

Financial Year 2018

Oberbank

150 Years

Financial Year 2018

in Brief

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Oberbank at a Glance

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

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

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

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

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

Oberbank's share	2018	2017	2016
Number of ordinary no-par shares	32,307,300	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	89.80/88.50	81.95/71.40	60.30/52.75
Low (ordinary/preference share) in €	82.00/72.50	60.36/52.00	52.57/37.70
Close (ordinary/preference share) in €	89.80/83.00	81.95/71.40	60.30/52.50
Market capitalization in € m	3,150.2	2,861.8	2,105.6
IFRS earnings per share in €	6.39	5.68	5.59
Dividend payout per share in €	1.10	0.90	0.65
P/E ratio, ordinary shares	14.1	14.4	10.8
P/E ratio, preference shares	13.0	12.6	9.4

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

Letter from the Chairman of the Management Board

Dear readers,

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

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

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

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

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

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

The financial magazine “Börsianer” awards Oberbank again to rankings

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

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



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

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

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

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

First critical events in the crisis years of the 1920s

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

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

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

Letter from the Chairman of the Management Board

1955 was the start of an upswing in retail banking for Oberbank

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

Starting in the 1970s, CEO Hermann Bell established the solid foundation on which Oberbank rests to this day.

In 1984, Hermann Bell together with the CEOs of the partner banks separated 3 Banken from the Creditanstalt and led it to independence. Independence was secured by a cooperation agreement with Generali and Wüstenrot with whom 3 Banken has established a successful cooperation up to now.

In 1986, an initial public offering opened the way to the capital market. This attracted many private investors and made it possible to carry out several highly successful capital increases.

Another milestone was the first expansion step outside of Upper Austria and Salzburg.

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

In 1994, another major step was the establishment of the Oberbank employee share participation scheme.

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

The success of the expansion in the 1980s encouraged us to move into other markets later on.

In 2004, we entered the Czech Republic, 2007 Hungary, 2009 Slovakia, and we planned another major move for 2018/2019. In 2018, we opened branches in Baden Württemberg and Saxony, and these two countries will be at the focus of our expansion activities in 2019 – in addition to Vienna.

In 2018, we founded eleven branches in Vienna, Germany, Czech Republic and Hungary. In 2019, nine new branches are planned for Germany. Therefore, we will have some 180 branches by the end of 2019 and will have reached the targets defined for the year 2020 already one year earlier.

The new independence 35 years ago initiated a phase of euphoria.

At the time, just like today, we did not want Oberbank to be just a small part of a large banking group. This was the origin of our vision: to preserve our autonomy and independence; to determine our fate on our own strength.

This vision has not lost any of its appeal. It is a source of support and orientation for all employees, from the management board to the works council. It illustrates what we work for every day and is one of the reasons we have been able to establish a strong position as an attractive alternative on the market.

Independence is a commitment and a challenge.

Independence means that we ourselves are responsible for our fate; that we cannot rely on anyone else and that we as a bank often have to swim against the current without giving up our vision, values or successful business model. Our success proves us right. Apparently, we have done more things right than wrong in the way we run our banking business; on our own strength and with the fate we share as a member of the unique "3 Banken Gruppe".

Letter from the Chairman of the Management Board

Also after 150 years, we have to keep embarking on new endeavours.

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

But reliability should not mean standstill.

We have to constantly question things, anticipate change and continue developing in order to avoid getting entrenched in the old.

In the past 20 years, the pace of change has accelerated enormously and we have developed a culture in which change is welcome and this has proven quite beneficial. We have always been a bit ahead of our times: we recognised and implemented changes faster than others, and we adapted more quickly.

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

Finally, on behalf of the entire Board of Oberbank, I would like to thank everyone who has made our success possible.

Our customers whose trust is our most valuable asset; our shareholders who stand for a solid, lasting and stable ownership structure; and our employees who also work a bit harder than others.

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

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

Linz, in March 2019



CEO Franz Gasselsberger
Chairman of the Management Board

Company Profile

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).

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

As a strategic partner, Oberbank owns stakes, among others, in voestalpine AG (8.14%), Energie AG Oberösterreich (4.12%), Lenzing Aktiengesellschaft (3.73%), LINZ TEXTIL HOLDING AKTIEN-GESELLSCHAFT (6.22%) and Gasteiner Bergbahnen AG (32.62%).

Oberbank invests directly as a private equity finance partner through holding companies.

