateral	**4,739,518**	**4,106,349**
Residential real estate	2,274,828	1.911.929
Commercial property	2,464,690	2.194.420
Physical collateral	**687,260**	**646,816**

Personal guarantees accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 80.0% (previous year: 78.3%) of the entire volume of personal guarantees, are listed below.

in €k as at 31/12/2016	Standard & Poor´s rating	Amount	in %
Total amount of recognised guarantees		**870,006**	**100 %**
of which Austria	AA+	441,344	50.7 %
of which province of Upper Austria	AA-	64,145	7.4 %
of which Germany	AAA	51,590	5.9 %
of which municipality of Graz		50,000	5.7 %
of which Land Nordrhein-Westfalen	AA-	44,657	5.1 %
of which province of Lower Austria	AA	43,899	5.0 %

in €k as at 31/12/2015	Standard & Poor´s rating	Amount	in %
Total amount of recognised guarantees		**778,982**	**100.0 %**
of which Austria	AA+	417,843	53.6 %
of which Slovakia	A	64,290	8.3 %
of which municipality of Graz		50,000	6.4 %
of which province of Upper Austria	AA+	38,032	4.9 %
of which LfA Förderbank Bayern	Aaa (Moody’s)	24,444	3.1 %
of which province of Styria	AA	15,088	1.9 %

Impairment provisions and non-performing loans

Impairment allowances and provisions

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

Specific impairment allowances are set aside pursuant to IAS 39 (63) using the discounted cash-flow method. For all non-performing loans of minor significance, a lump sum specific impairment allowance is created for the shortfall. The impairment allowance covers 100% of the shortfall for loans already terminated. For the remaining amount, 50% of the shortfall is applied as specific impairment allowance.
Losses incurred but not reported are accounted for by setting up portfolio impairment provisions according to IAS 39 (64). The latter are calculated by multiplying the non-collateralised customer exposures by the probabilities of default per rating class.

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

In cases in which an event occurs that prevents recovery of an exposure in full or in part from the respective customer and a specific impairment provision does not exist or is not available in a sufficient amount, the non-recoverable balance is booked directly through profit or loss (direct write-off). Such events 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 22.1 million to EUR 25.0 million versus the year 2015.

Movements in impairment provisions (income statement view)

in €k	31/12/2016	31/12/2015
Allocated to loan loss provisions	93,733	126,040
Reversals of loan loss provisions	-68,555	-78,734
Direct write-offs of receivables	1,635	2,742
Recoveries of written-off receivables	-2,878	-2,958
Attributable to entities accounted for by proportionate consolidation	1,091	0
Total	**25,026**	**47,090**

Movements in impairment provisions (balance sheet view)

in €k	As at 1/1/2016	Additions	Reversed	Used	Other effects[2)]	As at 31/12/2016
Specific impairm. allowances for receivables from credit institutions	0	2,846	0	0	0	2,846
Specific impair. allowances for receivables from customers	300,075	66,432	-55,703	-55,377	-196	255,231
Portfolio impairment provisions under IAS 39	188,217	6,221	0	0	0	194,438
Loan loss provisions[1)]	**488,292**	**75,499**	**-55,703**	**-55,377**	**-196**	**452,515**
Provisions for credit risks	95,114	18,234	-12,852	-1,590	-797	98,109
Total impairment provisions	**583,406**	**93,733**	**-68,555**	**-56,967**	**-993**	**550,624**

1) Loan loss provisions are recognised in line item 4 on the asset side of the balance sheet.
2) Effects of currency fluctuations €k -162 and effects from proportionate consolidation €k -831.

The Oberbank Group's maximum default risk arises from the receivables recognised on the balance sheet item Cash and balances at central banks and Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities held as financial investments as well as credit risks from derivatives and contingent liabilities including non-utilised credit lines and amounted to EUR 22,910 million (pr. yr.: EUR 21,367 million). This value contrasts with a total of EUR 7,708.0 million (pr. yr. EUR 6,979.0 million) of which EUR 194.3 million (pr. yr. EUR 217.3 million) for impaired and non-performing loans and advances. Interest and similar income includes an amount of EUR 10.1 (pr. yr.: EUR 13.4) from impaired loans and advances to customers. The maximum default risk from receivables measured at fair value corresponds to their fair value. The impairment criteria for debt securities carried under financial assets are presented in note 2 “Summary of accounting policies”.

Non-performing loans

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

1. Giving up ongoing interest;
2. A specific impairment provision (specific valuation allowance or provisions for credit risks) has to be set up due to a marked deterioration of the debtor’s credit quality;
3. The credit exposure requires restructuring;
4. Loan collection initiated due to inability/unwillingness to pay, fraud or 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 indicator "non-performing loans ratio" is also presented in the table below.

in €k €[1)]	31/12/2016	31/12/2015
Loans and advances to credit institutions	0	0
Loans and advances to customers	226,662	274,930
Fixed-income securities	174	0
Total	**226,836**	**274,930**
Non-performing loans ratio[2)]	1.37 %	1.72 %

1) Loan loss provisions set up for these items are already taken into account in these values (non-performing loans net). The figures given are carrying values.
2) Non-performing loans net in relation to loans and accounts receivable and fixed-interest securities net.

The credit risk volume from non-performing receivables and impairment provisions as well as collateral assets by sector is shown in the table below.

Sector in €k as at 31/12/2016	Non-performing	Specific impairment provisions	Provisions for credit risks	Collateral
Credit and insurance industry	2,895	2,885		
Public sector	111	111		
Raw materials processing	16,752	9,487	544	4,836
Metals processing	50,991	19,565	4,177	13,875
Manufacture of goods	72,704	27,255	798	32,572
Trade	116,284	50,168	6,126	46,908
Services	86,634	40,736	9,962	35,122
Construction	32,988	18,624	7,468	9,449
Real estate	11,647	9,814	545	1,355
Transportation	10,237	7,841	828	2,342
Utilities	12,712	9,839	602	1,707
Agriculture and forestry incl. mining	2,861	1,583	41	958
Holding and investment companies	24,071	11,263	1,974	9,314
Individuals and self-employed	81,365	41,338	699	30,843
Other	16,303	7,567	3,762	5,030
Impairment provisions not assignable to a specific sector			60,581	
Total	**538,555**	**258,077**	**98,109**	**194,312**

Sector in €k per 31/12/2015	Non-performing	Specific impairment provisions	Loan loss provisions	Collateral
Credit and insurance industry	42	33		
Public sector	134	134		
Raw materials processing	13,810	9,497	214	2,899
Metals processing	63,923	25,911	4,894	17,124
Manufacture of goods	113,660	47,008	4,029	35,848
Trade	128,301	56,065	6,137	53,369
Services	76,795	38,406	10,453	34,134
Construction	21,198	12,320	2,419	7,168
Real estate	12,292	9,155	685	2,607
Transportation	9,427	6,612	54	1,156
Utilities	11,849	7,797	1,003	3,145
Agriculture and forestry incl. mining	2,274	1,539	30	659
Holding and investment companies	53,266	20,908	2,004	14,937
Individuals and self-employed	90,732	45,601	964	32,557
Other	25,957	19,090	3,034	7,697
Impairment provisions not assignable to a specific sector			59,196	
Total	**623,659**	**300,075**	**95,114**	**213,300**

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

Geographic distribution in €k per 31/12/2016	Non-performing	Specific impairment provisions	Provisions for credit risks	Collateral
Austria	330,994	130,166	27,295	126,560
Germany	108,836	64,257	10,132	39,221
Eastern Europe (CZ, SK, HU)	86,172	51,225	102	28,505
Western Europe (ex DE)	4,622	4,582		27
PIGS countries	88	8		0
Other countries	7,842	7,839		0
Impairment provisions not assignable to a specific sector			60,581	
Total	**538,555**	**258,077**	**98,109**	**194,312**

Geographic distribution in €k per 31/12/2015	Non-performing	Specific impairment provisions	Loan loss provisions	Collateral
Austria	373,081	153,518	27,103	144,985
Germany	111,632	59,854	8,749	35,452
Eastern Europe (CZ, SK, HU)	98,437	55,805	31	29,645
Western Europe (ex DE)	21,669	20,919	36	692
PIGS countries	9	8		
Other countries	18,831	9,971		2,526
Impairment provisions not assignable to a specific sector			59,196	
Total	**623,659**	**300,075**	**95,114**	**213,300**

In addition, in accordance with IAS 39 there is a general impairment allowance for performing categories in a volume of €k 194,438 (pr. yr.: €k 188,217).
All financial assets not shown in the non-performing category are no more than 90 days overdue.

