Oberbank
3 Banken Gruppe

ASSETS BASED ON TRUST.

Interim Report to Shareholders as at 30 September 2018

Oberbank at a Glance

Income statement in €m	Q1-3 2018	Change	Q1-3 2017
Net interest income	247.6	4.4%	237.2
Income from entities recognised using the equity	68.4	28.5 %	53.3
Charges for losses on loans and advances	-4.6	-37.2%	-7.3
Net commission income	119.3	15.3%	103.5
Administrative expenses	-214.5	6.1%	-202.1
Profit for the period before tax	212.4	16.7%	182.0
Profit for the period after tax	181.1	17.2%	154.5

Balance sheet in €m	30/9/2018	Change	31/12/2017
Total assets	21,341.6	2.5%	20,830.6
Loans and advances to customers	15,697.7	6.4%	14,760.3
Primary funds	13,576.9	1.4%	13,394.7
of which savings deposits	2,697.2	-0.8%	2,719.0
of which securitised liabilities incl. subordinated debt capital	2,065.2	3.4%	1,997.4
Equity	2,767.6	12.2%	2,466.8
Customer funds under management	29,710.4	1.3%	29,332.6

Own funds purs. to CRR in €m	30/9/2018	Change	31/12/2017
Common equity tier 1 capital (CET 1)	2,251.3	2.2%	2,203.1
Tier 1 capital	2,304.2	1.3%	2,273.8
Own funds	2,641.5	0.7%	2,622.9
CET 1 ratio in %	15.67	-0.83% ppt	16.50
Tier 1 capital ratio in %	16.04	-0.99% ppt	17.03
Total capital ratio in %	18.38	-1.26% ppt	19.64

Performance indicators	Q1-3 2018	Change	Q1-3 2017
Cost/Income ratio in %	49.70	-1.93% ppt	51.63
Return on equity before tax in %	10.77	0.49% ppt	10.28
Return on equity after tax in %	9.18	0.45% ppt	8.73
Risk/earnings ratio (credit risk/net interest) in %	1.85	-0.67% ppt	2.52

Resources	30/9/2018	Change	31/12/2017
Average number of staff (weighted)	2,093	43	2,050
Number of branches	162	1	161

Situation of the Oberbank Group in the first three quarters of 2018

Dear Readers,
For the first three quarters of 2018, Oberbank is once again very pleased to report excellent performance.

Earnings improve significantly again

- **Operating income EUR 217.1 million, +14.6%**
- **Net profit before tax EUR 212.4 million (+16.7%), after tax EUR 181.1 million (+17.2%)**

After the excellent results in the first three quarters of 2017, earnings developed very satisfactorily again in 2018. Operating income increased by 14.6% to EUR 217.1 million, net profit before tax by 16.7% to EUR 212.4 million, and net profit after tax by 17.2% to EUR 181.1 million.
Both interest and commission income contributed equally to earnings.
In the first three quarters, net interest income rose year on year by 4.4% to EUR 247.6 million, while income from equity investments rose by EUR 28.5% to EUR 68.4 million.
Net commission income was 15.3% higher year on year at EUR 119.3 million. All commission-earning business lines contributed to this gain, with both the lending business (+32.1%) and the securities business (14.6%) developing very well.

Excellent performance ratios

- **EUR 4.1 billion volume of new loans**
- **Lending volume EUR 15.7 billion / + 8.3%**

In the first three quarters, we granted a volume of new loans of EUR 4.1 billion, the credit volume thus rose by 8.3% to EUR 15.7 billion. Thus, the growth rate was clearly above the overall level of the Austrian market (+ 4.4%) and of the euro area (+ 2.5%).
Commercial loans rose again steeply by 8.4% to EUR 12.5 billion. Both investment finance (+ 9.2%) as well as working capital loans (+ 6.6%) were far above the preceding year's level.
The retail loan volume increased year on year by 7.8% to EUR 3.2 billion. Growth drivers were once again residential construction loans (+10%).

Excellent risk situation continues

- **Risk provisions EUR 4.6 million, NPL ratio 2.38%**

Compared with the risk provisions of EUR 7.3 million for first three quarters of 2017, we recorded EUR 4.6 million for the first three quarters of the current year. This continues to be an exceptionally low level over the long-year average.
The NPL ratio, i.e., the share of non-performing loans to total credit volume, decreased slightly again from 2.71% to 2.38%.

Equity at record high

- **Increase by EUR 333 million to EUR 2.8 billion**

Equity stood at EUR 2,767.6 million as at 30 September 2018 which is EUR 333 million or 13.7% higher year on year. A key reason for the increase was the high level of allocations to reserves due to the excellent earnings.

Performance ratios continue at top levels

- **RoE before tax 10.77%, after tax 9.18%**
- **Cost/income ratio 49.70%**
- **16.04% CET1, total capital ratio 18.38%**

RoE increased again – despite the steep rise in equity capital, rising before tax from 10.28% to 10.77% and after tax from 8.73% to 9.18%.
The cost/income ratio improved from 51.63% to 49.70%. The main driver behind the trend was the robust earnings.
Capital adequacy (16.04% CET1; 18.38% total capital ratio) continued at an excellent level and substantially exceeds the statutory requirements.

Expansion still going strong:

- **10 to 11 new branches, some 170 branches by year-end**

At the end of April, a second branch of Oberbank was opened in Hanau in Germany, and in May, the 22nd branch opened in Prague in the Czech Republic. In the fourth quarter of 2018, we plan to enter the market in Baden-Württemberg and Saxony in Germany for the first time. Altogether seven new branches will be opened in the cities of Aalen, Esslingen, Reutlingen, Halle a. d. Saale, Chemnitz and Leipzig. Two new branches are planned in Vienna and one in Budapest.

CEO Franz Gasselsberger

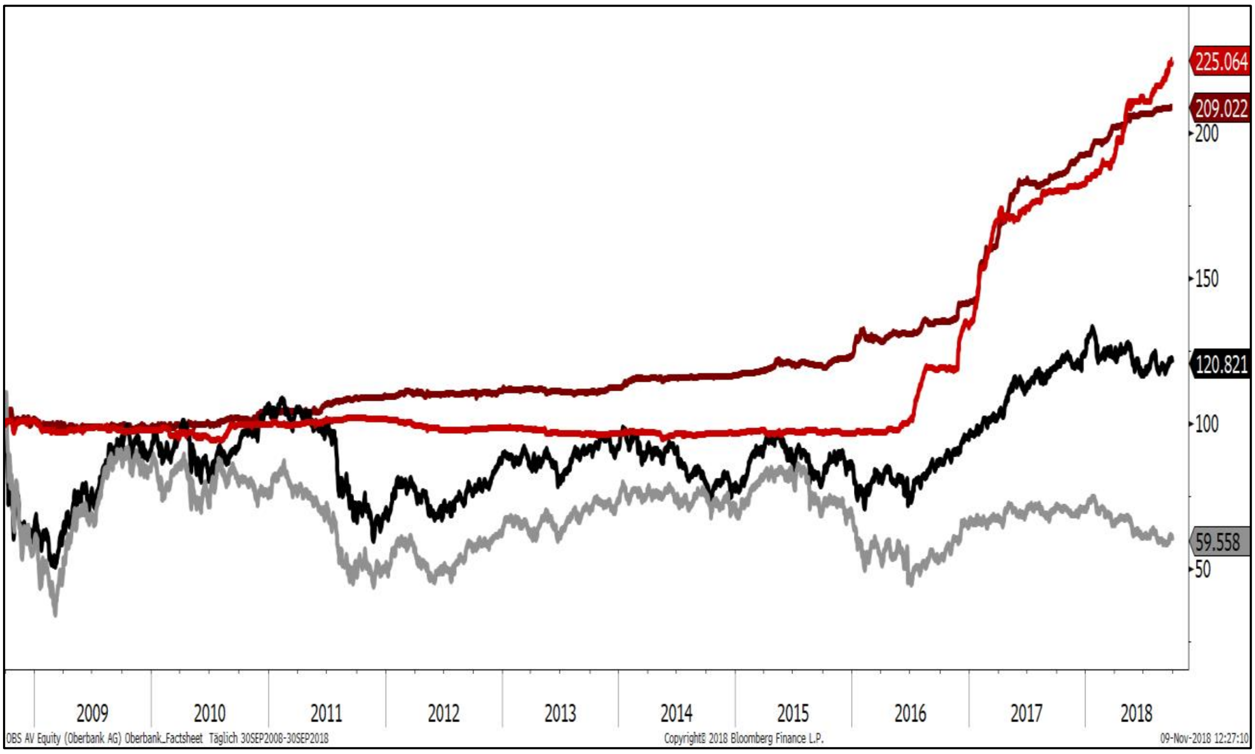
The Oberbank share

The price of Oberbank's ordinary shares as well as the price of Oberbank's preference shares climbed to new all-time highs in the first three quarters of 2018 (ordinary share EUR 89.00, preference share EUR 88.00). The excellent development of the two share classes lifted Oberbank's market capitalization (total value of ordinary and preference shares) for the first time to over EUR 3.0 billion on 23 March 2018.

Oberbank shares – key figures	Q1-3 2018	Q1-3 2017
Number of ordinary shares	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	89.00/88.00	78.90/70.45
Low (ordinary/preference share) in €	82.00/71.50	60.30/52.00
Close (ordinary/preference share) in €	89.00/88.00	78.90/70.45
Market capitalization in €m	3,139.35	2,760.40
IFRS earnings per share in € annualised	6.84	5.84
P/E ratio, ordinary shares	13.01	13.51
P/E ratio, preference shares	12.87	12.06

Oberbank ordinary and preference shares vs. ATX and the European banking index

Chart (period: 30/09/2008 to 28/09/2018) ■ Oberbank Ord ■ Oberbank Pre ■ATX ■STOXX Europe 600 Banks



This chart comparison shows the development of the Oberbank ordinary share, the Oberbank preference share, the Austrian stock index ATX, and the European banking index STOXX Europe 600 Banks. In the chart, the prices have been adjusted by indexing the daily closing prices of the relevant stock and the indices to 100. This means the starting prices were all set to 100% at the starting time. Therefore, the chart presents the relative percentage development.

Source: Bloomberg, data as at 29 June 2018
The figures given refer to the past. These cannot be used to derive future trends.