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

Oberbank's leasing sub-group bundles the bank's Austrian and foreign leasing companies, and also includes companies established for the purpose of financing individual customer projects or Oberbank projects.

Other investments include stakes in companies which provide banking-related services (DREI-BANKEN-IT Gesellschaft and Einlagensicherung der Banken und Bankiers) or have specific regional significance in the catchment area of Oberbank (various technology or business incubation centres).

Company Profile

Human Resources

A key factor for Oberbank's lasting success is its committed, competent and sales-oriented staff.

The HR strategy was reviewed in 2018 with a view to the corporate strategy 2020 and the external and internal challenges for the Human Resources. The specific topics identified for action were "succession planning", "recruiting, onboarding, training" and "employer branding". The implementation measures and projects for the time until 2020 were defined.

Succession planning

In the coming ten years, Oberbank will require a higher number of management-level staff for demographic reasons. Around one third of all management staff will retire in this period across all hierarchy levels. Unfilled management positions are usually filled from the own ranks at Oberbank. This practice is particularly important, because it lastingly secures the vision (independence and success), the values and the business model of Oberbank. Therefore, Oberbank plans to fill all positions resulting from the generational change with persons from within the Bank.

Oberbank has a good starting situation for managing the upcoming generational change: there are enough young employees, many of them are highly motivated and have an excellent education, and Oberbank's reputation as an attractive employer is outstanding.

Succession planning starts with a structured process, depending on the hierarchy level of the position to be filled around five or three years prior to the projected change. Essential in this context is raising the share of women in management positions. Apart from the option of the management staff to appoint potential successors, it is also possible to apply for open positions.

The development of potentials is done with a view to ensuring sufficient staff and gender equality, but also with a critical view to commitment, social competence and expert skills as well as flexibility with respect to content and location. In this case as well, there is a clear structured process that offers the possibility of candidates themselves applying for the potentials programme.

Recruiting, Onboarding, Training

The strong expansion, the demographic development, the solid economic situation in 2018 and a slightly higher staff turnover rate (2018: 7.8%), albeit still very good, made it harder to find staff in 2018. In order to continue attracting the best salespeople and employees, a number of measures were taken: the project "AHOI" – a computer-aided tool for employee recommendation management – has been in use since the autumn of 2018 throughout the Bank in Vienna and Germany after the positive completion of the pilot phase in Vienna, and is already producing the first success stories. Furthermore, potential employees from other areas are also directly addressed. Employee application management in Germany, Czech Republic, Hungary and Slovakia is being professionalized further with the introduction of application management software and recruiting standards.

A rigorous and structured onboarding of management staff and customer relationship managers is necessary due to the strong expansion. The newly designed central onboarding programme helps new employees get acquainted with the culture and working environment of Oberbank faster and gives them the added benefit of being able to network with other employees more quickly.

Management is a key factor for corporate and human resources development. Oberbank Management Academy, in cooperation with LIMAK Austrian Business School, provides training in uniformly defined standards for management and skills. An essential part of Oberbank's management concept is the MbO system that is in place at all levels of the Bank and provides clear guidance. The relaunch in the last MbO period focused more strongly on the development of all employees and their life phases.

Employees work in a fast-paced environment characterised by constant change (digitalisation, regulation, strategic orientation) that calls for permanent learning. The objective in this case is to ensure that learning is on target, timely,

Company Profile

Human Resources

flexible and methodological, and at the same time, also takes into consideration the different life phases of employees.

The highest level of advisory and sales competence is achieved at Oberbank by constantly developing of its further education and training programmes. The in-house certification series were reviewed and updated organisationally and with respect to content. In 2019, this will also be done in the Czech Republic. Apart from the implementation of measures required by regulations (MiFID, IDD, etc.), the focus in the future will be to further digitize learning such as through web-based training.

In 2018, almost EUR 1.85 million were invested in a high quality and diversified range of courses.

Oberbank as an attractive employer

Oberbank is perceived as a very attractive employer. This is shown by the awards received from the special-interest magazine “trend” which designated the Bank as “a top employer among banks and financial service providers in 2018” as well as by the award from “Kurier” naming it the “most popular employer in 2019”. The excellent valuations on the platform “kununu” also highlight this aspect.

The economic success of Oberbank, but also exciting challenges, internal career opportunities, very good employment terms and an excellent working climate make Oberbank a strong employer brand. Additionally, Oberbank provides its employees with a broad range of modern social benefits. Apart from the possibility of being able to buy the Bank’s stocks at preferred terms, Oberbank was the first bank in Austria to let employees participate in the profits of the Bank through an Employee Participation Foundation founded in 2018. This means that employees directly benefit from the Bank’s growth and also constitute an important and stable shareholder.