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

as at 31/12/2015 in €k[1)]			
Overdue for	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	158,401	23,230	181,630
from 30 to 60 days	23,050	275	23,324
from 60 to 90 days	1,060	352	1,412
Total	**182,511**	**23,856**	**206,367**

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

per 31/12/2015 in €k[1)]			
Overdue for	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	156,830	23,232	180,062
from 30 to 60 days	13,369	601	13,970
from 60 to 90 days	2,142	12	2,154
Total	**172,341**	**23,844**	**196,186**

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

Deferment of payment/ respite

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

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

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

This procedure eliminates the risk of non-performing loans being concealed by means of 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 31/12/2015	No longer categorised as deferment / respite	Decline in volume[1]	Newly categorised as deferment / respite	As at 31/12/2016	Interest received in the reporting period
Term extension	77,517	1,982	16,081	18,971	78,425	1,818
Deferment	39,521	2,239	20,095	14,247	31,434	875
Waiver of other contractual rights	34,479		27,206	15,561	22,834	493
Restructuring	39,015	1,667	9,453	8,887	36,782	886
Other	6,443		5,190	76	1,329	23
Total	**196,975**	**5,888**	**78,026**	**57,742**	**170,803**	**4,095**

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.

in €k as at 31/12/2016			
Rating category	**Exposure**	**Impairment provisions[1]**	**Collateralised exposure**
Very strong	8,305	134	5,413
Strong	41,378	487	30,673
Weak	19,529	1,534	16,664
Non-performing	101,591	45,722	31,012
Total	**170,803**	**47,878**	**83,012**

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

in €k as at 31/12/2015			
Rating category	**Exposure**	**Impairment provisions[1)]**	**Collateralised exposure**
Very strong	3,074	157	2,488
Strong	14,162	206	10,209
Weak	18,228	809	15,133
Non-performing	161,511	73,873	53,442
Total	**196,975**	**75,045**	**81,271**

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

42) Equity risk

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

The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV; together with these two institutions, Oberbank AG forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only when this serves the banking business, i.e. if their activities are a direct extension of banking activities or constitute services ancillary to banking. This segment, among others, includes the following equity investments of the 3 Banken Group:

- 3 Banken-Generali Investment-Gesellschaft m.b.H.
- DREI-BANKEN-EDV Gesellschaft m.b.H.
- Banken DL Servicegesellschaft m.b.H.

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

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

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

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

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

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

in €k as at 31/12/2016	Carrying amounts	
Groups of equity instruments by valuation type	Book value	Fair value
Available for sale		
Exchange-traded	11,492	11,492
Non-exchange-traded	169,845	169,845
Fair value through profit and loss		
Non-exchange traded	22,833	22,833
Interests in entities accounted for by the equity method		
Exchange-traded	710,782	697,661
Non-exchange traded	5,950	5,950
Total	**920,902**	**907,781**

in €k as at 31/12/2015	Carrying amounts	
Groups of equity instruments by valuation type	Book value	Fair value
Available for sale		
Exchange-traded	8,339	8,339
Non-exchange traded	174,383	174,383
Fair value through profit and loss		
Non-exchange traded	31,060	31,060
Interests in entities accounted for by the equity method		
Exchange-traded	680,504	569,213
Non-exchange traded	8,942	8,942
Total	**903,228**	**791,937**

43) Market risk

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

Risk management

Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries.

Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them.

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

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

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

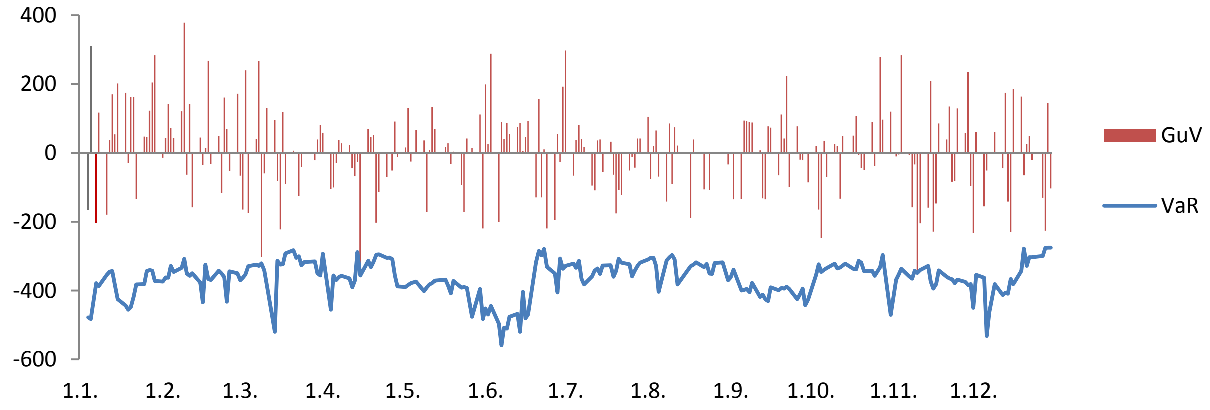
The table below shows the development of value at risk in the reporting period:

Value at risk 2016 in €k					
	31/12/2015	MAX	MIN	Average	31/12/2016
	1,617	1,767	869	1,153	869

Value at risk 2015 in €k					
	31/12/2014	MAX	MIN	Average	31/12/2015
	1,557	2,412	951	1,676	1,617

The quality of the statistical model is checked by back-testing, i.e. comparing the estimated 1-day values at risk with the actual results. As shown in the chart below of the back-testing time series for the reporting year, there were no outliers.

Backtesting by VaR model 2016 in €k



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

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

in €k	Volume as at 31/12/2016	Volume as at 31/12/2015
CHF	1,394	-151
USD	-408	1,966
GBP	305	183
HUF	-871	-2,928
SEK	28	37
CAD	151	40
CNY	-89	-129
DKK	55	17
RON	14	28
HKD	28	44
HRK	21	33
PLN	94	33
JPY	500	-400
TRY	29	-19
CZK	-3,738	-11,063
Other currencies long	413	365
Other currencies short	-117	-139
Gold	1,753	1,654

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

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

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

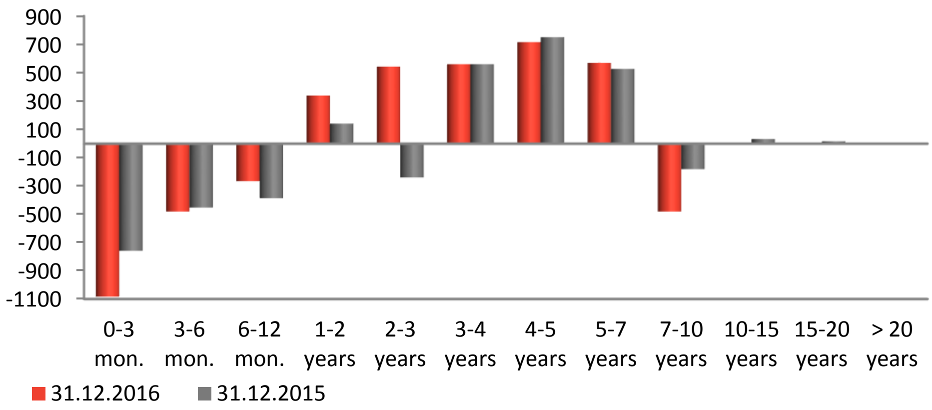
Interest rate risk in the banking book

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 aims at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. To this end, quarterly investments in top-quality fixed-interest securities with long maturities are made.

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

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

Interest rate gap - banking book positions (comparison 31/12/2016 with 31/12/2015) in € million



Quantification in ICAAP is based on the regulatory 200 bp interest rate shift (confidence level of 99% and holding period of one year). Non-interest-bearing positions are not taken into account. As at 31 December 2016, the interest rate risk in the banking book came to EUR 230.9 million (pr. yr.: EUR 215.8 million).

Stock price risk in the banking book

The stock price risk in the banking book (equity and investment fund positions) is measured using a value-at-risk approach with a confidence level of 99% and a holding period of 90 days. The risk computed for these positions was EUR 152.0 million on 31/12/2016 (pr. yr.: EUR 112.0 million). The higher VaR is due mainly to the rise 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% and a holding period of one year. On 31 December 2016, the risk thus established amounted to EUR 47.0 million (pr. yr.: EUR 28.4 million).

44) Macroeconomic risks

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

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 2016, the macroeconomic risk thus estimated was EUR 99.8 million (pr. yr.: EUR 88.6 million).

45) Operational risk

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

A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision 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. An electronic logging process supports the recording of information regarding nascent operational risks.

Systematic risk analyses form the basis for the steering and further development of operational risk management. These are conducted in the form of risk assessments that comprise regular surveys and the quantification of potential operational risks and by monitoring the key risk indicators as well as by the evaluation of damage incidences in a database of such events.
Qualitative analyses in the form of a risk assessment are done at least every two years by using structured questionnaires. An assessment is made of the incidence frequency and the amount of the potential damage.
The Strategic Risk Management unit prepares a quarterly Operational Risk Report which is sent to the Management Board and to the unit responsible for the management of operational risk. This report contains information on the development of the key risk indicators and incidents of damage for the current financial year. The report groups the damage incidents by business area and damage category.

Concrete measures have been taken to hedge against any major risks identified by the risk analyses (e.g. insurance policies, IT contingency plans, backup computing centre).

The economic capital for the operational risk is calculated within the framework of the risk-bearing capacity calculation in accordance with the standardised approach pursuant to Part 3, Title III, Chapter 3 CRR. As at 31 December 2016, the risk was EUR 77.7 million (pr. yr.: EUR 76.1 million).
The income statement for the year 2016 contains income from operational risks of EUR 3.9 million, because the incidents of damage due to operational risk amount to EUR 12.6 million but this is offset by income from the reversal of provisions for operational risks of EUR 16.5 million.

On the average of the past five years, the ratio of the result in the income statement from operational risk incidents compared with total ICAAP risk capital was 9.4%.

46) Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank being unable to meet its present and future payment obligations fully and on schedule or having to raise additional capital at increased cost.