Segments in the first three quarters of 2018

Corporate and Business Banking

Corporate and Business in €m	Q1-3 2018	Q1-3 2017	+ / - absolute	+ / - in %
Net interest income	181.2	178.2	3.0	1.7%
Charges for losses on loans and advances	2.3	9.2	-7.0	
Net commission income	62.2	55.1	7.1	12.9%
Net trading income	-0.2	-0.2	0.0	
Administrative expenses	-107.6	-101.6	-5.9	5.8%
Other operating income	-3.9	-19.5	15.7	
Profit before tax	134.1	121.2	12.9	10.6%
Risk equivalent	9,565.6	8,945.5	620.2	6.9%
Average allocated equity	1,480.1	1,316.6	163.5	12.4%
Return on equity before tax (RoE)	12.1%	12.3%	-0.2% ppt	
Cost/income ratio	44.9%	47.6%	-2.7% ppt	

Earnings trend in Corporate and Business Banking

Profit in the Corporate and Business Banking segment improved by EUR 12.9 million or 10.6% to a total of EUR 134.1 million. Net interest income rose by EUR 3.0 million or 1.7% to EUR 181.2 million.

Charges for losses on loans and advances decreased from EUR 9.2 million by EUR 7.0 million to EUR 2.3 million.

Net commission income was up by EUR 7.1 million or 12.9% to EUR 62.2 million, thus higher than in the preceding year.

Administrative expenses increased by EUR 5.9 million or 5.8% to EUR 107.6 million.

RoE in Corporate and Business Banking declined by 0.2%-points from 12.3% to 12.1%, while the cost/income ratio improved by 2.7%-points from 47.6% to 44.9%.

Commercial lending

Oberbank's commercial lending volume continued to expand and rose by EUR 971.3 million or 8.4% from EUR 11,496.4 million to EUR 12,467.7 million.

Commercial loans		YoY change	
As at 30/9/2018	As at 30/9/2017	absolute	in %
€ 12,467.7 m	€ 11,496.4 m	€ 971.3 m	8.4%

Investment finance

At a total of 779 projects, the number of applications submitted in Austria and Germany for subsidised loans and innovation projects in the first six months of this year through our branches was again at the high level of the preceding year. In this respect, Oberbank holds an absolute top position among Austrian banks, just as in the years before. This is line with the development of business promotion loans filed through Oberbank which amounted to EUR 909.9 million as at 30 September 2018, which is 9.5% higher year on year.

Investment finance		YoY change	
As at 30/9/2018	As at 30/9/2017	absolute	in %
€ 9,095.1 m	€ 8,332.6 m	€ 762.5 m	9.2%

Leasing

The volume of new business rose from EUR 833 million by EUR 7.6 million or 0.9% to EUR 841 million. The trend was once again driven by the excellent development of new business in vehicle leasing (+8.6%). Although the movables business declined due to the good liquidity situation of customers, the drop was more than compensated by capitalization in the real estate business.

Leasing receivables from customers		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 2,308.0 m	€ 2,189.0 m	€ 119.0 m	5.4%

Structured finance

In the third quarter of 2018, demand for structured finance remained high as well. The total number of transactions processed rose year on year by 18% in the third quarter of the current year, with business in the third quarter, especially in the real estate and tourism branches, continuing at a sustained high level. The high project volume was up again versus the preceding year in both segments. The increase in volume in the area of finance solutions for changes in ownership was higher year on year with respect to both number of inquiries and volumes. A decline was posted in complex expansion and investment finance projects regarding inquiries and finance volumes.

Oberbank Opportunity Fund

In the first half-year 2018, the Oberbank Opportunity Fund reported 84 queries, which is a significant increase year on year. The Oberbank Opportunity Fund completed seven transactions in the first three quarters of the year. Since the inception of the Oberbank Opportunity Fund, 68 transactions for equity and mezzanine capital were supported financially and ten supplementary financing projects were finalized. The volume of capital committed was EUR 169 million distributed across equity, mezzanine capital and high-yield capital as at 30 September 2018.

Syndicated loans and international lending

The third quarter was marked by larger transactions in syndicated loans. Despite the unappealing prices, borrower's notes continued to be floated on the market. However, Oberbank refrained from participating in this segment due to the steady growth in lending over the past months.

Trade finance and international business

Oberbank is positioned as a reliable partner for exporting and importing companies. This is also seen in demand for documentary letters of credit. The number of documentary transactions rose by over 6% and earnings by more than 22%. Based on its advisory approach, Oberbank once again successfully defended its leading position in subsidised export finance as the strongest Austrian regional bank. The market share in export finance under the Export Fund procedures as at 30 September 2018 was 11.9%, and in the KRR procedure of OeKB for corporates 11.8%. It was possible to increase the total volume of export finance to more than EUR 1.1 billion, not least also due to the new finance options for domestic investment activity under the Export Fund procedures of OeKB.

Payment services

Oberbank's competence in payment services is a feature that attracted many new customers, thus raising the number of transactions completed and accounts managed. Furthermore, the economic environment is still very satisfactory. These two factors were pivotal to the increase in income from payment services by 9.8% over the same period of the preceding year.

International network of partner banks and institutions

Most customer activities continue to focus on Europe and the US apart from the more or less the crisis-free Asian region. Nonetheless, also in countries with higher risks, Oberbank with its currently roughly 1,300 accounts (relationship banking) and connection to the international payment and information platform S.W.I.F.T. (Society for Worldwide Interbank

Financial Telecommunication) is able to meet customer demands for payment transfers, documentary and guarantee transactions as well as hedging and financing services.

Primary deposits

The persistently low interest rates were the cause of the further rise in sight deposits. The good development of corporate earnings is additionally supportive of the inflows. Primary deposits rose compared to 30 September 2017 by 3.7% to EUR 13,576.9 million.

Interest rate and currency risk management

Apart from the new issues that have cropped up relating to Italy, fluctuations on currency markets were caused by the upcoming Brexit, discussions on increasing trade barriers and the initial signs of a slowing economy. The most frequently-used currency by customers, the USD, firmed again vs. the EUR. Exporters took advantage of the favourable exchange rate to increase hedging of their export profits. The widening interest rate spread between the USD and the EUR due to the rising interest rates in the US is accelerating this trend. Income from FX transactions continued to increased again year on year.

Personal Banking

Personal Banking segment in €m	Q1-3 2018	Q1-3 2017	+ / - absolute	+ / - in %
Net interest income	45.2	42.1	3.1	7.4%
Charges for losses on loans and advances	-2.4	-7.2	4.8	-66.8%
Net commission income	57.2	48.4	8.8	18.1%
Net trading income				
Administrative expenses	-67.9	-64.6	-3.3	5.1%
Other operating income	3.2	-0.8	3.9	
Profit before tax	35.3	18.0	17.3	96.0%
Risk equivalent	1,757.2	1,607.7	149.5	9.3%
Average allocated equity	271.9	236.6	35.3	14.9%
Return on equity before tax (RoE)	17.3%	10.2%	7.1% ppt	
Cost/income ratio	64.3%	72.0%	-7.7% ppt	

Development of Personal Banking

Profit in the Personal Banking segment rose year on year by EUR 17.3 million or 96.0% from EUR 18.0 million to EUR 35.3 million. Net interest income rose by EUR 3.1 million or 7.4% to EUR 45.2 million.

Charges for losses on loans and advances in profit or loss decreased from EUR 7.2 million by EUR 4.8 million to EUR 2.4 million.

Net commission income was up by EUR 8.8 million or 18.1% to EUR 57.2 million year on year.

Administrative expenses rose by EUR 3.3 million or 5.1% to EUR 67.9 million.

RoE in Personal Banking rose from 10.2% by 7.1%-points to 17.3%, while the cost/income ratio improved from 72.0% by 7.7%-points to 64.3%.

Personal accounts

The portfolio of personal accounts grew year on year by 4,121 to 187,271 accounts. The range of products for personal accounts is constantly being widened by new services and innovative products in payment services. Digital and mobile solutions such as the Oberbank Customer Portal, the Oberbank Banking App and the Oberbank Wallet App complete the services for retail customers and are very popular. Non-cash payments are developing very dynamically and will continue to grow driven by the NFC function (contactless payment). Contactless payment has developed into a success story. Every third transaction is paid using a Maestro card with the NFC function.

Personal accounts		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
187,271	183,150	4,121	2.25%

Personal loans

The volume of personal loans increased versus 30 September 2017 by EUR 234.3 million or 7.8% to EUR 3,230.3 million.

In the second quarter of 2018, the volume of new retail loans was 10.1% higher than in the same period of the preceding year. Consumer loans continued to develop very gratifyingly. The volume of new loans granted was substantially above the level of the preceding year (23%). The share of foreign currency loans in the portfolio of personal loans of Oberbank is now only 3.1%.

Demand for housing construction loans continues at a high level. In the spirit of sustainability, Oberbank informs borrowers also of potential subsidies and develops project financing strategies together with customers to suit their needs.

Personal loans		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 3,230.3 m	€ 2,996.0 m	€ 234.3 m	7.8%

Savings deposits

The volume of savings deposits has decreased since 30 September 2017 by EUR 51.0 million or 1.9% to EUR 2,697.2 million. Funds are still frequently being left on deposit accounts or in daily callable investment forms. Online savings products are gaining significance (plus 19% year to date)

Savings deposits		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 2,697.2 m	€ 2,748.2 m	€ -55.1 m	- 1.9%

Securities business

Commission income from the securities business developed very well in the first three quarters of 2018 compared to the preceding year. It expanded by 14.6% or EUR 4.8 million to EUR 38.4 million year on year.

Strong growth was recorded mainly in management commissions from investment funds and from individual portfolio management. Income from transactions is slightly lower than in the preceding year due to a longer period of directionless stock markets. This income is generated primarily through the buying and selling of investment fund shares and stocks. By contrast, transactions in bonds remained at a low level.

Commissions on income from securities		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 38.4 m	€ 33.6 m	€ 4.8 m	14.6%

Market value on custody accounts

The market value of securities on custody accounts rose year on year by EUR 1.1 billion or 7.3% to EUR 16.1 billion. As at 30 September 2018, the value hit a new all-time high.

Market value on custody accounts		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 16,133.5 m	€ 15,040.9 m	€ 1,092.6 m	7.3%

Oberbank issues

Oberbank for the first time placed a covered bond with a volume of EUR 300.0 million with international institutional investors. Additionally, an issuing volume of EUR 129.6 million was floated on the market. The total volume of new issues was EUR 429.6 of which EUR 55.7 million were subordinated bonds to further strengthen the capital base.

Securitised liabilities including subordinated debt		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 2,065.2 m	€ 1,987.6 m	€ 77.7 m	3.9%

3 Banken-Generali

Demand for the investment funds of 3 Banken-Generali Investment GmbH continued to develop robustly. Both public funds and special funds achieved steep increases in volume. The development of assets under management was due mainly to the net inflow of funds. Thus, the volume rose by EUR 383.5 million or 10.5% to EUR 4,033.8 million.