Therefore, Oberbank employees and especially the management staff are very loyal to the Bank. An average employment period of around 13 years despite the strong expansion in the past years illustrates this quite clearly.



Next Generation – Gender Balance

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

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



“Aktie Gesundheit” (“Health Share”)

A healthy body and soul are the foundation for joyful living, motivation and performance. Therefore, one of Oberbank’s greatest concerns is to support employees in maintaining their health.

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



Managing human resource risks

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

Number of employees

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

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

Company Profile

Assuming Responsibility

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

Sustainable Corporate Governance

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

Commitment to the Austrian Code of Corporate Governance (ÖCGK)

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

Sustainable Risk Management

Knowingly assuming risks is a key element of the banking business. Oberbank AG is responsible for the definition, the implementation, the management and risk controlling throughout the Oberbank Group. The Management Board and employees act in accordance with the principles laid down in the Bank's risk policy, and decisions are made on the basis of these guidelines.

Employees

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

Responsibility in product design

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

Ecological responsibility

Using resources responsibly is part and parcel of corporate social responsibility. Oberbank strives for the highest levels of environmental compatibility in all its operations, processes and products. Especially in building and energy management, business travel planning and procurement, Oberbank's policy focuses on environmentally-benign activities thus aiming to lower costs over the long term. In 2018, reductions in energy consumption were more than 2,900 MWh.

Social responsibility

Oberbank believes that support for persons and groups from less privileged circumstances and also the promotion of cultural activities is an important aspect of its corporate social responsibility. In 2018, more than 300 requests for sponsoring were granted and projects with a volume of EUR 1.6 million were supported.

Measures aimed at promoting women and diversity concept

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

Company Profile

Compliance and Money laundering

Securities Compliance

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

To discover potential violations of statutory provisions, Oberbank uses a computer-aided compliance tool to help mitigate risk by quickly and specifically revealing instances of malversation in exchange trading, in particular, market manipulation and insider dealings. It provides for proactive monitoring through ad hoc and regular evaluations and helps to avoid reputational damage and monetary loss. Furthermore, this IT tool also maintains the lists and records that must be kept by law, such as insider lists, blocking and watch lists, areas of confidentiality, and the register of conflicts of interest. This IT tool thus enables the professional management of (potential) securities compliance incidents by documenting all incidents seamlessly, centrally and without delay.

Oberbank also has an extensive internal set of rules and regulations on compliance in place. The Compliance Manual contains a description of general organisational aspects as well as detailed information on the compliance rules and regulations relating to investment activities and the capital market. The Compliance Manual is published internally on the company intranet and is therefore available to all employees at all times. The employees of Oberbank are under the obligation to comply with the rules and regulations in this Manual and their attention is drawn to the sanctions under criminal law and labour law in the event of violations of these rules and regulations; they also receive training courses on a regular basis. The training courses include mandatory annual e-learning courses as well as the relevant regular attendance courses.

It is thus assured that Oberbank meets its statutory obligation to install and maintain effective rules, systems and procedures for the discovery and reporting of suspicious securities orders and transactions.

Findings of the Securities Compliance Audits

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

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

Money laundering

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

Company Profile

Compliance and Money laundering

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

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

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

Investor Relations

Share and shareholder structure

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

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

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

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

Oberbank shares hit all-time high in 2018

In 2018, ordinary shares reached a record level of EUR 89.80 on 21 December 2018, while preference shares were quoted at EUR 88.50 on 2 October 2018.

Annual performance (price trend and dividend) was + 10.7% for ordinary shares in 2018 and + 17.5% for preference shares. Market capitalisation of Oberbank AG was EUR 3,150.2 million at the end of 2018, as compared to EUR 2,861.8 million at the end of the preceding year, which is an increase in the company's value by 10.1%.

Oberbank shares – key figures	2018	2017	2016
Number of ordinary no-par shares	32,307,300	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	89.80/88.50	81.95/71.40	60.30/52.75
Low (ordinary/preference share) in €	82.00/72.50	60.36/52.00	52.57/37.70
Close (ordinary/preference share) in €	89.80/83.00	81.95/71.40	60.30/52.50
Market capitalization in € m	3,150.2	2,861.8	2,105.6
IFRS earnings per share in €	6.39	5.68	5.59
Dividend payout per share in €	1.10	0.90	0.65
P/E ratio, ordinary shares	14.1	14.4	10.8
P/E ratio, preference shares	13.0	12.6	9.4

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

Attractive valuation, constant dividends

Earnings per share rose significantly in 2018 from EUR 5.68 to EUR 6.39. Based on the shares' closing prices, the price/earnings ratio (PER) for ordinary shares was 14.1, and for preference shares 13.0.