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

Primary objectives of liquidity risk management

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

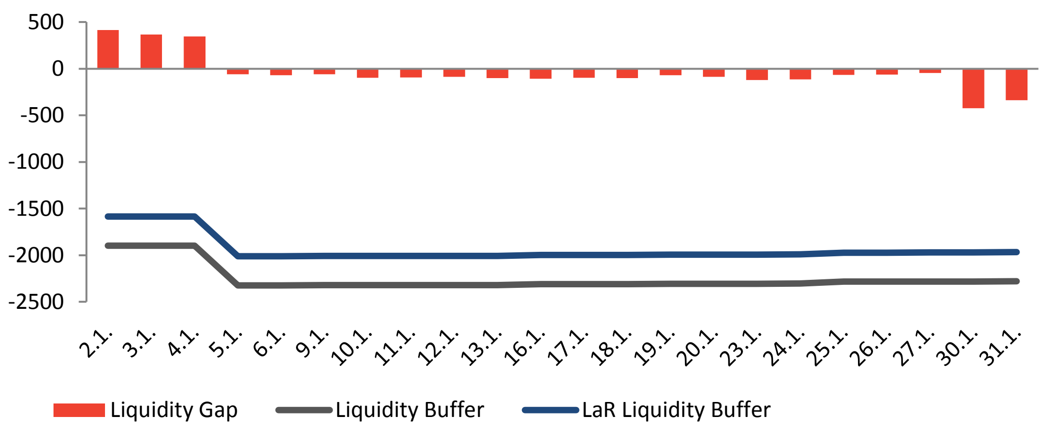
Oberbank has traditionally adhered to the financing principle of ensuring that the Bank's entire customer loan volume can be refinanced from primary deposits by customers and assistance funds made available by Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle continues to be valid. The loan/deposit ratio was 95.5% (pr. yr.: 92.3%) on 31 December 2016.

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

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

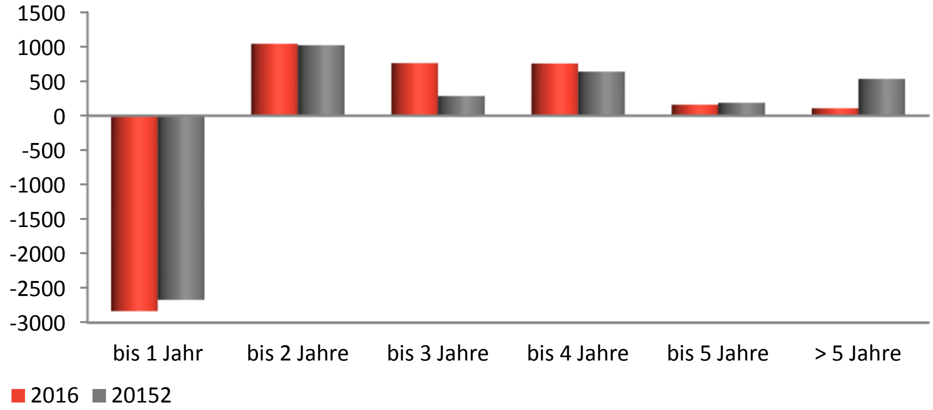
The responsibility for managing short-term liquidity lies with the Global Financial Markets department, which is also responsible for the Bank's compliance with regulatory provisions. The Strategic Risk Management unit monitors intra-day liquidity risk and calculates a 30 and 90-day forward liquidity gap analysis including the available risk buffer minus liquidity at risk to determine the limit for day-to-day liquidity management. The liquidity gap analysis shows Oberbank's net cash outflows on a daily basis. The liquidity buffer includes all available and non-utilised bonds and securities eligible for repo transactions at the respective point in time. The accumulated net outflows must not exceed the limit in this 30-day period.

Accumulated 30-days forward liquidity gap analysis as at 31/12/2016 in €m



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

Medium to long-term liquidity gap analysis as at 31/12/2016 and 31/12/2015 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 2.8 billion (pr. yr.: EUR 2.7 billion) as at the end of the first year. This corresponds to a funding ratio of 72.3% (pr. yr.: 72.6%) which thus complies with the internally fixed limit of 70%.

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

in €k per 31/12/2016	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	70,099	226,402	1,899,884	477,331

in €k per 31/12/2015	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	53,499	301,949	1,290,628	991,626

The calculation of liquidity gaps is based on contractual cash flows. Assumptions are made for positions without a defined maturity for the repayment of the principal (e.g. sight deposits are shown as rolling twelve-month positions, other assets/liabilities as rolling long-term positions and equity as long-term positions).

Furthermore, stress scenarios are calculated to illustrate the effects of liquidity crises. Specifically, the scenarios "deterioration in reputation", "market crisis" and a worst case combining both these factors are simulated. A contingency plan is in place for the eventuality of extreme market conditions.

The following table presents contractual cash flows of financial liabilities in accordance with IFRS 7/39 a and b:

in €k per 31/12/2016	Book values	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	3,158,643	3,220,355	1,540,762	121,430	870,831	687,332
of which deposits for subsidised loans	1,483,432	1,491,664	324,664	101,274	453,789	611,936
Amounts owed to customers	10,944,486	11,065,886	8,341,528	1,570,989	596,288	557,081
Securitised liabilities	1,403,957	1,521,344	11,854	311,837	1,033,544	164,108
Subordinated liabilities1)	660,499	699,331	11,119	128,001	331,501	228,709
Derivative liabilities IRS	48,304	50,205	4,606	9,559	26,768	9,272

1) The AT1 bonds of EUR 50 million are no longer reported under subordinated liabilities, but under equity. The preceding year was adjusted accordingly.

in €k per 31/12/2015	Book values	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	2,995,503	3,082,730	1,391,391	155,553	1,054,321	481,464
of which deposits for subsidised loans	1,290,125	1,325,979	324,085	80,985	450,611	470,298
Amounts owed to customers	10,521,547	10,648,421	7,969,193	1,514,534	647,889	516,805
Securitised liabilities	1,443,376	1,568,108	67,408	160,856	1,040,207	299,637
Subordinated liabilities[1)]	655,121	686,472	10,492	65,066	382,796	228,119
Derivative liabilities IRS	49,996	56,048	4,531	10,167	28,296	13,055

1) The AT1 bonds of EUR 50 million are no longer reported under subordinated liabilities, but under equity. The preceding year was adjusted accordingly.

47) Other risks

The category Other risks covers risks which are classified as non-material within the framework of the business model of Oberbank and which are not separately provided for by allocating a share in total available capital as cover.

The category Other risks includes the following banking risks:

- *Reputational risks* result from negative publicity impairing the reputation of a bank in the eyes of the general public. A loss of reputation (e.g. with customers, business partners, shareholders, public authorities, etc.) and the associated loss of confidence may entail a decline in earnings or result in losses.
- *Business risks* are risks that result from unexpected changes in earnings due to a change in the general business environment (e.g. lower earnings that cannot be offset by cutting expenses to the same extent, a change in the competitive environment, a change in customer behaviour, the impact of technological progress, etc.).
- *Strategic risks* result from failure to meet long-term corporate goals based on underlying business assumptions or due to a change in the general business environment. Such risks may be avoided or reduced by constantly monitoring the market and competitive conditions as well as by rolling strategic planning with continual adjustments for the market environment.
- Oberbank measures the *risk of incurring excessive debts* by calculating the debt ratio (leverage ratio) pursuant to Article 429 CRR. An internal limit of 4% was defined for the debt ratio for the purpose of effectively controlling this risk. The leverage ratio was 9.87% on 31 December 2016.

48) Risk report - summary

At Oberbank, risk management is an integral element of the Bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for risk management lies with the Management Board of Oberbank AG as a whole.
Management competences as well as the economic capital allocated to a specific risk (limits) or predefined management and control processes are specified for every material risk within the Oberbank Group.

49) Total outstanding derivative financial instruments

Derivative financial transactions not yet settled at the balance sheet date are shown in the table below. A presentation of derivatives in accordance with the Guidelines on Financial Reporting published by the European Banking Authority (EBA) is included in the disclosures pursuant to Part 8 CRR available at the website of Oberbank (www.oberbank.at [HYPERLINK: http://www.oberbank.at]). At Oberbank, financial derivatives are mainly used 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				2016			2015		
	Remaining time to maturity			Nominal	Market value		Nominal	Market value	
in €k	To 1 yr	1 - 5 yrs	> 5 yrs	Total	Positive	Negative	Total	Positive	Negative
Interest rate contracts									
Interest rate options									
Call	13,414	702,673	3,890	719,977	6,013		120,326	689	
Put	11,501	95,442	5,640	112,583		-381	111,711		-678
Swaptions									
Call		27,600		27,600	572				
Put		27,600		27,600		-572			
Interest rate swaps									
Call	32,533	206,957	292,235	531,725	346	-45,639	572,213	1,415	-46,545
Put	100,201	691,953	832,832	1,624,986	176,503	-1,407	1,760,010	177,790	-1,979
Bond options									
Call									
Put							90.000		-415
Currency contracts									
Currency options									
Call	67,979	6,635	0	74,614	4,597		35,767	3,815	
Put	67,979	6,635	0	74,614		-4,597	35,735		-3,815
Currency forwards									
Call	1,610,200	91,794	3,058	1,705,052	32,075		1,518,331	30,293	
Put	1,604,740	90,750	3,046	1,698,536		-26,193	1,504,911		-17,339
Security-linked contracts									
Stock options									
Call									
Put									

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

50) Letters of comfort on behalf of subsidiaries

Oberbank AG has an interest in following companies being able to fulfil their contractual obligations:

Other finance companies: Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz
Property companies: „AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz

Disclosures required by Austrian law

51) Equity

Consolidated equity was made up of the paid-in capital of Oberbank AG (share capital plus capital reserves) and earned capital (the Group's retained earnings plus consolidated net profit for the year). Oberbank AT’s equity was EUR 1,733.3 million (pr. yr.: EUR 1,456.3 million) of which EUR 105.9 million (pr. yr.: EUR 96.7 million) was share capital. 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 2016, a maximum amount of EUR 867.2 million would be distributable. The net distributable profit is EUR 23.3 million.