The three new Oberbank premium strategies '*Oberbank Premium Strategien'* (mixed fund) and the
'*3 Banken Verantwortung & Zukunft 2024*' stock fund based on a sustainability concept were the primary contributors to the inflows. The total volume of the 3 Banken-Generali Investment GmbH grew year on year by 5.9% to EUR 9.7 billion, thus much more steeply than the overall market (+0.9%). The market share therefore widened to 5.6%.

Public funds and special funds		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 4,033.8 m	€ 3,650.3 m	€ 383.5 m	10.5%

Private banking

The positive trend in Private Banking was unbroken. The total volume of customer assets under management increased to EUR 8.9 billion. These include all assets of private individuals, foundations and companies managed by Oberbank Private Banking. Assets under management in individual portfolio management mandates rose by EUR 47.3 million or 8.6% to a new record level of EUR 596.0 million.

Assets under management in Private Banking		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 8,923.8 m	€ 8,506.9 m	€ 416.9 m	4.9%

Savings in building and loan associations

In the first three quarters of 2018, the number of building and loan contracts closed decreased by 2.7% compared to the same period of the preceding year. Despite the persistently low interest rates and the low savings ratio, savings in building and loan associations is still a popular alternative for many people. The total number of building society accounts brokered increased by 20.2% year on year.

Insurance services

Oberbank continued its successful trajectory in the first half-year of 2018. In the life insurance business in Austria, the segments of endowment life insurance policies (+35%) and risk insurance (+32%) posted gains, while the non-life insurance business also expanded, with the segment of accident insurance achieving an increase (+ 32%). In Germany, premium volumes were up by 64% year on year.

Insurance contracts - premium volume		YoY change	
As at 30/9/2018	**As at 30/9/2017**	**absolute**	**in %**
€ 82.5 m	€ 61.5 m	€ 21.0 m	34.1%

Financial Markets

Financial Markets in €m	Q1-3 2018	Q1-3 2017	+ / - absolute	+ / - in %
Net interest income	21.2	16.9	4.3	25.7%
Income from entities measured using the equity method	68.4	53.3	15.2	28.5%
Charges for losses on loans and advances	-4.5	-9.4	4.9	
Net commission income	-0.1	0.0	-0.1	
Net trading income	4.9	6.8	-1.9	-28.5%
Administrative expenses	-6.9	-5.8	-1.0	17.5%
Other operating income	2.3	19.4	-17.1	-88.1%
Profit before tax	85.3	81.1	4.3	5.3%
Risk equivalent	5,678.9	5,478.5	200.4	3.7%
Average allocated equity	878.7	806.3	72.4	9.0%
Return on equity before tax (RoE)	12.9%	13.4%	-0.5% ppt	
Cost/income ratio	7.1%	6.1%	1.0% ppt	

Earnings in the Financial Markets segment

Profit in Financial Markets rose by EUR 4.3 million or 5.3% to EUR 85.3 million.

Net interest income was up by EUR 4.3 million or 25.7% to EUR 21.2 million.

Equity returns rose by EUR 15.2 million or 28.5% to EUR 68.4 million due to higher profits earned by investees.

Charges for losses on loans and advances in profit or loss decreased from EUR 9.4 million by EUR 4.9 million to EUR 4.5 million.

Net trading income declined by EUR 1.9 million or 28.5% to EUR 4.9 million.

At EUR 6.9 million, administrative expenses were up by EUR 1.0 million year on year.

Return on equity in the Financial Markets segment dropped by 0.5%-points from 13.4% to 12.9%, and the cost/income ratio deteriorated by 1.0%-points from 6.1% to 7.1%.

Proprietary trading

The insecurity prevailing on financial markets in the first six months of the year continued in the third quarter and even worsened. Despite solid corporate earnings, a robust economy and steadily improving labour market, the stock markets – especially in Europe – constantly lost value. There were many burdening factors like the dispute over trade tariffs between the US and China, Brexit, currency turbulence in emerging markets, and the debt crisis in Italy that led to unexpected market movements. Therefore, Oberbank lowered its already generally low risk tolerance level further, and for this reason, no major contribution was expected from trade operations. Nonetheless, it was possible to earn a positive return.

Liquidity

The euro market is still dominated by extremely high levels of liquidity. The ECB added further liquidity with its monthly securities purchases that it will be phased out only at year-end. The earliest one may expect a change in interest rates is in the second half-year of 2019.

Therefore, the challenge is still how to best limit excess liquidity and avoid the negative interest paid by the national bank. This objective has been achieved very well up to now by pursuing a cautious deposit policy and exploiting market opportunities.

Own funds

On 30 September 2018, own funds amounted to EUR 2,641.5 million which is a ratio of 18.4%. Tier 1 capital stood at EUR 2,304.2 million and the tier 1 capital ratio was 16.0%. Common equity tier 1 capital was EUR 2,251.3 million corresponding to a ratio of 15.7%.

Risk

Oberbank's risk policy takes into account the risk situation of all business areas including the new markets. Risk management focuses on keeping the customer funds entrusted to Oberbank safe, conserving own funds and guaranteeing liquidity. The most important risk category is counterparty risk. This risk is accounted for by recognizing the corresponding impairment charges on the balance sheet.

When assessing creditworthiness and in its collateral policy, Oberbank can rely on decades of know-how. Moreover, the business model as a regional bank, professional credit management and the balanced distribution of overall debt across customer segments helps to contain the threat to Oberbank's overall result from its risk exposure. Therefore, it may be assumed that there will not be any extraordinary counterparty risk events in the full year 2018.

The other risk categories are equity risk (risk of loss in value or foregone profits in the equity portfolio), market risk (risk of losses due to fluctuating interest rates, foreign exchange rates or equity prices), the operational risk and liquidity risk. These risks are also covered by the corresponding funds in line with the principle of conservatism. As regards liquidity risk, the good position of Oberbank is also supported by the fact that the primary deposits of customers and other long-term refinancing lines (OeKB, LfA, KfW) having a volume of EUR 15.9 billion (as at 30 Sept. 2018) can refinance the entire credit volume (30 Sept. 2018: EUR 15.7 billion). Additionally, Oberbank has a permanent risk controlling system in place as well as strict process management and other efficient control and management instruments. Therefore, Oberbank does not expect any unusual risk events in these risk categories for the full year 2018.

Outlook 2018

Booming economy of recent years has cooled off slightly

The trade conflicts originating in the US, the problems of the emerging markets due to the tighter US monetary policy, partially self-inflicted difficulties of the German automotive industry, higher commodity and energy prices as well as perceptible labour scarcity have resulted in downwards revisions of the forecasts for economic growth for 2018 and 2019.

Economy still developing a bit faster in Austria than in the euro area

Recently, industrial production was slightly down, while growth in exports and investments slowed.

No economic stimulus expected from Central banks

The Fed and the ECB would only depart from their basically correct policy of monetary normalisation if market turbulence were to increase significantly or the economy deteriorate substantially – but neither of these scenarios are currently in sight.

Optimistic outlook for Oberbank earnings

Despite recently deteriorating overall conditions, in 2018 Oberbank is expected to attain the excellent earnings again of the preceding year or even possibly surpass these. The high growth rates in the first three quarters of the year cannot be projected to the full year though.

Consolidated IFRS Interim Financial Statements - Statement of Comprehensive Income from 1/1/2018 to 30/9/2018

Consolidated income statement in €k		1/1-30/09 2018	1/1-30/09 2017	Change in €k	Change in %
1. Interest and similar income		310,466	302,789	7,677	2.5
2. Interest and similar expenses		-62,831	-65,581	2,750	-4.2
Net interest income	(1)	247,635	237,208	10,427	4.4
3. Income from entities measured using the equity method		68,441	53,281	15,160	28.5
4. Charges for losses on loans and advances	(2)	-4,593	-7,314	2,721	-37.2
5. Net commission income		132,143	115,543	16,600	14.4
6. Net commission expenses		-12,838	-12,025	-813	6.8
Net commission income	(3)	119,305	103,518	15,787	15.3
7. Net trading income	(4)	4,663	6,600	-1,937	-29.3
8. Administrative expenses	(5)	-214,480	-202,102	-12.378	6.1
9. Other operating income	(6)	-8,522	-9,184	662	-7.2
a) Net income from financial assets - FV/PL		-6,203	2,097	-8,300	>-100.0
b) Net income from financial assets - AfS		N/A	14,660		
b) Net income from financial assets - FVOCI		-613	N/A		
c) Net income from financial assets - HtM		N/A	0		
c) Net income from financial assets AC		353	N/A		
d) Other operating income		-2,059	-25,941	23,882	-92.1
Profit for the period before tax		212,449	182,007	30,442	16.7
10. Income taxes	(7)	-31,395	-27,540	-3,855	14.0
Profit for the period after tax		181,054	154,467	26,587	17.2
of which attributable to equity holders of the parent and to the owners of additional equity components		180,505	154,075	26,430	17.2
of which attributable to minority interests		549	392	157	40.1

Income and expenses recognised directly in equity in €k	1/1 - 30/9/2018	1/1 - 30/9/2017
Profit for the period after tax	181,054	154,467
Items not reclassified to profit or loss for the year	-17,342	9,841
+/- Actuarial gains/losses IAS 19	-4,605	35
+/- Deferred taxes on actuarial gains/losses IAS 19	1,151	-9
+ / - Share from entities recognised using the equity method	1,932	9,815
+/- Value changes in own credit risk recognised in equity IFRS 9	285	N/A
+ / - Deferred tax on changes recognised in equity for own credit risk IFRS 9	-71	N/A
+/- Value changes in equity instruments recognised in equity IFRS 9	-20,214	N/A
+ / - Deferred tax on value changes in equity instruments recognised in equity IFRS 9	4,180	N/A
Items reclassified to profit or loss for the year	-4,546	2,096
+ / - Value changes recognised directly in equity IAS 39	N/A	-660
Amounts recognised in equity	N/A	13,914
Reclassification adjustments	N/A	-14,574
+ / - Deferred tax on value changes recognised in equity IAS 39	N/A	165
Amounts recognised in equity	N/A	-3,479
Reclassification adjustments	N/A	3,644
+/- Value changes recognised in equity for debt securities IFRS 9	-3,652	N/A
Amounts recognised in equity	-3,436	N/A
Reclassification adjustments	-216	N/A
+ / - Deferred tax on value changes recognised in equity for debt instruments IFRS 9	913	N/A
Amounts recognised in equity	859	N/A
Reclassification adjustments	54	N/A
+ / - Exchange differences	-959	1,186
+ / - Share from entities recognised using the equity method	-848	1,405

	1/1 to 30/9/2018	1/1 to 30/9/2017
Total income and expenses recognised directly in equity	-21,888	11,937
Total comprehensive income for the period and income/expenses not recognised in profit or loss	159,166	166,404
of which attributable to equity holders of the parent and to the owners of additional equity components	158,617	166,012
of which attributable to non-controlling interests	549	392