At the 139th Annual General Meeting on 14 May 2019, the Board will recommend a dividend payout of EUR 1.10 per qualifying share; this is EUR 0.20 higher than in the preceding year.

Investor Relations

Oberbank shareholder structure at 31/12/2018	Ordinary shares	Total
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	16.98%	16.15%
BKS Bank AG, Klagenfurt	15.21%	14.21%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.90%	4.50%
Generali 3 Banken Holding AG, Vienna	1.77%	1.62%
Employees	3.94%	3.77%
CABO Beteiligungsgesellschaft m. b. H., Vienna	25.97%	23.76%
Free float	31.23%	35.99%

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

Investor relations and communication

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

Potentially price-sensitive events are disclosed through the euro ad hoc system under "Insider Information". In the financial year 2018, Oberbank published one such disclosure.

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

Directors' Dealings

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

Oberbank AG published 58 such reports through the euro-adhoc-system in 2018.

Segment Report

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

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

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

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

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

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

In the Personal Banking segment, profit before tax in 2018 was EUR 46.7 million, which is 43.9% higher year on year. Net interest income rose by 6.3% to EUR 60.7 million and net commission income was up by 13.4% to EUR 74.5 million. Impairment charges amounted to EUR 2.8 million.

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

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

Segment Report

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

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

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

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

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

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

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/amortisation expenses

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

Consolidated Financial Statements

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

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

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

Consolidated Financial Statements

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

Consolidated Financial Statements

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

Consolidated Financial Statements

Regulatory capital pursuant to Part 2 of Regulation (EU) No 575/2013 - pillar I in €k	2018	2017	Change	
			absolute	in %
Subscribed capital	100,522	101,422	-900	-0.9
Capital reserves	505,523	505,523	-	-
Retained earnings ¹⁾	2,023,438	1,728,837	294,601	17.0
Minority interests	0	0	-	-
Accumulated other comprehensive income	71,103	38,961	32,142	82.5
Regulatory adjustment items	7,695	-8,925	16,620	>100.0
Deductions from common equity tier 1 capital items	-190,467	-162,694	-27,773	17.1
COMMON EQUITY TIER 1 CAPITAL	2,517,814	2,203,124	314,690	14.3
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments purs. to national implemt. rules	0	29,500	-29,500	-100.0
Deductions from AT1 capital items	-4,707	-8,807	4,100	-46.6
Additional Tier 1 capital	45,293	70,693	-25,400	-35.9
TIER 1 CAPITAL	2,563,107	2,273,817	289,290	12.7
Qualifying supplementary capital instruments	347,583	308,656	38,927	12.6
Nominal capital preference shares purs. to transition rules	5,400	4,500	900	20.0
AT1 capital instruments purs. to transition rules	0	29,500	-29,500	-100.0
Supplementary capital (tier 2) items purs. to national implementation rules	15,892	28,782	-12,890	-44.8
General credit risk adjustments	0	0	-	-
Deductions from tier 2 capital items	-20,230	-22,359	2,129	-9.5
Supplementary capital (tier 2)	348,645	349,079	-434	-0.1
OWN FUNDS	2,911,752	2,622,896	288,856	11.0
Total risk exposure purs. Art. 92 CRR				
Credit risk	13,338,275	12,308,891	1,029,384	8.4
Market risk, settlement risk and CVA risk	27,551	37,497	-9,946	-26.5
Operational risk	1,055,408	1,009,236	46,172	4.6
Total exposure	14,421,234	13,355,624	1,065,610	8.0
Own funds ratio purs. Art. 92				
Common equity tier 1 capital ratio	17.46%	16.50%	0.96 ppt	
Tier 1 capital ratio	17.77%	17.03%	0.74 ppt	
Total capital ratio	20.19%	19.64%	0.55 ppt	
Regulatory own capital ratios purs. to transition rules in %				
Common equity tier 1 capital ratio	6.474%	5.793%	0.68 ppt	
Tier 1 capital ratio	7.974%	7.293%	0.68 ppt	
Total capital ratio	9.974%	9.293%	0.68 ppt	
Regulatory capital requir. purs. to transition rules in €k				
Common equity tier 1 capital	933,559	773,718	159,841	20.7
Tier 1 capital	1,149,877	974,052	175,825	18.1
Total capital	1,438,302	1,241,165	197,137	15.9
Free capital components				
Common equity tier 1 capital	1,584,255	1,429,406	154,849	10.8
Tier 1 capital	1,413,230	1,299,765	113,465	8.7
Total capital	1,473,450	1,381,731	91,719	6.6