52) Human resources

Averaged over the year, the Oberbank Group had the following human resources in 2016:

Full-time equivalents, without Management Board members / managing directors	**2016**	**2015**
Salaried employees	2,049	2,025
Blue-collar	13	14
Total capacity	2,062	2,039

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

	Unlisted	Listed	Valued as AV	Other valuation method	Total
Bonds and other fixed-interest securities	250,045	2,500,166	2,167,522	582,689	2,750,211
Stocks and other variable-yield securities	164,261	71,420	60,390	175,291	235,681
Equity investments	112,717	233,889	346,606	0	346,606
Investments in subsidiaries	125,925	0	125,925	0	125,925
	652,948	**2,805,475**	**2,700,443**	**757,980**	**3,458,423**

54) Consolidated own funds and regulatory own funds requirement

As from 1 January 2014, Oberbank AG became subject to the provisions of Regulation (EU) No. 575/2013 (CRR) as well as CRD IV. The defined minimum capital requirements were met at all times. The own fund components disclosed are also used for purposes of internal capital management.

Regulatory capital pursuant to Part 2 of Reg.(EU) No 575/2013	2016	2015	Change absolut	in %
Subscribed capital	102,322	94,011	8,311	8.8
Capital reserves	505,523	349,127	156,39	44.8
Retained earnings [1)]	1,557,113	1,405,094	152,01	10.8
Minority interests	0	0	-	-
Accumulated other comprehensive income	35,670	3,269	32,401	> 100.0
Regulatory adjustment items	-39,124	-38,685	-439	1.1
Deductions from common equity Tier 1 capital items	-152,121	-162,062	9,941	-6.1
COMMON EQUITY TIER 1 CAPITAL	**2,009,383**	**1,650,754**	**358,62**	**21.7**
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments purs.to national implementation rules	35,400	41,300	-5,900	-14.3
Deductions from AT1 capital items	-8,827	-8,747	-80	0.9
ADDITIONAL TIER 1 CAPITAL	**76,573**	**82,553**	**-5,980**	**-7.2**
TIER 1 CAPITAL	**2,085,956**	**1,733,307**	**352,64**	**20.4**
Qualifying supplementary capital instruments	337,264	352,505	-15,241	-4.3
Nominal capital preference shares purs. to transition rules ÜRL	3,600	2,700	900	33.3
AT1 capital instruments purs. to transition rules	23,600	17,700	5,900	33.3
Supplementary capital items purs. to national impl. rules	45,688	56,224	-10,536	-18.7
General credit risk adjustments	0	0	-	-
Deductions from supplementary capital items	-13,892	-4,432	-9,460	> 100.0
Supplementary capital	**396,260**	**424,697**	**-28,437**	**-6.7**
OWN FUNDS	**2,482,216**	**2,158,004**	**324,21**	**15.0**
Total risk exposure purs. Art. 92 CRR				
Credit risk	11,799,980	11,213,348	586,63	5.2
Market risk, settlement risk and CVA risk	50,558	51,477	-919	-1.8
Operational risk	970,730	951,842	18,888	2.0
Total exposure	**12,821,268**	**12,216,667**	**604,60**	**5.0**
Capital ratios purs. Art. 92 CRR				
Common equity Tier 1 capital ratio	15.67 %	13.51 %	2.16 %	
Core Tier 1 capital ratio	16.27 %	14.19 %	2.08 %	
Total capital ratio	19.36 %	17.66 %	1.70 %	
Regulatory capital ratio requirement purs. to transition rules in %				
Common equity Tier 1 capital ratio	5.125 %	4.500 %	0.625	
Core Tier 1 capital ratio	6.625 %	6.000 %	0.625	
Total capital ratio	8.625 %	8.000 %	0.625	
Regulatory capital requirements purs. to transition rules in €k				
Common equity Tier 1 capital	657,090	549,750	107,34	19.5
Tier 1 Capital	849,409	733,000	116,40	15.9
Total capital	1,105,834	977,333	128,50	13.2
Free capital components				
Common equity Tier 1 capital	1,352,293	1,101,004	251,28	22.8
Tier 1 Capital	1,236,547	1,000,307	236,24	23.6
Total capital	1,376,382	1,180,671	195,71	16.6

1) Including allocation to retained earnings 2016 subject to approval by the Supervisory Board on 28 March 2017

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

A nominal total of EUR 154.1 million of bonds issued by Oberbank will mature in the financial year 2017. As at 31 December 2016, 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 615,520.0 (nominal). They included supplementary capital subject to interest rates of 0.0% to 7.4% and maturities in the years 2017 to 2024 as well as two issues with indefinite maturities. The Company incurred EUR k 19,238.3 in expenses on subordinated liabilities in the year under review. Applying market prices, the trading book was valued at a total of EUR 98.7 million as at 31 December 2016. The total comprised securities totalling EUR 11.4 million (market values) and other financial instruments totalling EUR 87.3 million (market values). The lease portfolio was worth EUR 1,254.6 million on 31 December 2016.

Expenses for the auditor amounted to €k 852 (incl. VAT and incl. leasing companies and subsidiaries). Of this total, the audit of the annual financial statements accounted for €k 693 and €k 5 for other audit certificate services as well as €k 137 for tax advisory services and €k 17 for other audit services.

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

Name of establishment (incl. leasing companies)	Regional Division Germany	Regional Division Czech Republic	Regional Division Hungary	Regional Division Slovakia
Business areas	Southern Bavaria Northern Bavaria			
State of registered office	Federal Republic of Germany	Czech Republic	Hungary	Slovakia
Net interest income	€k 31,873	€k 26,304	€k 15,350	€k 6,492
Operating profit	€k 37,781	€k 32,061	€k 19,932	€k 7,808
Number of employees (full-time basis)	220.6	200.2	97.9	47.4
Profit for the year before tax	€k 6,400	€k 14,135	€k 9,285	€k 3,891
Income taxes	€k -1,479	€k -1,795	€k -909	€k -374
Government subsidies received	0	0	0	0

The return on investment pursuant to § 64 (1) no. 19 Banking Act (BWG) is 0.95%.

56) List of equity investments required by the Austrian Business Code

As at 31 December 2016, the Company held stakes of 20% or more in:	Method of inclusion	Share in capital in %[5)] direct	total	Equity[3)]	Profit (loss) in most recent financial year[4]	Financial statements	Comment
a) Direct investments							
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
„LA“ Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
„SG“ Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1,6
„SP“ Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1,6
„VB“ Gebäudeerrichtungs- und –vermietungs-gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	N	20.57	20.57				6
3-Banken Wohnbaubank AG, Linz	V	80.00	80.00	7,994	119	2016	1
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	3,894	0	2016	
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	N	40.00	40.00				6
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	N	100.00	100.00				1,2,6
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	N	49.00	49.00				6
Buy-Out Central Europe II Beteiligungs-Invest AG i. A., Wien	N	24.85	24.85				6
Drei Banken Versicherungsagentur GmbH (vorm. Drei-Banken Versicherungs AG)	E	40.00	40.00	14,874	5.608	09/2016	
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz	N	40.00	40.00				6
DPI S.A., Luxemburg	N	25.10	57.50				1,6
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxemburg	N	33.11	33.11				6
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxemburg	N	58.69	58.69				1,6
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	N	32.62	32.62				6
Ober Finanz Leasing gAG, Budapest	V	1.00	100.00	10,066	3.750	09/2016	1
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	V	1.00	100.00	1,230	375	09/2016	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	332	36	2016	1
Oberbank Hybrid 2 GmbH, Linz	V	100.00	100.00	305	29	2016	1
Oberbank Hybrid 3 GmbH, Linz	V	100.00	100.00	85	-2	2016	1
Oberbank Hybrid 4 GmbH, Linz	V	100.00	100.00	85	-2	2016	1
Oberbank Hybrid 5 GmbH, Linz	V	100.00	100.00	21	-2	2016	1
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	V	6.00	100.00	2,081	12	09/2016	1
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	N	100.00	100.00				1,6
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen (vorm. Oberbank Leasing Bauhaus)	V	10.00	100.00	4	-2	09/2016	1