Performance indicators	1/1 - 30/9/2018	1/1 - 30/9/2017
Cost/Income ratio in %	49.70	51.63
Return on equity before tax in %	10.77	10.28
Return on equity after tax in %	9.18	8.73
Risk/earnings ratio in %	1.85	2.52
Earnings per share in €	6.84	5.84

Consolidated IFRS Interim Financial Statements - Statement of Comprehensive Income from 1/7/2018 to 30/9/2018

Consolidated income statement in €k	1/7 to 30/9 2018	1/7 to 30/9 2017	Change in €k	Change in %
1. Interest and similar income	105,000	102,024	3,876	3.8
2. Interest and similar expenses	-23,587	-21,474	-2,113	9.8
Net interest income	82,313	80,550	1,763	2.2
3. Income from entities recognised using the equity method	25,141	23,822	1,319	5.5
4. Charges for losses on loans and advances	719	-9,307	10,026	>-100.0
5. Net commission income	44,593	38,753	5,840	15.1
6. Net commission expenses	-4,471	-4,258	-213	5.0
Net commission income	40,122	34,495	5,627	16.3
7. Net trading income	1,693	1,992	-299	-15.0
8. Administrative expenses	-69,956	-75,016	5,060	-6.7
9. Other operating income	-1,683	2,395	-4,078	>-100.0
a) Net income from financial assets - FV/PL	-1,722	3,103	-4,825	>-100.0
b) Net income from financial assets - AfS	N/A	-12		
b) Net income from financial assets - FV/OCI	-304	N/A		
c) Net income from financial assets - HtM	N/A	0		
c) Net income from financial assets AC	353	N/A		
d) Other operating income	-10	-696	686	-98.6
Profit for the period before tax	78,349	58,931	19,418	33.0
10. Income taxes	-11,279	-6,054	-5,225	86.3
Profit for the period after tax	67,070	52,877	14,193	26.8
of which attributable to equity holders of the parent and to the owners of additional equity components	66,849	52,749	14,100	26.7
of which attributable to minority interests	221	128	93	72.7

Income and expenses recognised directly in equity in €k	1/7 to 30/9/2018	1/7 to 30/9/2017
Profit for the period after tax	67,070	52,877
Items not reclassified to profit or loss for the year	-9,825	2,558
+/- Actuarial gains/losses IAS 19	-1,535	11
+/- Deferred taxes on actuarial gains/losses IAS 19	383	-3
+ / - Share from entities recognised using the equity method	2,793	2,550
+/- Value changes in own credit risk recognised in equity IFRS 9	-908	N/A
+ / - Deferred tax on changes recognised in equity for own credit risk IFRS 9	227	N/A
+/- Value changes in equity instruments recognised in equity IFRS 9	-14,380	N/A
+ / - Deferred tax on value changes in equity instruments recognised in equity IFRS 9	3,595	N/A
Items reclassified to profit or loss for the year	-2,064	-29,122
+ / - Value changes recognised directly in equity IAS 39	N/A	-33,023
Amounts recognised in equity	N/A	-33,067
Reclassification adjustments	N/A	44
+ / - Deferred tax on value changes recognised directly in equity IAS 39	N/A	8,256
Amounts recognised in equity	N/A	8,266
Reclassification adjustments	N/A	-10
+/- Value changes recognised in equity for debt securities IFRS 9	-952	N/A
Amounts recognised in equity	-825	N/A
Reclassification adjustments	-127	N/A
+ / - Deferred tax on value changes recognised in equity for debt instruments IFRS 9	238	N/A
Amounts recognised in equity	206	N/A
Reclassification adjustments	32	N/A
+ / - Exchange differences	-1,985	1,117
+ / - Share from entities recognised using the equity method	635	-5,472

	1/7 to 30/9/2018	1/7 to 30/9/2017
Total income and expenses recognised directly in equity	-11,889	-26,564
Total comprehensive income for the period and income/expenses not recognised in profit or loss	55,181	26,313
of which attributable to the owners of the parent company and the owners of additional equity components	54,960	26,185
of which attributable to non-controlling interests	221	128

Balance sheet as at 30/9/2018 / Assets

	in €k		30/9/2018	31/12/2017	Change in €k	Change in %
1.	Cash and balances at central banks	(9)	234,465	845,105	-610,640	-72.3%
2.	Loans and advances to credit institutions	(10)	1,354,072	1,253,366	100,706	8.0%
3.	Loans and advances to customers	(11)	15,697,738	14,760,335	937,403	6.4%
4.	Loan loss provisions	(12)	-232,337	-392,706	160,369	-40.8%
5.	Trading assets	(13)	38,660	37,570	1,090	2.9%
6.	Financial investments	(14)	3,641,046	3,726,371	-85,325	-2.3%
	a) Financial assets - FVPL		243,342	228,565	14,777	6.5%
	b) Financial assets - AfS		N/A	664,796		
	b) Financial assets FVOCI		584,078	N/A		
	c) Financial assets - HtM		N/A	2,007,056		
	c) Financial assets - AC		1,896,409	N/A		
	d) Interest in entities accounted for using the equity method		917,217	825,954	91,263	11.0%
7.	Intangible assets	(15)	640	929	-289	-31.1%
8.	Property, plant and equipment	(16)	281,776	292,955	-11,179	-3.8%
	a) Investment property		96,593	98,905	-2,312	-2.3%
	b) Other property, plant and equipment		185,183	194,050	-8,867	-4.6%
9.	Other assets	(17)	325,496	306,681	18,815	6.1%
	a) Deferred tax assets		32,510	48,947	-16,437	-33.6%
	b) Positive fair values of closed out derivatives in the banking book		105,044	124,609	-19,565	-15.7%
	c) Other		187,942	133,125	54,817	41.2%
	Total assets		**21,341,556**	**20,830,606**	**510,950**	**2.5%**

Balance sheet as at 30/9/2018 / Equity and liabilities

	in €k		30/9/2018	31/12/2017	Change in €k	Change in %
1.	Amounts owed to credit institutions	(18)	4,124,254	4,155,297	-31,043	-0.7%
	a) Refinance allocated for customer loans		2,286,361	1,793,162	493,199	27.5%
	b) Other amounts owed to credit institutions		1,837,893	2,362,135	-524,242	-22.2%
2.	Amounts owed to customers	(19)	11,511,703	11,397,394	114,309	1.0%
3.	Securitised liabilities	(20)	1,498,879	1,368,250	130,629	9.5%
4.	Provisions for liabilities and charges	(21)	396,581	381,030	15,551	4.1%
5.	Other liabilities	(22)	476,166	432,743	43,423	10.0%
	a) Trading liabilities	(23)	28,472	31,848	-3,376	-10.6%
	b) Tax liabilities	(22)	32,352	18,399	13,953	75.8%
	ba) Current tax liabilities		27,821	13,948	13,873	99.5%
	bb) Deferred tax liabilities		4,531	4,451	80	1.8%
	c) Negative fair values of closed out derivatives in the banking book	(22)	18,903	40,475	-21,572	-53.3%
	c) Other	(22)	396,439	342,021	54,418	15.9%
6.	Subordinated debt capital	(24)	566,354	629,103	-62,749	-10.0%
7.	Equity	(25)	2,767,619	2,466,789	300,830	12.2%
	a) Equity after minorities		2,711,309	2,410,541	300,768	12.5%
	b) Minority interests		6,310	6,248	62	1.0%
	c) Additional equity capital components		50,000	50,000	0	
	Total equity and liabilities		**21,341,556**	**20,830,606**	**510,950**	**2.5%**

Consolidated statement of changes in equity as at 30/9/2018

					Revaluation reserve									
in €k	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	purs. to IAS 39	Reclassified debt securities IFRS 9	Equity instruments IFRS 9 not reclassified	Change in own credit risk IFRS 9 not reclassified	Actuarial gains/losses under IAS 19	Associates	Equity after minorities	Shares of non-controlling shareholders	Additional equity capital components	Shareholders' equity
As at 1/1/2017	105,837	505,523	1,069,554	-1,678	85,052	N/A	N/A	N/A	-19,568	483,053	2,227,772	4,991	50,000	2,282,763
Consolidated net profit			115,619	1,186	-495				26	49,676	166,012	392		166,404
Net annual profit/loss			115,619							38,456	154,075	392		154,467
Other comprehensive income				1,186	-495				26	11,220	11,937			11,937
Dividend distribution			-22,946								-22,946			-22,946
Coupon payments on additional equity components			-1,725								-1,725			-1,725
Capital increase											0			0
Issuance of additional equity components											0			0
Repurchased own shares	37		372								409			409
Other changes not recognised in income			-22							10,103	10,081	-215		9,866
As at 30/9/2017	**105,874**	**505,523**	**1,160,852**	**-492**	**84,557**	**N/A**	**N/A**	**N/A**	**-19,542**	**542,832**	**2,379,604**	**5,168**	**50,000**	**2,434,772**
As at 1/1/2018	**105,862**	**505,523**	**1,192,344**	**-528**	**N/A**	**13,875**	**70,439**	**0**	**-21,993**	**545,020**	**2,410,541**	**6,248**	**50,000**	**2,466,789**
Consolidated net profit			128,405	-959	0	-2,739	-16,034	214	-3,454	53,184	158,617	549		159,166
Net annual profit/loss			128,405							52,100	180,505	549		181,054
Other comprehensive income				-959		-2,739	-16,034	214	-3,454	1,084	-21,888			-21,888
Effect of changeover to IFRS 9			121,572			-8,123	44,523	-8,543			149,429			149,429
Dividend distribution			-31,764								-31,764			-31,764
Coupon payments on additional equity components			-1,725								-1,725			-1,725
Capital increase											0			0
Issuance of additional equity components														0
Repurchased own shares	-42		-1,467								-1,509			-1,509
Other changes not recognised in income			-31							27,750	27,719	-487		27,232
As at 30/9/2018	**105,820**	**505,523**	**1,407,334**	**-1,487**	**N/A**	**3,013**	**98,928**	**-8,329**	**-25,447**	**625,954**	**2,711,309**	**6,310**	**50,000**	**2,767,619**

Statement of cash flows in €k	1/1 to 30/9/2018	1/1 to 30/9/2017
Profit for the period	181,054	154,467
Non-cash items in the profit for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-14,283	-21,719
Change in provisions for staff benefits and other provisions for liabilities and charges	444	39,719
Change in other non-cash items[1)]	15,645	35,864
Gains and losses on financial investments, property, plant and equipment		
and intangible assets	-7,510	-14,751
Subtotal	**175,349**	**193,580**
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	-76,899	230,417
- Loans and advances to customers	-940,714	-736,139
- Loan loss provisions	0	0
- Trading assets	2,743	9,502
- Other current assets	74,733	58,733
- Other assets from operating activities	-18,387	-35,846
- Amounts owed to credit institutions	-29,827	574,733
- Amounts owed to customers	109,808	157,673
- Securitised liabilities	123,271	-61,748
- Other liabilities from operating activities	-55,649	-31,691
Cash flow from operating activities[1)]	**-635,572**	**359,214**
Proceeds from the sale of		
- financial investments	177,586	290,851
- Property, plant and equipment and intangible assets	6,265	8,967
Outlay on purchases of		
- financial investments	-53,831	-213,296
- Property, plant and equipment and intangible assets	-14,535	-85,120
Cash flow from investing activities	**115,485**	**1,401**
Capital increase	0	0
Dividend distributions	-31,764	-22,946
Coupon payments on additional equity components	-1,725	-1,725
Cash from subordinated liabilities and other financing activities		
- Issues	55,683	40,095
- Other	280	2,311
Subordinated liabilities and other financing activities		
- Redemptions	-112,478	-58,200
- Other	-549	-392
Cash flow from financing activities[1)]	**-90,553**	**-40,857**
Cash and cash equivalents at the end of prev. period	**845,105**	**657,558**
Cash flow from operating activities[1)]	-635,572	359,214
Cash flow from investing activities	115,485	1,401
Cash flow from financing activities[1)]	-90,553	-40,857
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	**234,465**	**977,316**

Cash and cash equivalents comprise the line item Cash and balances at central banks, consisting of cash on hand and credit balances with central banks of issue.