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

Governing Bodies of the Bank as at 31 Dec. 2018

Supervisory Board

Honorary President

Hermann Bell

Chairwoman

Herta Stockbauer

Vice Chairmen

Ludwig Andorfer
Gerhard Burtscher

Members

Wolfgang Eder
Gregor Hofstätter-Pobst
Stephan Koren (from 15 May 2018)
Barbara Leitl-Staudinger
Alfred Leu
Peter Mitterbauer
Karl Samstag
Barbara Steger
Martin Zahlbruckner

Staff representatives

Wolfgang Pischinger,
Chairman of the Central Works Council of Oberbank AG
Susanne Braun (from 15 May 2018)
Alexandra Grabner
Elfriede Höchtel
Doris Pirner (from 1 January 2018)
Stefan Prohaska (until 31 December 2018)

State Commissioners

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

Management Board

Franz Gasselsberger, CEO
Josef Weißl
Florian Hagenauer

Service Information

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Management Board Member

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Anti-Money Laundering Officer

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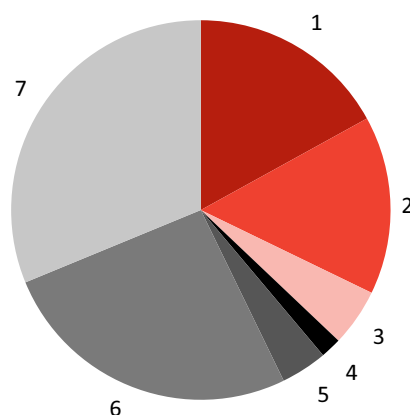
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Service Information

Shareholders of the 3 Banken Group by Voting Share

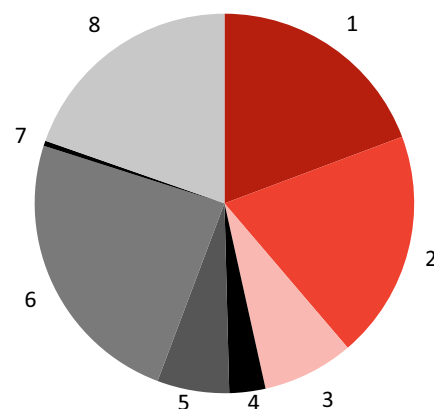
Oberbank

1	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	16.98%
2	BKS Bank AG, Klagenfurt	15.21%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.90%
4	Generali 3 Banken Holding AG, Wien	1.77%
5	Employees	3.94%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	25.97%
7	Free float	31.23%



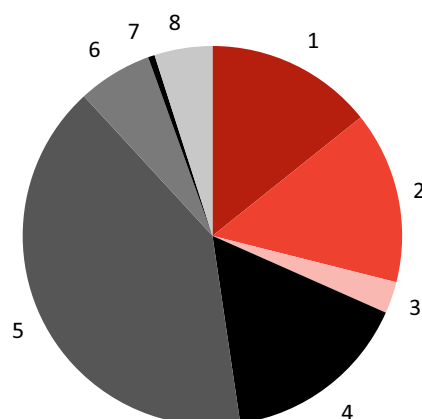
BKS

1	Oberbank AG, Linz	19.29%
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	19.45%
3	Generali 3 Banken Holding AG, Wien	7.77%
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	3.08%
5	UniCredit Bank Austria AG, Wien	6.14%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	24.18%
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	0.44 %
8	Free float	19.64%



BTV

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



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

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

Disclaimer Forward-looking statements

This Annual Report contains statements and forward-looking statements regarding Oberbank AG's future development. These forward-looking statements are usually accompanied by words such as "estimates", "expects", "plans", "predicts", "targets" and similar expressions. The forecasts are our estimates based on the information at our disposal on the copy deadline date. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialize, the actual results may vary from those currently expected.

This Annual Report does not constitute any recommendation to buy or sell shares of Oberbank AG.

A separate glossary has not been included in this Annual Report, as the terms used are either common terminology or, where required, explained directly in the text. This English version of the Annual Report is prepared for the convenience of English-speaking readers.