OBERBANK LEASING GESELLSCHAFT MBH., Linz	V	100.00	100.00	44,294	23,751	09/2016	1,2
Oberbank Leasing s.r.o., Bratislava	V	0.10	100.00	4,655	1,001	09/2016	1
Oberbank Leasing spol. s.r.o., Prag	V	1.00	100.00	25,494	1,963	09/2016	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	4	-1	09/2016	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	10,482	447	09/2016	1
Cycleenergy Beteiligungs GmbH, Wien	N		26.28				6
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	N		30.65				6
Herold NZ Verwaltung GmbH, Mödling	N		24.90				6
Kontext Druckerei GmbH, Linz	N		25.20				6
LHL Immobilien Beteiligungs-GmbH, Linz	N		50.00				6
MY Fünf Handels GmbH, Wien	N		50.00				6
Nutzfahrzeuge Beteiligung GmbH, Wien	N		38.53				6
Oberbank Bergbahnen Leasing GmbH, Linz (vorm. Oberbank airplane Leasing GmbH)	V		100.00	35	-1	09/2016	1
Oberbank airplane 2 Leasing GmbH, Linz	V		100.00	35	189	09/2016	1
Oberbank Arsenal Immobilienleasing GmbH, Linz	V		100.00	35	-3	09/2016	1
Oberbank Eugendorf Immobilienleasing GmbH, Linz	V		100.00	35	184	09/2016	1
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	V		100.00	17	-1	09/2016	1
Oberbank Leobendorf Immobilienleasing GmbH, Linz	V		100.00	35	148	09/2016	1
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	V		100.00	25	140	09/2016	1
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	V		95.00	1,275	45	09/2016	1

Oberbank Immobilien Holding GmbH, Linz	N	100.00				1,6
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	V	100.00	741	2,354	09/2016	1
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	V	6.00	0	-9	09/2016	1
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	N	100.00				1,6
Oberbank KB Leasing Gesellschaft m.b.H., Linz	V	100.00	69	428	09/2016	1
Oberbank Kfz-Leasing GmbH, Linz	V	100.00	35	493	09/2016	1
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	V	6.00	597	-2	09/2016	1
Oberbank Leasing GmbH Bayern, Neuötting	V	100.00	6,631	3,532	09/2016	1
Oberbank Leasing JAF HOLZ, s.r.o., Prag	V	95.00	4,003	153	09/2016	1
Oberbank Leasing Palamon s.r.o., Prag	V	100.00	6,147	-35	09/2016	1
Oberbank LIV Immobilienleasing GmbH, Linz	V	100.00	5,181	43	09/2016	1
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	V	99.80	35	85	09/2016	1
Oberbank Operating Mobilienleasing GmbH, Linz	V	100.00	35	874	09/2016	1
Oberbank Operating OPR Immobilienleasing GmbH, Linz	V	100.00	35	497	09/2016	1
Oberbank PE Beteiligungen GmbH, Linz	N	100.00				1,6
Oberbank Pernau Immobilienleasing GmbH, Linz	V	100.00	35	354	09/2016	1
Oberbank Riesenhof Immobilienleasing GmbH, Linz	V	100.00	35	218	09/2016	1
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	35	147	09/2016	1
Oberbank TREI Immobilienleasing GmbH, Linz	V	100.00	-285	299	09/2016	1
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	V	100.00	18	75	09/2016	1
Oberbank Vertriebsservice GmbH, Linz	N	100.00				1,6
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	V	100.00	35	3	09/2016	1
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	V	100.00	35	-3	09/2016	1
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	168	293	09/2016	1
OBK Ahlten Immobilien Leasing GmbH, Neuötting	V	94.00	1,000	100	09/2016	1
OBK München 1 Immobilien Leasing GmbH, Neuötting	V	100.00	27	-1	09/2016	1
OBK München 2 Immobilien Leasing GmbH, Neuötting	V	100.00	30	9	09/2016	1
OBK München 3 Immobilien Leasing GmbH, Neuötting	V	100.00	30	128	09/2016	1
POWER TOWER GmbH, Linz	V	99.00	70	81	09/2016	1
Techno-Z Braunau Technologiezentrum GmbH, Braunau	N	21.50				6
Tuella Finanzierung GmbH, Wien	V	100.00	2,463	64	09/2016	1
Wohnwert GmbH, Salzburg	N	100.00				1,6

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

1) Subsidiary; 2) Profit transfer agreement; 3) Includes untaxed reserves; 4) Profit (loss) for the year pursuant to § 231 (2) no. 22 Austrian Business Code (UGB); 5) Indirect investments in credit institutions and other financial institutions were measured in accordance with § 30 of the Austrian Banking Act (BWG); indirect investments in other companies pursuant to the Business Code (UGB); 6) Use was made of § 241 (2) of §242 (2) Austrian Business Code (UGB).

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 2016 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These consolidated financial statements comply with the statutory requirements for exemption from the preparation of consolidated financial statements in accordance with Austrian law and are in conformity with the applicable EU regulations.
The consolidated financial statements and the Group management report contain all the required disclosures. No events of material importance occurred after the end of the financial year.

Declaration pursuant to § 82 (4) Austrian 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, 9 March 2017
The Management Board

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

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 2016, 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 2016 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 of the financial statements in accordance with the accounting standards in force in Austria. These standards require the application of International Standards on Auditing (ISAs). Our responsibilities under these rules and standards are described in more detail under "Responsibility of the auditor for the audit of the consolidated financial statements” in our audit certificate. We are independent of the Group as stipulated by Austrian company law and statutory professional standards, and have complied with our other professional duties in accordance with these requirements. We believe that we have obtained sufficient and suitable audit evidence so that our audit provides an adequately reliable basis for our audit opinion.

Key audit matters

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

Value of loans and advances to customers and measurement of provisions for credit risks

The risk for the financial statements

Loans and advances to customers in the consolidated balance sheet are €k 13,777,893; loan loss provisions are €k 452,515 and provisions for credit risks amount to €k 98,109.

In the notes, the Management Board of Oberbank AG describes the procedure for determining charges for losses on loans and advances (see note "Discretionary decisions, assumptions and estimates", "Impairment provisions" and "Charges for losses on loans and advances" and also note "Credit risks").

The identification of the need to recognise impairment losses and the determination of impairment losses as well as the valuation of provisions are subject to substantial assessment uncertainties and room for discretion. The risk for the financial statements arises from the fact that the amount of the impairment recognised depends on the economic situation and development of the respective borrower as well as on the assessment of the credit collateral, and thus, on the amounts and the timing of expected future cash flows.

Our procedure for the audit

- We examined the rating process at Oberbank AG and assessed if it is suitable for identifying impairment losses required in time. We examined the calculation methods for impairment losses for loans and the calculation of the provisions for guarantees and credit lines defined in the guidelines for conformity with the accounting concept. We examined the key controls in this context as to their design and implementation and also took random samples to ascertain their effectiveness.
- Based on individual cases, we examined if the rating was assigned in accordance with the internal guidelines and if impairment events were identified in time. The selection of individual cases was risk-based, with a special weighting being given to rating grades with higher default risks. For impairments determined, it was especially the assessment of the management that was analysed to evaluate the amount of provisions for significant, non-performing borrowers with respect to future payment flows and the assumptions made – taking into account evidentiary material of the economic situation and development of the borrower as well as to assess the credit collateral – to ascertain if the amounts were adequate using external evidence.
- We verified the models and their parameter to determine the provisions for non-significant, non-performing borrowers (lump sum specific valuation allowances) and analysed these for suitability for determining provisions in adequate amounts. We verified the correctness of the calculation of the provisions.
- We audited the calculation model used as basis and the parameter amounts as to their adequacy for computing portfolio impairment provisions. The varying probability of default is a key input parameter and was checked based on the rating validation. We also analysed the database used as to the quality of the data and verified the correct calculation of the valuation allowances.
- In individual cases, we reviewed appraisals and internal bank assessments of properties with the consultation of our real estate experts by looking at market data to ascertain if the valuation parameters applied – especially property prices, rents and interest rates – were appropriate.
- Finally, an assessment was made if the information given in the notes on loan loss provisions is adequate.

Classification and valuation of associated companies

The risk for the financial statements

The Oberbank Group recognises associated companies by applying the equity method. In total, the companies recognised using the equity method on the balance sheet have a book value of €k 716,732. 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 equity and/or voting rights. Discretionary decisions may concern, above all, the question of whether there is a material influence on the respective investee.

The Management Board of Oberbank AG describes the procedure for the classification and the valuation of companies using the equity method in the notes to the consolidated financial statements (see Note "Discretionary decisions, assumptions and estimates" and "Financial assets".

The equity method is an accounting method in which equity investments are first recognised at cost, but subsequently adjusted for any changes to the share of the investor in the net assets of the investee. If there are objective grounds for impairment, the recoverable amount is determined. The risk for the financial statements is that these assessments are highly dependent on expected future cash flows and the valuation parameters – especially discounting factors, growth assumptions and corporate projections – and are therefore exposed to assessment uncertainties and room for discretion.

Our procedure for the audit

- We examined the companies measured by the equity method based on the internal documentation and on the available contracts, and thus, their classification as an associated company.
- We employed our own valuation specialists to audit the measurement of the shares in the associated companies. They reviewed the measurement models and the measurement parameters used. Company projections were analysed based on market data and publicly available information to ascertain if the underlying assumptions were within a reasonable bandwidth. We checked to which extent the company was in line with the budget by comparing the previous year's projections with the results of the current year. We assessed the assumptions used for determining if the interest rates used were appropriate by comparing with capital market data; furthermore, we also verified the calculation model applied.
- Finally, an assessment was made if the information given in the notes to the financial statements on the companies measured by the equity method was appropriate.