[1)]On account of the greater detail of the presentation of cash flows from financing activities, the previous year's figures were adjusted.

Statement of cash flows in €k	1/1 to 30/9/2018	1/1 to 30/9/2017
Interest received	294,797	301,026
Dividends received	25,587	23,130
Interest paid	-94,520	-76,569
Coupon payments on additional equity components	-1,725	-1,725
Income tax payments	-37,236	-32,556

Explanations / Notes

Significant accounting policies

The consolidated financial statements of Oberbank AG 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). The financial statements cover the first three quarters of 2018 (1 Jan. 2018 to 30 Sept. 2018) and compare with the corresponding period of the preceding year. This interim report for the first three quarters of 2018 are in accordance with IAS 34 (Interim Reports). The condensed interim financial statements have not been audited. We have not applied the standards and interpretations which are to be implemented only as of the financial year 2019 or later.

Changes to the accounting policies 2018

The interim report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31/12/2017. An exception are the standards and interpretations that apply to financial years that start on or after 1 January 2018. Only those new standards and interpretations are presented that are relevant for the operating activities of Oberbank.

The following standards and interpretations, as amended, have been mandatory since January 2018.

- IFRS 9 - Financial instruments
- IFRS 15 - Revenue from contracts with customers
- Annual improvements to International Financial Reporting Standards (cycle 2014-2016)

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 on the consolidated statements of the Oberbank Group are expected.

The final version of IFRS 9 was published in July 2014 and entered into force on 1 January 2018.
IFRS 9 contains the following changes of material importance for the Oberbank Group:

<u>Assignment to categories (classification) - financial assets</u>

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are held as well as the characteristics of its cash flows (cash flow terms).

Business Model

The classes of financial assets were analysed with respect to the business strategy as well as potential divestments from which business models were derived.
The securities in the 'held-to-maturity portfolio' pursuant to IAS 39 are intended to be held, and therefore, this portfolio was allocated to the business model 'hold-to-collect' also under IFRS 9. Securities measured at fair value not recognised in income (available for sale assets) will continue to be allocated to the business model 'hold and sell'. Securities held in the trading book were allocated to the business model sell.
The lending operations, on the other hand, were all allocated to the category 'hold-to-collect'. The clear intention to hold the assets is derived from the corporate strategy. The divestments made in the past were all insignificant.

Cash Flow Conditions

The analysis of the cash flow conditions (SPPI criteria) examines the contractual provisions regarding interest that stipulate fixed payments of principal and interest solely on the outstanding principal.

Within the course of the implementation project, mainly loans were identified with negative SPPI interest clauses which feature asymmetric interest components or represent mixed interest rates. However, the cash flow analysis did not reveal any significant difference to standard loan contracts, and therefore, these loans will be measured at amortised cost in the future as well. Only a small share of the loan portfolio was reclassified at fair value due to negative SPPI interest clauses. Therefore, the major part of the loan portfolio does not contain any contractual clauses with negative effects from SPPI.

Measurement Categories

IFRS 9 defines three important classification categories for financial assets: recognition at amortised cost, recognition at fair value through the profit or loss (FVTPL) and recognition at fair value through other comprehensive income (FVOCI). If financial instruments are held in a business model with the goal of retaining the assets, and if these financial instruments represent claims to interest and principal payments on agreed dates (SPPI criteria), these are to be measured at amortised costs.

Under certain conditions, a designation at fair value is possible. This occurs at Oberbank AG when collateral is deposited for an underlying transaction in derivatives, because otherwise asymmetric valuations would result for the two financial instruments in the financial reporting.

All other financial instruments are to be measured at fair value. Changes in the value of these assets must be recognised in the income statement or in other comprehensive income (depending on the business model). For certain equity instruments, it is optional to recognize changes in value under other comprehensive income. Only dividend claims on these assets must be recognised in the income statement. The standard eliminates the current categories of IAS 39: held-to-maturity, loans and receivables and available-for-sale assets.

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

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

<u>Impairment – financial assets and contract assets</u>

IFRS 9 replaces the IAS 39 incurred loss model by a forward-looking expected loss impairment model. This calls for substantial discretionary decisions regarding the extent to which expected loss impairment is influenced by changes in economic factors. This measurement is done on the basis of weighted probabilities.

The new impairment model applies to financial assets 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.

Segmentation

Oberbank AG's loan portfolio is grouped into the following five segments in the impairment model pursuant to IFRS 9: Sovereigns, banks, corporates, SME and retail. The reason for the segmentation is the use of different estimates in the relevant credit risk parameters. The grouping into the different segments is done on the basis of the rating method selected.

Stage Model

The expected loss pursuant to IFRS 9 is computed using a dual approach that results in either an impairment in the amount of the 12-month expected credit loss or the lifetime expected credit loss. Decisive for determining the relevant credit loss is the approach based on the stage model. On every reporting date, for a financial instrument recognised at amortised cost, the following is done:

- ➔ An impairment is recognised in the amount of the lifetime expected credit loss if the credit risk has increased significantly since initial recognition or if the borrower has defaulted;
- ➔ An impairment is recognised in the amount of the 12-month expected credit loss if the credit risk has not increased significantly since initial recognition or is very low on the reporting date.

The three stages of the impairment model differ in the following respects:

- Stage 1: Allocation of risk provisions in the amount of the 12-month credit loss and calculation of the interest income based on the gross carrying amount applying the effective interest rate method.
- Stage 2: Allocation of risk provisions in the amount of the expected losses with respect to the remaining time to maturity of the financial instrument (lifetime ECL) and calculation of the interest income based on the gross carrying amount applying the effective interest rate method.
- Stage 3: Allocation of risk provisions in the amount of the lifetime ECL loss and calculation of the interest income based on the net carrying amount applying the effective interest rate method.

The main characteristic for determining the credit risk of a financial instrument is the internal rating of the borrower. A borrower's rating is always based on a default ratio per rating category. This default ratio is derived from the Bank's internal master rating scale for the low-default portfolio (sovereigns and banks). For the key customer segments of Corporates, Retail and SME, the default ratio is derived from the ratio of actual defaults of the respective migration matrix. The transfer criterion at Oberbank is based mainly on an analysis of the lifetime PDs (cumulated default probabilities). Collateral and other factors that influence the ECL are not taken into consideration. At the time of initial recognition on the balance sheet, every instrument is assigned to stage 1 at first. An exception is made for assets that are already impaired at the time of recognition (so-called POCI assets) and leasing contracts. In the case of leasing contracts, use is made of an IFRS 9 option and impairment is always recognised in the amount of the lifetime expected credit loss. Therefore, these transactions are automatically assigned to stage 2.
On subsequent reporting dates, the transition to stage 2 occurs when there is a significant increase in credit risk. Apart from quantitative criteria, qualitative criteria are also applied. Thus, a 30-day default on payment is in any case a characteristic that indicates a significant increase in credit risk.
In order to assess the significance of an increase in credit risk, a comparison is made of the default probability on initial recognition and the default probability on the valuation date. In this context, the lifetime PD over the remaining time to maturity is to be used. The criterion for allocation to stage 1 and stage 2 is thus based on a relative criterion and not on an absolute credit risk estimate at every point in time of an assessment. A significant increase in credit risk is thus reached when the lifetime PD increases by more than 100% in comparison or the lifetime PD ratio exceeds a factor of 2.

All financial instruments for which on the balance sheet date an absolute low credit risk was defined may be assigned to stage 1 as an exemption to the relative approach (low credit risk exemption). Oberbank uses this exemption clause only for receivables with an internal investment grade rating (corresponds to the S&P rating equivalent of at least BBB-) of the segment of sovereigns and banks.
Stage 3 contains those financial instruments to which a default criterion pursuant to Basel III applies (Regulation 575/2013 (EU) – CRR).
The return to a higher stage is done when the criteria which were the cause of the downgrade no longer apply. Thus, upgrades and downgrades are treated symmetrically. The return to stage 2 is carried out, for example, as soon as there is no longer any significant increase in the default risk. The measure used in a comparison of default risk at initial recognition with the default risk on the relevant balance sheet date.
The impairment model of Oberbank AG always refers to individual transactions when calculating risk provisions and also when assessing a stage transition. This means that the relevant credit risk parameter PD (default probability), LGD (loss given default) and EAD (exposure at default) always refers to the individual borrower and is derived from an individual transaction.

Calculating ECL
Expected credit loss at Oberbank is a probability-weighted estimate of the loss over the expected remaining time to maturity of the financial instrument. On other words, it is the present value of the difference between

- the contractually-agreed cash flows and
- expected cash flows.

Where the calculation of the expected loss includes

- An amount in line with expectations and the probability-weighting that is determined on the basis of several possible scenarios;
- The time value of money;
- Information on past events, current conditions and forecasts of future economic conditions.

The maximum time period for which the expected credit loss is determined is the life of the contract over which Oberbank is exposed to the credit risk from the financial instrument. Only in the case of revolving lines of credit is the expected credit loss determined for a period which under certain conditions may be longer than the life of the contract.