Financial instruments – fair value measurement

The risk for the financial statements

The Oberbank Group recognised financial instruments at fair value on the asset side in an amount of €k 1,246,086 (of which Level 3 €k 137,204), and on the liabilities side, in an amount of €k 1,371,380 (of which Level 3 €k 54,740).

In the notes, the Management Board of Oberbank AG describes the accounting and valuation policies (see Note "Discretionary decisions, assumptions and estimates" and the note "Fair value of financial instruments".

The financial instruments are assigned to a category pursuant to IAS 39 at the time of initial recognition. The assignment to a category is essential for subsequent valuations and accounting. The risk for the financial statements consists of the fact that the measurement of the fair value of financial instruments on the assets side and liabilities side uses valuation parameters that cannot be observed on the market (Level 3 category) due to the strong dependence on valuation models and parameter estimates, making it a highly discretionary process.

Our procedure for the audit

- We conducted random checks of the categories to which the financial instruments were assigned and investigated if the subsequent valuations corresponded to the respective category assignments.
- We employed specialists for the audit of the financial instruments belonging to Level 3 who analysed the valuation models and assumptions applied. The valuation models were checked to ascertain if these were widely recognised market models and if the parameters were comparable to market data and the derived data was appropriate.
- We verified the random samples of the calculation of the fair values determined by the bank.
- Finally, an assessment was made if the information given in the notes to the consolidated financial statements regarding the categories and the presentation of the measurement methods was complete and appropriate.

The responsibility of the legal representatives and the Audit Committee for the consolidated financial statements

The legal representatives are responsible for the preparation of the Group's consolidated financial statements and must ensure that these are in compliance with the International Financial Reporting Standards as applicable within the European Union, and with the additional requirements of § 245a Business Code and § 59a Banking Act and present fairly in all material respects the assets and financial position of the Group and the results of operations of the Group. The legal representatives are moreover responsible for the internal controls they deem necessary to prepare consolidated financial statements that are free from material – intentional or unintentional – misrepresentations.

When drafting the consolidated financial statements, the legal representatives are also responsible for assessing the capacity of the company to continue as a going concern, for stating the matters relating to the going concern – if relevant – and also for applying the accounting policy of going concern unless the legal representatives have the intention of either liquidating the concern or discontinuing operations or have no realistic alternative to these options.

The Audit Committee is responsible for monitoring the accounting process of the Group.

Responsibility of the auditor for the audit of the consolidated financial statements

Our objective is to obtain sufficient certainty with respect to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misrepresentations and to award an audit certificate that states this audit opinion. Sufficient certainty is a high degree of certainty, but not a guarantee that the audit will always reveal material misrepresentations, if any, by auditing the financial statements prepared in accordance with accounting standards applicable in Austria that stipulate the application of ISA. Misrepresentations may result from fraudulent acts or from mistakes and are considered material if it can be reasonably assumed that these, in each case or together, have an influence on the economic decisions users reach on the basis on these consolidated financial statements.

As part of the audit of the financial statements prepared in accordance with the accounting standards applicable in Austria that require the application of International Standards on Auditing (ISAs), we exercise our professional judgment and maintain professional scepticism throughout the entire audit.

The following also applies:

- We identify and assess the risks of material – intentional or unintentional – misrepresentations in the financial statements, we plan audit activities in response to these risks, execute them and obtain audit evidence that is sufficient and suitable to serve as a reliable basis for our audit opinion. The risk that misrepresentations resulting from fraudulent actions will not be discovered is higher than in the case of misrepresentations resulting from mistakes, because fraudulent actions may include collusion, falsifications, intentionally incomplete data, misleading presentations 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.
- On the basis of the audit evidence obtained, we draw conclusions on the appropriateness of applying the going concern principle by the company's legal representatives as well as if there is any material uncertainty in connection with the events or circumstances that may raise serious doubts as to the capacity of the Group to continue as a going concern. Should we reach the conclusion that there is material uncertainty, we are under the obligation to point out the relevant information in the consolidated financial statements in our audit certificate, or, if giving this information is not reasonable, we must modify our audit certificate. We draw our conclusions on the basis of the audit evidence obtained up until the date of our audit certificate. 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 interest.

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 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 and auditor's report thereon.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance in this respect.

In connection with our audit of the consolidated financial statements, our responsibility is to read this other information, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on this work we have performed, we conclude that there is a material misstatement in the other information, we are under the obligation to report this. We have nothing to report in this regard.

Auditor responsible for the audit contract

The auditor responsible for the audit contract is Martha Kloibmüller.

Linz, 9 March 2017

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 2016 financial year of Oberbank AG came to a total of EUR 131.2 million. After the allocation of EUR 108.2 million to reserves and including the profit brought forward of EUR 0.3 million, the profit available for distribution amounted to EUR 23.3 million.

Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 0.65 per eligible share on the share capital of EUR 105.9 million; this dividend is EUR 0.1 higher than in 2015.

Given a total of 32,307,300 ordinary and 3,000,000 preference shares, the distribution is EUR 22,949,755.75.

The Management Board proposes to carry the remainder of EUR 370,226.57 forward to the new account.

Linz, 9 March 2017

The Management Board

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

Report of the Supervisory Board

Preamble

Oberbank achieved an exceptionally good year also in 2016. This success is was made possible by the work of the Management Board and the staff, but also the Supervisory Board played an important role in defining the strategic orientation of the Group (business and risk strategy) and in monitoring compliance with the guidelines and with legal and statutory requirements.

Therefore, it was a great honour for me when Ludwig Andorfer offered me the position of Chairwoman of the Supervisory Board as the first woman in the 147-year history of Oberbank. The proposal was unanimously approved by the entire Supervisory Board at its constituent meeting on 18 May 2016.

Mr. Andorfer will continue to contribute his expertise as Chairman of the Audit and Working Committees and as a member of the Supervisory Board.

Mode of operation of the Supervisory Board

The Supervisory Board held four meetings during the financial year 2016. The Supervisory Board reached the decisions it is responsible for under the law and the Articles of Association, and conducted the scrutiny required of it by the provisions of the Austrian Joint Stock Companies Act and regularly communicated with the Management Board regarding the business situation and important business transactions both in writing and verbally.

In addition, the Supervisory Board's Working Committee and Credit Committee regularly examined and reached decisions on transactions that require their approval.

The Chairwoman of the Supervisory Board was in regular contact with the Chairman of the Management Board to discuss the Company's strategy, business development and risk management activities.

The development of the economic and risk situation of Oberbank as well as the general economic environment were issues taken up and discussed as central topics by the Supervisory Board.

The Management Board informed the Supervisory Board both orally and in writing about material events and effects on Oberbank.

In all its meetings, the Supervisory Board performed the tasks incumbent on by the law and by the Articles of Association in compliance with the Austrian Code of Corporate Governance.

In compliance with the new "fit & proper" criteria of Oberbank, training courses on specific supervisory and banking issues were organised for the members of the Supervisory Board within the framework of the Supervisory Board meetings. The focus of the training courses was on compliance (new Market Abuse Directive) and anti-money laundering and sanction rules. The courses were held by internal experts of Oberbank and it was therefore not necessary to use the entire budget for 2016 of €k 20 for such courses. Nonetheless, for 2017 the budget was increased slightly considering the importance of the topic and the plans for more fit & proper courses.

Supervisory Board Committees

The **Working Committee** approved six time-critical resolutions by way of written circular in 2016. 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 49 time-critical loan applications by way of written circular in 2016. It also dealt with direct applications subsequently approved by the plenary meeting of the Supervisory Board. Business matters decided by the Credit Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.


Herta Stockbauer
Aufsichtsratspräsidentin Oberbank AG

Report of the Supervisory Board

In accordance with banking law and its function as the Risk and Credit Committee, the Committee held a meeting in the presence of the staff member responsible for independent risk management within Oberbank and the State Commissioner. At this meeting, the Committee dealt in detail with the risk strategy of Oberbank and other issues required by law.At its next meeting, the full Supervisory Board was informed in detail of the results.

The **Nomination Committee** held one meeting in 2016 and fulfilled all tasks stipulated by law. This meeting approved a target ratio of 25% for woman on the management board and on the supervisory board. The target was met on the Supervisory Board, and at a ratio of 33% on the Works Council, it was even exceeded.
The Nomination Committee plays a key role in the replacement of vacant Supervisory Board mandates and for appointing new members or reappointments to Management Board positions in a timely manner. The Nomination Committee reached the decision ahead of the 2nd Supervisory Board meeting to propose the premature prolongation of the Management Board mandate of CEO Franz Gasselsberger to the Supervisory Board.
The full Supervisory Board agreed with this proposal and unanimously passed the resolution to prolong the Management Board mandate of Franz Gasselsberger at its meeting of 18 May 2016 for the maximum possible period of five years as of the end of the period of office, i.e., until 12 May 2022.

At its meeting of 29 March 2016, the **Remuneration Committee** in the presence of the State Commissioner dealt in detail with issues relating to the implementation of the remuneration policy approved by the Committee. The Remuneration Committee fixed the variable remuneration components of the Management Board members for the financial year 2016 based on documented long-term goals and, in compliance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors, decided to pay this component 50% in equity instruments and 50% in cash, with the respective equity instruments being subject to a holding period of three years and the portion of 40% of variable remuneration that has to be deferred for a period of five years having to consist in equal parts of equity instruments and cash.
Applying the Policy governing the internal process for the identification of so-called risk buyers based on the "Delegated Regulation (EU) No 604/2014", an assessment was conducted of the applicability of the aforesaid remuneration principles to employees below management board level and the variable remuneration to be granted to these employees for the financial year 2016.
Due to the low volume of variable remuneration for employees at the level below the management board with an influence on the risk profile of the bank, the payout methods only applies to the Management Board of the bank in accordance with RZ 133 of the Guidelines on Remuneration Policies and Practices of the Committee of European Banking Supervisors.

The **Audit Committee** held two meetings in 2016 and fulfilled all tasks stipulated by law. The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.
At its meeting on 28 March 2017, the Audit Committee reviewed the annual financial statements, the management report and the corporate governance report of Oberbank AG and reported thereon to the Supervisory Board. The supervisory board endorsed the findings of the review, agreed with the annual financial statements and management report as submitted by the management board, including the proposed appropriation of profit and the corporate governance report and approved the financial statements for 2016, which are thus final for the purposes of § 96(4) of the Joint Stock Companies Act.

Report of the Supervisory Board

At its meeting on 28 March 2017, the Audit Committee examined the consolidated financial statements and the Group management report and reported thereon to the Supervisory Board. The Supervisory Board concurred with the findings of the audit.
At the same meeting, the Audit Committee also examined and approved the management board's proposal to pay out a dividend of EUR 0.65 per share out of the net profit for 2016 of EUR 23.3 million and to carry balance forward to new account, and reported thereon to the Supervisory Board.

Bank auditor

KPMG Austria AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the 2016 annual financial statements of Oberbank AG and the 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 AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2016 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. It is the opinion of the Bank's auditors that the consolidated financial statements present fairly the assets and financial position of the Group as at 31 December 2016 and the results of its operations and cash flows during the financial year from 1 January to 31 December 2016 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.
The auditors confirm that the Group management report is consistent with the consolidated financial statements and that the legislative prerequisites for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been satisfied.

Annual General Meeting

At the Annual General Meeting held on 18 May 2016, Peter Gaugg and Peter Thirring resigned from their mandates and thus withdrew from the Supervisory Board. The mandates of Helga Rabl-Stadler, Ludwig Andorfer and Wolfgang Eder ended by expiry of the term. Helga Rabl-Stadler was no longer available for re-election.
Ludwig Andorfer and Wolfgang Eder were re-elected and Gerhard Burscher, Alfred Leu and Martin Zahlbruckner were newly elected to the Supervisory Board for the statutory maximum period of five years until the Annual General Meeting 2021.
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 and employees for the work performed and the commitment shown in the reporting year. The Supervisory Board expressed its appreciation of the excellent performance of earnings, which also outperformed the overall market.

Linz, 28 March 2017
Supervisory Board

Herta Stockbauer
Chairwoman of the Supervisory Board

Management and Supervisory Bodies of the Bank as at 31 December 2016

Supervisory Board

Honorary President	Hermann Bell
Chairwoman	Herta Stockbauer (from 18 May 2016)
Vice Chairman	Ludwig Andorfer (from 18 May 2016) Gerhard Burtscher (from 18 May 2016)
Members	Wolfgang Eder Barbara Leitl-Staudinger Alfred Leu (from 18 May 2016) Peter Mitterbauer Karl Samstag Barbara Steger Herbert Walterskirchen Martin Zahlbruckner (from 18 May 2016)
Staff representatives	Wolfgang Pischinger, Chairman of the Central Works Council of Oberbank AG Alexandra Grabner Elfriede Höchtel Josef Pesendorfer Stefan Prohaska Herbert Skoff
State Commissioners	Marian Wakounig, State Commissioner appointed as of 1 August 2007 Edith Wanger, Deputy State Commissioner appointed as of 1 July 2002

Management Board	Franz Gasselsberger, CEO Josef Weissl, Director Florian Hagenauer, Director

Service Information

Organisational Structure of Oberbank
Structure of the Oberbank Group
Banking Departments and Branch Offices
Shareholders of 3 Banken Group

Service Information

Organisational Structure of Oberbank AG

Management Board Members

Chairman of the Management Board
CEO and Chairman
Franz Gasselsberger
Phone: +43/(0)732/7802 ext. 37204
franz.gasselsberger@oberbank.at

Director
Josef Weißl
Phone: +43/(0)732/7802 ext. 37220
josef.weissl@oberbank.at

Director
Florian Hagenauer
Phone +43-732/78 02 ext. 37206
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Banking departments

Corporate & International Finance
Peter Kottbauer
Phone: +43/(0)732/7802 ext. 37301
peter.kottbauer@oberbank.at

Global Financial Markets
Helmut Edlbauer
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Structure of the Oberbank Group

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Banken DL Servicegesellschaft m.b.H.
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Austria

Main Branch Hauptplatz, Linz

A-4010 Linz, Hauptplatz 10 – 11

Günther Ott, Phone: +43/(0)732/78 02 ext. 37366, guenther.ott@oberbank.at

Affiliated branches: A-4020 Linz – Donaulände, Untere Donaulände 28
A-4040 Linz – Dornach, Altenberger Straße 9
A-4040 Linz – Harbach, Leonfeldner Straße 75 a
A-4020 Linz – Stadthafen, Industriezeile 56
A-4040 Linz – Urfahr, Hinsenkampplatz 1
A-4070 Eferding, Stadtplatz 32
A-4240 Freistadt, Linzer Straße 4
A-4210 Gallneukirchen, Hauptstraße 12
A-4060 Leonding, Mayrhansenstraße 13
A-4100 Ottensheim, Hostauerstraße 87
A-4320 Perg, Herrenstraße 14
A-4150 Rohrbach, Stadtplatz 16

Main Branch Landstraße, Linz

A-4020 Linz, Landstraße 37

Klaus Hofbauer, Phone: +43/(0)732/774211 ext. 31322, klaus.hofbauer@oberbank.at

Affiliated branches: A-4020 Linz – Spallerhof-Bindermichl, Einsteinstraße 5
A-4030 Linz – Kleinmünchen, Wiener Straße 382
A-4020 Linz – Neue Heimat, Wegscheider Straße 1 – 3
A-4020 Linz – Weißenwolffstraße, Weißenwolffstraße 1
A-4020 Linz – Wiener Straße, Wiener Straße 32
A-4470 Enns, Hauptplatz 9
A-4053 Haid, Hauptplatz 27
A-4400 Steyr – Münichholz, Punzerstraße 14
A-4400 Steyr – Stadtplatz, Stadtplatz 25
A-4400 Steyr – Tabor, Ennser Straße 2
A-4050 Traun, Linzer Straße 12
A-4050 Traun – St. Martin, Leondinger Straße 2

Main Branch Salzburg

A-5020 Salzburg, Alpenstraße 98

Petra Fuchs, Phone: +43/(0)662/6384 ext. 201, petra.fuchs@oberbank.at

Affiliated branches: A-5020 Salzburg – Alter Markt, Alter Markt 4
A-5020 Salzburg – Lehen, Ignaz-Harrer-Straße 40 a

A-5020 Salzburg – Liefering, Münchner Bundesstraße 106
A-5020 Salzburg – Maxglan, Neutorstraße 52
A-5020 Salzburg – Schallmoos, Sterneckstraße 55
A-5020 Salzburg – Südtirolerplatz, Südtirolerplatz 6
A-5640 Bad Gastein, Böcksteiner Bundesstraße 1
A-5630 Bad Hofgastein, Kurgartenstraße 27
A-5500 Bischofshofen, Bodenlehenstraße 2 – 4
A-5400 Hallein, Robertplatz 4
A-5310 Mondsee, Rainerstraße 14
A-5760 Saalfelden, Leoganger Straße 16
A-5201 Seekirchen, Bahnhofstraße 1

Main Branch Innviertel
A-4910 Ried im Innkreis, Friedrich-Thurner-Straße 9
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A-4950 Altheim, Stadtplatz 14
A-5230 Mattighofen, Stadtplatz 16
A-4780 Schärding, Silberzeile 12

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Wolfgang Pillichshammer, Phone: +43/(0)7242/481 ext. 200, wolfgang.pillichshammer@oberbank.at
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A-4600 Wels – Pernau, Linzer Straße 157 a
A-4600 Wels – West, Bauernstraße 1, WDZ 9
A-4710 Grieskirchen, Pühringerplatz 3
A-4560 Kirchdorf, Bahnhofstraße 9
A-4550 Kremsmünster, Marktplatz 26
A-4614 Marchtrenk, Linzer Straße 30
A-4600 Thalheim, Traunufer-Arkade 1

Main Branch Salzkammergut, Gmunden
A-4810 Gmunden, Esplanade 24
Thomas Harrer, Phone: +43/(0)7612/62871 ext. 12, thomas.harrer@oberbank.at
Affiliated branches: A-4800 Attnang – Puchheim, Dr. Karl-Renner-Platz 2
A-8990 Bad Aussee, Parkgasse 155
A-4820 Bad Ischl, Kaiser-Fr.-Josef-Straße 4
A-4802 Ebensee, Hauptstraße 9
A-4663 Laakirchen, Gmundner Straße 10
A-4860 Lenzing, Atterseestraße 20
A-4690 Schwanenstadt, Stadtplatz 40
A-4840 Vöcklabruck, Stadtplatz 31 – 33