The expected loss breaks down into three components:

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

PD……………..probability of default
LGD……………loss given default in % of EAD
EAD……………exposure at default

The expected credit loss pursuant to IFRS 9 is a discounted value here. To this end, the respective EL per period is multiplied by the discounting factor per period. The discounting factor considers the **effective interest rate** on the loan. In the case of revolving loans as well as finance guarantees and overdraft facilities not fully used, market interest rates are applied when discounting to the ECL. These market interest rates are risk-free market interest rates that reflect the time value of money.

As the calculation of the ECL should also consider forward-looking information, the default probabilities are values adjusted for the point in time.

The point-in-time adjustment of these default probabilities takes into consideration, among other things, statistical relations between actual default rates and macroeconomic variables. This leads to a scalable adjustment of the default probability depending the further development expected of the economy.

<u>Classification – Financial assets</u>

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 comprehensive income.
- The remaining change to fair value is reported in the income statement.

<u>Hedge accounting</u>

The changes to hedge accounting are not of relevance for the Oberbank Group, as currently we have no hedge accounting.

<u>Transitions</u>

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

- Oberbank used 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 (FV/PL);
- Determination of specific dividend securities held as financial assets but not for trading purposes and measured at fair value through other comprehensive income (FV/OCI).

Effects

The positive effect on equity from the changeover from IAS 39 to IFRS 9 including consideration of deferred taxes is EUR 149.4 million.
The details of the effects of the changeover to IFRS 9 are revealed in the following tables (amounts in euro):

Reconciliation of the measurement categories and balance sheet items for financial assets pursuant to IAS 39 to the measurement classes under IFRS 9 effective from 1 January 2018.

Balance sheet items	IAS 39		IFRS 9	
	Classification and measurement	Carrying value	Classification and measurement	Carrying value
Cash and balances with the central bank	loans and receivables (amortised cost)	845,105,120.69	amortised cost	845,105,120.69
Loans and advances to credit institutions	loans and receivables (amortised cost)	1,253,366,251.46	amortised cost	1,253,366,251.46
Loans and advances to customers		14,760,334,592.95		14,760,321,093.10
Loans and advances to customers	loans and receivables (amortised cost)	14,576,275,509.83	amortised cost	14,557,113,854.45
			fair value through profit or loss (recognised in income at fair value)	19,148,155.53
	fair value option (recognised in income at fair value)	51,747,542.10	fair value option (recognised in income at fair value)	51,747,542.10
Financial assets - AfS	available-for-sale (recognised in equity at fair value with recycling)	84,304,822.80	fair value through profit or loss - equity and debt instruments (recognised in income at fair value)	13,036,416.12
			fair value through OCI (mandatory) - (recognised in equity at fair value with recycling)	71,268,406.68
Financial assets - HtM	held to maturity (at amortised cost)	48,006,718.22	amortised cost	48,006,718.22
Impairment charge on loans and advances		-392,705,715.42		-249,300,641.27
IAS 39 portfolio impairment		-197,290,000.00	Impairment stage 1	-12,587,031.63
			Impairment stage 2	-29,644,538.89
			Provisions for off-balance sheet items stage 1	-7,372,149.19
			Provisions for off-balance sheet items stage 2	-4,281,206.14
Specific impairment allowance		-195,415,715.42	Impairment stage 3	-195,415,715.42

Balance sheet items	IAS 39		IFRS 9	
	Classification and measurement	Carrying value	Classification and measurement	Carrying value
Trading assets (financial assets recognised in income at fair value)	held-for-trading (recognised in income at fair value)	37,570,454.30	fair value through profit or loss (recognised in income at fair value)	37,570,454.30
Financial investments		2,900,416,366.53		2,938,860,546.53
Financial assets with FVO	fair value option (recognised in income at fair value)	228,564,559.64	fair value through profit or loss (recognised in income at fair value)	228,564,559.64
Financial assets - AfS	available-for-sale (recognised in equity at fair value with recycling)	664,796,108.01	fair value through profit or loss - equity and debt instruments (recognised in income at fair value)	70,435,386.08
			fair value through OCI (designated) - equity instruments (recognised in equity at fair value without recycling)	352,156,284.85
			fair value through OCI (mandatory) - (recognised in equity at fair value with recycling)	280,648,617.08
Financial assets - HtM	held to maturity (at amortised cost)	2,007,055,698.88	amortised cost	2,007,055,698.88

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

Amortised cost measurement (amortised cost - AC)	Carrying value under IAS 39 as at 31/12/2017	Reclassification	Revaluation	Carrying value under IFRS 9 as at 1/1/2018
CASH AND BALANCES AT CENTRAL BANKS				
Closing balance sheet pursuant to IAS 39 and opening balance sheet pursuant to IFRS 9	845,105,120.69	0.00	0.00	845,105,120.69
LOANS AND ADVANCES TO CREDIT INSTITUTIONS				
Closing balance sheet pursuant to IAS 39 and opening balance sheet pursuant to IFRS 9	1,253,366,251.46	0.00	0.00	1,253,366,251.46
LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers (not securitised)				
Closing balance sheet pursuant to IAS 39	14,576,275,509.83			
Reclassification (in fair value through profit or loss purs. to IFRS 9)		-19,161,655.38		
Opening balance sheet pursuant to IFRS 9				14,557,113,854.45
Financial assets - AC (amortised cost)				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity under IAS 39)		48,006,718.22		
Opening balance sheet pursuant to IFRS 9				48,006,718.22
Held-to-maturity financial assets				
Closing balance sheet pursuant to IAS 39	48,006,718.22			
Reclassification (in amortised cost under IFRS 9)		-48,006,718.22		
Opening balance sheet pursuant to IFRS 9				0.00

Amortised cost measurement (amortised cost - AC)				
	Carrying value under IAS 39 at 31/12/2017	**Reclassification**	**Revaluation**	**Carrying value under IFRS 9 as at 1/1/2018**
FINANCIAL ASSETS				
Financial assets - AC				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity under IAS 39)		2,007,055,698.88		
Opening balance sheet pursuant to IFRS 9				2,007,055,698.88
Financial assets - held-to-maturity				
Closing balance sheet pursuant to IAS 39	2,007,055,698.88			
Reclassification (in amortised cost under IFRS 9)		-2,007,055,698.88		
Opening balance sheet pursuant to IFRS 9				0.00
TOTAL	18,729,809,299.08	-19,161,655.38	0.00	18,710,647,643.70

Measurement at fair value through profit or loss (FV/PL)				
	Carrying value under IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value under IFRS 9 as at 1/1/2018
LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers (not securitised)				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity purs. to IAS 39)		19,161,655.38	-13,499.85	
Opening balance sheet pursuant to IFRS 9				19,148,155.53
Financial assets designated at fair value through profit or loss				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity under IAS 39)		13,036,416.12		
Opening balance sheet pursuant to IFRS 9				13,036,416.12
Trading assets (financial assets recognised in income at fair value)				
Closing balance sheet pursuant to IAS 39	37,570,454.30			
Changeover of derivatives formerly subject to separation		-3,516,320.97		
Opening balance sheet pursuant to IFRS 9				34,054,133.33
FINANCIAL ASSETS				
Financial assets designated at fair value through profit or loss				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity under IAS 39)		70,435,386.08		
Reclassification (from held to maturity under IAS 39)		228,564,559.64		
Opening balance sheet pursuant to IFRS 9				298,999,945.72
TOTAL	37,570,454.30	327,681,696.25	-13,499.85	365,238,650.70

Recognition in income at fair value - financial instruments designated at fair value (fair value option - FVO)

	Carrying value under IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value under IFRS 9 as at 1/1/2018
LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers (not securitised)				
Closing balance sheet pursuant to IAS 39 and opening balance sheet pursuant to IFRS 9	51,747,542.10	0.00	0.00	51,747,542.10
FINANCIAL ASSETS				
Financial assets FVO (fair value option)				
Closing balance sheet pursuant to IAS 39	228,564,559.64			
Reclassification (in fair value through profit or loss purs. to IFRS 9)		-228,564,559.64		
Opening balance sheet pursuant to IFRS 9				0.00
TOTAL	280,312,101.74	-228,564,559.64	0.00	51,747,542.10

Recognised in income at fair value - FVOCI

Debt securities recognised in income at fair value (with recycling)

-	Carrying value under IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value under IFRS 9 as at 1/1/2018
LOANS AND ADVANCES TO CUSTOMERS				
Financial instruments carried at FVOCI (fair value through other comprehensive income)				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity under IAS 39)		71,268,406.68		
Opening balance sheet pursuant to IFRS 9				71,268,406.68

	Carrying value under IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value under IFRS 9 as at 1/1/2018
FINANCIAL ASSETS				
Financial instruments carried at FVOCI (fair value through other comprehensive income)				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity under IAS 39)		280,648,617.08		
Opening balance sheet pursuant to IFRS 9				280,648,617.08

Equity instruments recognised in income at fair value (without recycling)

	Carrying value under IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value under IFRS 9 as at 1/1/2018
FINANCIAL ASSETS				
Financial instruments carried at FVOCI (fair value through other comprehensive income)				
Closing balance sheet pursuant to IAS 39	0.00			
Reclassification (from held to maturity under IAS 39)		313,712,104.85		
Write-ups of equity investments			38,444,180.00	
Opening balance sheet pursuant to IFRS 9				352,156,284.85

Available for sale

	Carrying value under IAS 39 as at 31/12/2017	Reclassification	Revaluation	Carrying value under IFRS 9 as at 1/1/2018
LOANS AND ADVANCES TO CUSTOMERS				
Financial assets - AfS (available for sale)				
Closing balance sheet pursuant to IAS 39	84,304,822.80			
Reclassification (in fair value through profit or loss purs. to IFRS 9)		-13,036,416.12		
Reclassification (in fair value through other comprehensive income with recycling under IFRS 9)		-71,268,406.68		
Opening balance sheet pursuant to IFRS 9				0.00
FINANCIAL ASSETS				
Financial assets - AfS (available for sale)				
Closing balance sheet pursuant to IAS 39	664,796,108.01			
Reclassification (in fair value through profit or loss purs. to IFRS 9)		-70,435,386.08		
Reclassification (in fair value through other comprehensive income with recycling under IFRS 9)		-280,648,617.08		
Reclassification (in fair value through other comprehensive income without recycling under IFRS 9)		-313,712,104.85		
Opening balance sheet pursuant to IFRS 9				0.00
TOTAL	749,100,930.81	-83,471,802.20	38,444,180.00	704,073,308.61

Important actuarial assumptions for calculating the present values of defined benefit obligations were updated as set out below.