Banking Departments and Branch Offices

Main Branch Lower Austria, St. Pölten

A-3100 St. Pölten, Domplatz 2

Mag. Ferdinand Ebner, Phone: +43/(0)2742/385 ext. 11, ferdinand.ebner@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 Wien, Schwarzenbergplatz 5

Andreas Klingan, Phone: +43/(0)1/53421 ext. 55010, andreas.klingan@oberbank.at

Affiliated branches: A-1090 Wien – Alsergrund, Porzellangasse 25
A-1190 Wien – Döbling, Gatterburggasse 23
A-1220 Wien – Donauspital, Zschokkegasse 140
A-1220 Wien – Donaustadt, Wagramer Straße 124
A-1100 Wien – Favoriten, Sonnwendgasse 13
A-1210 Wien – Floridsdorf, Brünner Straße 42
A-1170 Wien – Hernals, Hernalser Hauptstraße 114
A-1130 Wien – Hietzing, Lainzer Straße 151
A-1080 Wien – Josefstadt, Josefstädter Straße 28
A-1030 Wien – Landstraße, Landstraßer Hauptstraße 114
A-1020 Wien – Leopoldstadt, Taborstraße 11 a
A-1230 Wien – Liesing, Lehmanngasse 9
A-1050 Wien – Margareten, Reinprechtsdorfer Straße 30
A-1070 Wien – Neubau, Neubaugasse 28 – 30
A-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-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

Banking Departments and Branch Offices

Germany

Main Branch South Bavaria

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Robert Dempf, Phone: +49/(0)89/55989 ext. 201, robert.dempf@oberbank.de

Affiliated branches: D-86150 Augsburg, Maximilianstraße 55
D-84307 Eggenfelden, Fischbrunnenplatz 11
D-85354 Freising, Johannisstraße 2
D-82110 Germering, Therese-Giehse-Platz 2
D-85049 Ingolstadt, Donaustraße 3
D-84028 Landshut, Altstadt 391
D-84453 Mühldorf am Inn, Brückenstraße 2
D-85521 Ottobrunn, Rosenheimer Landstraße 39
D-94032 Passau, Brunngasse 10
D-93047 Regensburg, Bahnhofstraße 13
D-83022 Rosenheim, Heilig-Geist-Straße 5
D-94315 Straubing, Stadtgraben 93
D-89073 Ulm, Walfischgasse 12
D-85716 Unterschleißheim, Alleestraße 13
D-82515 Wolfratshausen, Bahnhofstraße 28

Main Branch North Bavaria-Hesse-Thuringia

D-90443 Nürnberg, Zeltnerstraße 1

Thomas Decker, Phone: +49/(0)911/72367 ext. 11, thomas.decker@oberbank.de

Affiliated branches: D-63739 Aschaffenburg, Weißenburger Straße 16
D-96047 Bamberg, Franz-Ludwig-Straße 7 a
D-95444 Bayreuth, Kanalstraße 17
D-64283 Darmstadt, Neckarstraße 12 – 16
D-99084 Erfurt, Krämpferstraße 6
D-91054 Erlangen, Hauptstraße 83
D-07743 Jena, Kirchplatz 6
D-92318 Neumarkt i.d. Oberpfalz, Ringstraße 5
D-97421 Schweinfurt, Schultesstraße 5 – 7
D-92637 Weiden, Sedanstraße 6
D-97070 Würzburg, Paradeplatz 4

Banking Departments and Branch Offices

Main Branch Czech Republic

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CZ-15000 Praha 5 – Smíchov, Portheimka Center náměstí 14 října 642/17
CZ-17000 Praha 7 – Holešovice, Dukelských hrdinů č. 407/26
CZ-27201 Kladno, Osvobozených politických vězňů 339
CZ-60200 Brno, Lidická 20
CZ-60200 Brno, Trnitá 491/3
CZ-37001 České Budějovice, nám. Přemysla Otakara II. 6/3
CZ-50002 Hradec Králové, Gočárova tř. 1096
CZ-38101 Český Krumlov, Panská 22
CZ-58601 Jihlava, Masarykovo nám. 10
CZ-46001 Liberec, Soukenné nám. 156
CZ-29301 Mladá Boleslav, Jaselská 1391
CZ-39701 Písek, Budovcova 2530
CZ-30100 Plzeň, Prešovská 20
CZ-77100 Olomouc, Dolni nám. 1
CZ-70200 Ostrava, Stodolní 1
CZ-74601 Opava, Masarykova třída 274/27
CZ-39001 Tábor, Pražská 211
CZ-40001 Ústí nad Labem, Hrnčířská 4
CZ-76001 Zlín, Osvoboditelů 91

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H-6000 Kecskemét, Kisfaludy utca 8
H-8800 Nagykanizsa, Erzsébet tér 23
H-6720 Szeged, Klauzál tér 2
H-8000 Szekesfehervar, Rakoczi ut 1
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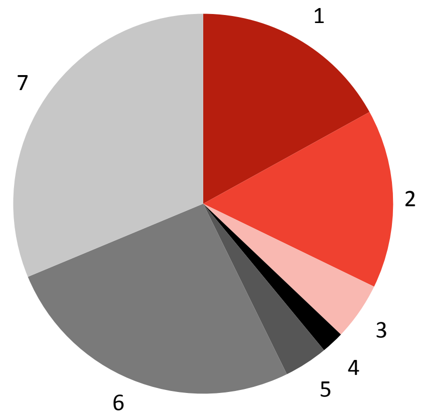
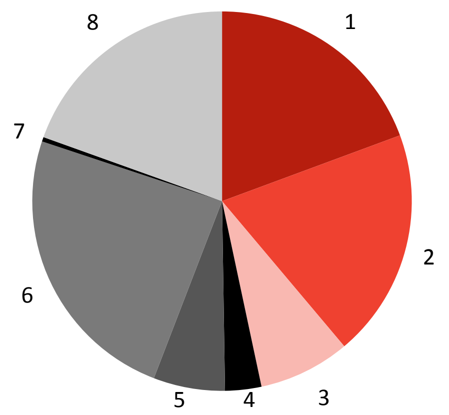
Shareholder Structure of the 3 Banken Group as at 31/12/2016 by voting rights

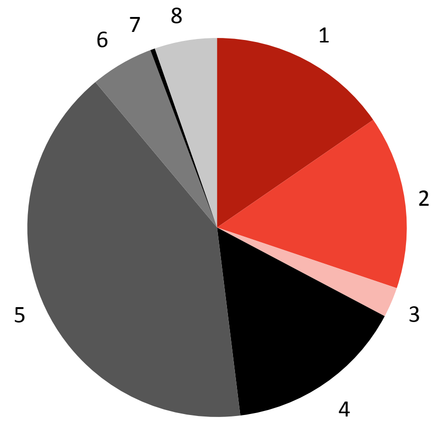
Oberbank		
1	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	16.98 %
2	BKS Bank AG, Klagenfurt	15.21 %
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.90 %
4	Generali 3 Banken Holding AG, Wien	1.93 %
5	MitarbeiterInnen	3.72 %
6	CABO Beteiligungs-gesellschaft m. b. H., Wien	25.97 %
7	Streubesitz	31.29 %



BKS		
1	Oberbank AG, Linz	19.36 %
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	19.50 %
3	Generali 3 Banken Holding AG, Wien	7.80 %
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	3.09 %
5	UniCredit Bank Austria AG, Wien	6.10 %
6	CABO Beteiligungsgesellschaft m. b. H., Wien	24.25 %
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	0.38 %
8	Streubesitz	19.52 %



BTV		
1	Oberbank AG, Linz	14.54 %
2	BKS Bank AG, Klagenfurt	14.95 %
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.59 %
4	Generali 3 Banken Holding AG, Wien	15.44 %
5	CABO Beteiligungs-gesellschaft m. b. H., Wien	41.29 %
6	UniCredit Bank Austria AG, Wien	5.42 %
7	BTV Privatstiftung, Innsbruck	0.40 %
8	Free float	5,37 %



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

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DVR (data processing code): 0019020
Companies Register: FN: 79063w, Landesgericht Linz
VAT ID: ATU22852606
ISIN Oberbank ordinary shares: AT0000625108; ISIN Oberbank preference share: AT0000625132

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Oberbank abstains from producing a resource-intensive printed version for the presentation of its Annual Report. With a view to sustainability and the protection of resources, this enables the Bank to reduce resource consumption by some nine tonnes of timber and 360,000 litres of water yearly and to avoid the environmentally detrimental effects of the printing process.
The full version of the Bank’s Annual Reports can be accessed on our website www.oberbank.at.
In adding up rounded figures and calculating percentage rates of changes, slight differences may result compared with figures arrived at by adding up component figures that have not been rounded off.

Disclaimer: Forward-looking statements
This Annual Report contains statements and forward-looking statements regarding Oberbank AG's future development. These forward-looking statements are usually accompanied by words such as "estimates", "expects", "plans", "predicts", "targets" and similar expressions. The forecasts are estimates made on the basis of all the information available on the reporting date of 31 December 2016. Should the assumptions upon which such forecasts have been based prove unjustified or should risks such as those referred to in the Risk Report transpire, actual results may differ from the results that are currently expected.
This Annual Report does not constitute any recommendation to buy or sell shares of Oberbank AG.
A separate glossary has not been included in this Annual Report, as the terms used are either common terminology or, where required, explained directly in the text. This English version of the Annual Report is prepared for the convenience of English-speaking readers.