	30/9/2018	31/12/2017
Interest rate applied	1.75%	1.75%
Increase under collective agreements	2.99%	2.93%
Pension increase	1.54%	1.52%

Oberbank group of consolidated companies

The group of consolidated companies as at 30 September 2018 included, apart from Oberbank AG, 35 Austrian and 18 foreign subsidiaries. The group of consolidated companies changed compared to 31/12/2017 due to the first-time inclusion of the following companies:

Oberbank Ennshafen Immobilienleasing GmbH: 94%

Tuella Finanzierung GmbH was deconsolidated in the financial year. This resulted in a positive effect of EUR 40,000 on the equity.

Details of the income statement in €k

1) Net interest income	1/1 to 30/9/2018	1/1 to 30/9/2017
Interest income from		
Credit and money market business	257,623	245,295
Shares and other variable-yield securities	4,957	4,530
Other equity investments	3,731	2,961
Subsidiaries	558	813
Fixed-interest securities and bonds	43,597	49,190
Interest and similar income	310,466	302,789
Interest expenses		
on deposits	-31,356	-35,854
securitised liabilities	-15,008	-14,435
subordinated liabilities	-16,467	-15,292
Interest and similar expenses	-62,831	-65,581
Net interest income	247,635	237,208

Net interest income from financial assets in the measurement category AC and FV/OCI was 297,955

2) Charges for losses on loans and advances	1/1 to 30/9/2018	1/1 to 30/9/2017
Charges for losses on loans and advances	-94,413	-72,149
Direct write-offs	-668	-872
Reversals of loan loss provisions	88,159	63,483
Recoveries of written-off receivables	2,317	2,224
Result of non-significant modifications	12	0
Charges for losses on loans and advances	-4,593	-7,314

3) Net commission income	1/1 to 30/9/2018	1/1 to 30/9/2017
Payment services	40,296	36,933
Securities business	38,443	33,553
Foreign exchange, foreign bank notes and precious metals business	12,022	10,412
Credit operations	25,934	19,637
Other service and advisory business	2,610	2,983
Net commission income	119,305	103,518

4) Net trading income	1/1 to 30/9/2018	1/1 to 30/9/2017
Gains/losses on interest rate contracts	698	972
Gains/losses on foreign exchange, foreign bank notes and numismatic	-453	7,118
Gains/losses on derivatives	4,418	-1,490
Net trading income	4,663	6,600

5) Administrative expenses	1/1 to 30/9/2018	1/1 to 30/9/2017
Staff costs	132,180	126,255
Other administrative expenses	72,079	66,341
Write-offs and impairment	10,221	9,506
Administrative expenses	214,480	202,102

6) Other operating income	1/1 to 30/9/2018	1/1 to 30/9/2017
a) Net income from financial assets - FV/PL	-6,203	2,097
b) Net income from financial assets - AfS	N/A	14,660
b) Net income from financial assets - FV/OCI	-613	N/A
c) Net income from financial assets - HtM	N/A	0
c) Net income from financial assets - AC	353	N/A
d) Other operating income	-2,059	-25,941
Stability tax	-3,345	-2,993
Expenses from operational risks	-6,342	-21,182
Income from operational risks	5,441	1,735
Gains from the sale of land and buildings	0	361
Expenses from operating leases	-11,876	-14,187
Income from operating leases	13,585	14,154
Other	478	-3,829
Other operating income net of other operating expenses	-8,522	-9,184

7) Income taxes	1/1 to 30/9/2018	1/1 to 30/9/2017
Current income tax expense	37,591	40,571
Deferred income tax expenses / income	-6,196	-13,031
Income taxes	31,395	27,540

8) Earnings per share in €	1/1 to 30/9/2018	1/1 to 30/9/2017
Number of shares as at 30/09	35,307,300	35,307,300
Average number of shares in issue	35,285,916	35,296,223
Consolidated profit for the year after tax	181,054	154,467
Earnings per share in €	5.13	4.38
Annualised values	6.84	5.84

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

9) Cash and balances with central banks	30/9/2018	31/12/2017
Cash in hand	75,112	85,543
Credit balances with central banks of issue	159,353	759,562
Cash and balances at central banks	234,465	845,105

10) Loans and advances to credit institutions	30/9/2018	31/12/2017
Loans and advances to Austrian credit institutions	137,689	190,105
Loans and advances to foreign credit institutions	1,216,383	1,063,261
Loans and advances to credit institutions	1,354,072	1,253,366

11) Loans and advances to customers	30/9/2018	31/12/2017
Loans and advances to Austrian customers	9,551,500	9,093,104
Loans and advances to foreign customers	6,146,238	5,667,231
Loans and advances to customers	15,697,738	14,760,335

12) Impairment charges	30/9/2018	31/12/2017
Impairment charges for banks	282	0
Impairment charges for customers	230,873	392,706
Impairment charges for debt securities	1,182	0
Impairment charges	232,337	392,706

13) Trading assets	30/9/2018	31/12/2017
Bonds and other fixed-interest securities		
Listed	5,712	1,383
Shares and other variable-yield securities		
Listed	1,567	228
Positive fair values of derivative financial instruments		
Currency contracts	3,044	531
Interest rate contracts	28,331	35,428
Other contracts	6	0
Trading assets	38,660	37,570

14) Financial investments	30/9/2018	31/12/2017
Bonds and other fixed-interest securities	2,177,054	2,351,989
Shares and other variable-yield securities	304,651	326,740
Equity investments/shares		
In subsidiaries	100,616	83,294
In entities accounted for using the equity method		
Banks	403,594	358,924
Non-banks	513,623	467,030
Other equity investments		
Banks	24,271	13,221
Non-banks	117,237	125,173
Financial investments	3,641,046	3,726,371
a) Financial assets - FVPL	243,342	228,565
b) Financial assets - AfS	N/A	664,796
b) Financial assets FVOCI	584,078	N/A
c) Financial assets - HtM	N/A	2,007,056
c) Financial assets - AC	1,896,409	N/A
d) Interest in entities accounted for using the equity method	917,217	825,954
Financial investments	3,641,046	3,726,371

15) Intangible assets	30/9/2018	31/12/2017
Other intangible assets	197	454
Customer base	443	475
Intangible assets	640	929

16) Property, plant and equipment	30/9/2018	31/12/2017
Investment property	96,593	98,905
Land and buildings	101,837	101,456
Business equipment and furnishings	70,599	71,385
Other property, plant and equipment	12,747	21,209
Property, plant and equipment	281,776	292,955

17) Other assets	30/9/2018	31/12/2017
Deferred tax assets	32,510	48,947
Other items	163,928	128,862
Positive fair values of closed out derivatives in the banking book	105,044	124,609
Deferred items	24,014	4,263
Other assets	325,496	306,681

18) Amounts owed to credit institutions	30/9/2018	31/12/2017
Amounts owed to Austrian credit institutions	2,404,407	2,436,798
Amounts owed to foreign credit institutions	1,719,847	1,718,499
Amounts owed to credit institutions	4,124,254	4,155,297

19) Amounts owed to customers	30/9/2018	31/12/2017
Savings deposits	2,697,249	2,719,041
Other	8,814,454	8,678,353
Amounts owed to customers	11,511,703	11,397,394

20) Securitised liabilities	30/9/2018	31/12/2017
Bonds issued	1,487,022	1,365,548
Other securitised liabilities	11,857	2,702
Securitised liabilities	1,498,879	1,368,250

21) Provisions for liabilities and charges	30/9/2018	31/12/2017
Provisions for benefits and pensions	175,073	172,931
Provisions for anniversary bonuses	12,179	11,801
Loan loss provisions	140,255	141,461
Other provisions	69,074	54,837
Provisions for liabilities and charges	396,581	381,030

22) Other liabilities	30/9/2018	31/12/2017
Trading liabilities	28,472	31,848
Tax liabilities	32,352	18,399
Current tax liabilities	27,821	13,948
Deferred tax liabilities	4,531	4,451
Other liabilities	294,608	267,263
Negative fair values of closed out derivatives in the banking book	18,903	40,475
Deferred items	101,831	74,758
Other liabilities	476,166	432,743

23) Other liabilities (trading liabilities)	30/9/2018	31/12/2017
Currency contracts	609	525
Interest rate contracts	27,863	31,323
Other contracts	0	0
Trading liabilities	28,472	31,848

24) Subordinated debt capital	30/9/2018	31/12/2017
Subordinated bonds issued incl. tier 2 capital	535,736	570,003
Hybrid capital	30,618	59,100
Subordinated debt capital	566,354	629,103

25) Equity	30/9/2018	31/12/2017
Subscribed capital	105,820	105,862
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,098,094	1,797,284
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	6,310	6,248
Equity	2,767,619	2,466,789

26) Contingent liabilities and commitments	30/9/2018	31/12/2017
Other contingent liabilities (guarantees and letters of credit)	1,363,648	1,441,004
Contingent liabilities	1,363,648	1,441,004
Liabilities from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,260,909	4,028,144
Credit risks	4,260,909	4,028,144

27) Segment report as at 30/9/2018 Core business segments in €m	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	45.2	181.2	21.2	0.0	247.6
Income from entities recognised using the equity	0.0	0.0	68.4	0.0	68.4
Charges for losses on loans and advances	-2.4	2.3	-4.5	0.0	-4.6
Net commission income	57.2	62.2	-0.1	0.0	119.3
Net trading income		-0.2	4.9	0.0	4.7
Administrative expenses	-67.9	-107.6	-6.9	-32.1	-214.5
Other operating income	3.2	-3.9	2.3	-10.1	-8.5
Extraordinary profit/loss	0.0	0.0	0.0	0.0	0.0
Profit before tax	35.3	134.1	85.3	-42.3	212.4
Average risk-weighted assets	1,757.2	9,565.6	5,678.9		17,001.7
Average allocated equity	271.9	1,480.1	878.7		2,630.6
Return on equity before tax	17.3%	12.1%	12.9%		10.8%
Cost/income ratio	64.3%	44.9%	7.1%		49.7%

28) Human resources	30/9/2018	31/12/2017
Salaried employees	2,093	2,050
Blue-collar	11	15
Total resources	2,104	2,065

29) Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013	30/9/2018	31/12/2017	30/9/2017
Subscribed capital	100,522	101,422	101,422
Capital reserves	505,523	505,523	505,523
Retained earnings	1,793,957	1,728,837	1,566,316
Minority interests	0	0	0
Cumulated other comprehensive income	42,968	38,961	41,656
Regulatory adjustment items	5,810	-8,925	-13,548
Deductions from common equity tier 1 capital items	-197,483	-162,694	-173,642
COMMON EQUITY TIER 1 CAPITAL	2,251,297	2,203,124	2,027,727
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments under national implementation rules	11,600	29,500	29,500
Deductions from AT1 capital items	-8,667	-8,807	-8,867
Additional tier 1 capital	52,933	70,693	70,633
TIER 1 CAPITAL	2,304,230	2,273,817	2,098,360
Qualifying supplementary capital instruments	319,373	308,656	319,442
Nominal capital preference shares purs. to transition rules 29,500	5,400	4,500	4,500
AT1 capital instruments purs. to transition rules	17,400	29,500	29,500
Supplementary capital (tier 2) items purs. to national impl. rules	15,813	28,782	31,602
General credit risk adjustments	0	0	0
Deductions from tier 2 capital items	-20,707	-22,359	-22,473
Supplementary capital (tier 2)	337,279	349,079	362,571
OWN FUNDS	2,641,509	2,622,896	2,460,931
Total risk exposure purs. Art. 92 CRR			
Credit risk	13,328,373	12,308,891	12,277,308
Market risk, settlement risk and CVA risk	31,294	37,497	54,460
Operational risk	1,009,236	1,009,236	970,730
Total exposure	14,368,903	13,355,624	13,302,498

Own funds ratio purs. Art. 92			
Common equity tier 1 capital ratio	15.67%	16.50%	15.24%
Core capital ratio	16.04%	17.03%	15.77%
Total capital ratio	18.38%	19.64%	18.50%
Regulatory requirement own capital ratios purs. to transition rules in			
Common equity tier 1 capital ratio	7.256%	6.577%	6.578%
Core capital ratio	9.022%	8.343%	8.344%
Total capital ratio	11.372%	10.693%	10.694%
Regulatory capital requirements purs. to transition rules in €k			
Common equity tier 1 capital	1,042,665	878,426	874,974
Tier 1 capital	1,296,420	1,114,286	1,109,897
Total capital	1,634,089	1,428,144	1,422,505
Free capital components			
Common equity tier 1 capital	1,208,632	1,324,698	1,152,753
Tier 1 capital	1,007,810	1,159,531	988,463
Total capital	1,007,420	1,194,752	1,038,426

30) Fair value of financial instruments as at 30/9/2018 in €k							
	AC	FV/PL	HFT	FV/OCI	AC/Liabilities	Other	Total
Cash and balances with the central bank						234,465	234,465
						234,465	234,465
Loans and advances to credit institutions					1,354,072		1,354,072
					1,354,361		1,354,361
Loans and advances to customers	48,926	74,181		58,319	15,516,312		15,697,738
	48,791	74,181		58,319	15,590,317		15,771,608
Impairment charge on loans and advances					-232,337		-232,337
					-232,337		-232,337
Trading assets			38,660				38,660
			38,660				38,660
Financial investments	1,896,409	243,342		584,078		917,217	3,641,046
	1,988,108	243,342		584,078			
Intangible assets other items						640	640
Property, plant and equipment						281,776	281,776
Other assets			105,044			220,452	325,496
			105,044				
of which closed out derivatives positions in the banking book			105,044				105,044
			105,044				105,044
Total assets	**1,945,335**	**317,523**	**143,704**	**642,397**	**16,638,047**	**1,654,550**	**21,341,556**
	2,036,899	**317,523**	**143,704**	**642,397**	**16,712,341**		
Amounts owed to banks		55,338			4,068,916		4,124,254
		55,338			4,073,012		4,128,350
Amounts owed to customers		433,785			11,077,918		11,511,703
		433,785			11,073,803		11,507,588
Securitised liabilities		443,607			1,055,272		1,498,879
		443,607			1,023,074		1,466,681
Provisions for liabilities and charges						396,581	396,581
Other liabilities			47,375			428,791	476,166
			47,375				
of which closed out derivatives positions in the banking book			18,903				18,903
			18,903				18,903
Subordinated debt capital		444,207			122,147		566,354
		444,207			139,632		583,839
Capital						2,767,619	2,767,619
Total equity and liabilities	**-**	**1,376,937**	**47,375**	**-**	**16,324,253**	**3,592,991**	**21,341,556**
	-	**1,376,937**	**47,375**	**-**	**16,309,521**		

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

Fair value hierarchy of financial instruments as at 30/9/2018										
	AC Book value	FV/PL Book value	HFT Book value	FV/OCI Book value	AC/ liabilities book value	Other book value	Total book value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial instruments carried at fair value in €k										
Loans and advances to customers	0	74,181	0	58,319	0	0	132,500	0	132,500	0
Trading assets	0	0	38,660	0	0	0	38,660	7,007	31,653	0
Financial assets FV/PL	0	243,342	0	0	0	0	243,342	25,998	217,344	0
Financial assets FV/OCI	0	0	0	584,078	0	0	584,078	354,838	3,890	225,350[1)]
Other assets	0	0	105,044	0	0	0	105,044	0	105,044	0
of which closed out derivatives positions in the banking book	0	0	105,044	0	0	0	105,044	0	105,044	0
Financial assets not carried at fair value										
Loans and advances to credit institutions	0	0	0	0	1,354,072	0	1,354,072	0	1,354,361	0
Loans and advances to customers	48,926	0	0	0	15,516,312	0	15,565,238	0	15,639,108	0
Financial assets AC	1,896,409	0	0	0	0	0	1,896,409	1,911,182	76,926	0
Financial instruments carried at fair value										
Amounts owed to credit institutions	0	55,338	0	0	0	0	55,338	0	55,338	0
Amounts owed to customers	0	433,785	0	0	0	0	433,785	0	433,785	0
Securitised liabilities	0	443,607	0	0	0	0	443,607	0	443,607	0
Other liabilities	0	0	47,375	0	0	0	47,375	0	47,375	0
of which closed out derivatives positions in the banking book	0	0	18,903	0	0	0	18,903	0	18,903	0
Subordinated debt capital	0	444,207	0	0	0	0	444,207	0	444,207	0

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

Fair value hierarchy of financial instruments as at 30/9/2018										
	AC Book value	**FV/PL Book value**	**HFT Book value**	**FV/OCI Book value**	**AC/ liabilities book value**	**Other book value**	**Total book value**	**Level 1 Fair value**	**Level 2 Fair value**	**Level 3 Fair value**
Financial instruments not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	4,068,916	0	4,068,916	0	4,073,012	0
Amounts owed to customers	0	0	0	0	11,077,918	0	11,077,918	0	11,073,803	0
Securitised liabilities	0	0	0	0	1,055,272	0	1,055,272	0	1,023,074	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	122,147	0	122,147	0	139,632	0

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, these prices are used for the measurement (level 1). Where no such market prices are available, the fair value is determined using valuation models based on parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).
All fair value measurements refer to regularly performed measurements. There were no one-off fair value measurements in the reporting year.

Measurement process
Responsibility for independent monitoring and communication of risks as well as the measurement of financial instruments lies with the Strategic Risk Management 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 prices where such quoted prices are publicly available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived from current market data (yield curves, volatilities, etc.) are used. The market data is validated daily; at regular intervals, the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with the model values of the partner banks. The management is sent a daily update on risk positions and the valuation results based on entire trading book positions. The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

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

All derivative instruments are measured on a counterparty-risk-free basis in a first step. In a second step, a credit risk markdown is determined (credit valuation adjustment, CVA) based on the internal default probabilities of an expected loss. The fair values of non-listed securities are obtained from the Geos system. The fair value of investment fund units is obtained from the fund management companies. The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities, subordinated capital and payables to banks and customers; 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 to the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue. The credit spreads are adjusted regularly. The fair value measurement of receivables from banks and customers is based on the discounted contractual cash flows (according to the contractual repayment schedule) and the discounted expected credit loss cash flows (taking the customer's credit rating and collateral into account).
The exchange rates used are the reference rates published by the ECB.

The fair value of **level 3** assets is measured using generally-accepted valuation models. 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) or by another method for measuring enterprise value. 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 measurement method. Classification adjustments are made at the end of the reporting period.

The table below shows the development of participating interests FVOCI 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 such as Black Scholes). Structured products are measured on the basis of price information obtained from third parties.

Movements in €k	2018	2017
Carrying value as at 01/01	88,184	74,616
Additions (purchases)	1,720	0
Disposals (sales)	-14,312	0
Initial measurement triggered by IFRS 9	149,758	0
Value changes recognised in equity	0	13,568
Value changes recognised in income	0	0
Carrying value as at 30/09	**225,350**	**88,184**

The essential, unobserved input factors remained unchanged in comparison to 31/12/2017, and therefore, this also applies to the sensitivity analysis. The item Other comprehensive income from this type of instrument decreased by €k 3,493.
The remaining level 3 financial instruments measured at fair value comprise loans and advances to customers and/or amounts owed to credit institutions for which the fair value option was used.

Movement in 2018 in €k	Loans and advances to customers	Amounts owed to banks
Carrying value as at 01/1/2018	51,748	53,276
Reclassified in level 2	-51,748	-53,276
Additions	0	0
Disposals	0	0
Changes in fair value	0	0
of which disposals	0	0
of which portfolio instruments	0	0
Carrying value as at 30/09	0	0

There was no switching between Level 1 and Level 2.

Major transactions with related parties as at 30 September 2018 were:

Associated companies	€k 2,930
Subsidiaries	€k 0
Other related parties	€k 20,787

STATEMENT BY THE MANAGEMENT BOARD PURSUANT TO § 125 STOCK EXCHANGE ACT

The Management Board hereby confirms that

- these condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) currently in force and published by the International Accounting Standards Board (IASB) as applicable in the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC); they furthermore present a true and fair view of the assets, liabilities, financial position and result of operations of the Oberbank Group;

- These consolidated interim financial statements cover the first three quarters of 2018 (1 January 2018 to 30 September 2018) and present a true and fair view of the assets, liabilities, financial position and result of operations of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

Linz, 30 November 2018

The Management Board

CEO
Franz Gasselsberger, MBA
Remit
Corporate and Business Banking

Director
Josef Weißl
Remit
Personal Banking

Director
Florian Hagenauer, MBA
Remit
Overall Banking Risk Management

Current Management Board Remits

CEO 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 North	Linz South	
Salzkammergut	Innviertel	
Vienna	Salzburg	
Wels	Lower Austria	
Southern Germany	Slovakia	
Germany Mitte	Czech Republic	
	Hungary	

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

Notes

The forecasts that refer to the future development of Oberbank are estimates made on the basis of all the information available to us on the reporting data. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialise to an extent not anticipated, the actual results may vary from those currently expected. Information provided on market shares are based on the most recent data available at the copy deadline of this report.

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

The entry ‘N/A’ in the lists and tables means that the provision is not applicable to the relevant financial year.

Financial Calendar 2018

The Oberbank Report to Shareholders is published three times a year.

18 May 2018	Quarterly results for Q1 2018
28 August 2018	Quarterly results for Q1-2 2018
30 November 2018	Quarterly results for Q1-3 2018

All of the information is available online at www.oberbank.at under Investor Relations.

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