Oberbank
3 Banken Gruppe

ASSETS BASED ON TRUST.

Interim Report to Shareholders as at 31 March 2018

Oberbank at a Glance

Income statement in €m	Q1 2018	Change	Q1 2017
Net interest income	79.1	2.1%	77.5
Income from entities recognised using the equity	16.5	74.3%	9.5
Charges for losses on loans and advances	2.3	191.1%	0.8
Net commission income	40.5	13.3%	35.7
Administrative expenses	-65.3	3.2%	-63.3
Profit for the period before tax	64.0	3.8%	61.6
Profit for the period after tax	53.7	9.1%	49.2
Balance sheet in € m	**31/3/2018**	**Change**	**31/12/2017**
Total assets	20,911.8	0.4%	20,830.6
Loans and advances to customers	15,085.0	2.2%	14,760.3
Primary funds	13,251.0	-1.1%	13,394.7
of which savings deposits	2,715.8	-0.1%	2,719.0
of which securitised liabilities	1,827.0	-8.5%	1,997.4
incl. subordinated debt capital			
Equity	2,663.1	8.0%	2,466.8
Customer funds under management	28,887.0	-1.5%	29,332.6
Own funds purs. to CRR in € m	**31/3/2018**	**Change**	**31/12/2017**
Common equity tier 1 capital (CET 1)	2,234.0	1.4%	2,203.1
Tier 1 capital	2,298.8	1.1%	2,273.8
Own funds	2,646.9	0.9%	2,622.9
CET 1 ratio in %	16.14%	-0.36% ppt	16.50%
Tier 1 capital ratio in %	16.60%	-0.43% ppt	17.03%
Total capital ratio in %	19.12%	-0.54% ppt	19.64%
Performance indicators	**Q1 2018**	**Change**	**Q1 2017**
Cost/Income ratio in %	51.42	0.41% ppt	51.01
Return on equity before tax in %	10.05	-0.60% ppt	10.65
Return on equity after tax in %	8.43	-0.08% ppt	8.51
Risk/earnings ratio (credit risk/net interest) in %	-2.86	-1.86% ppt	-1.00
Resources	**31/3/2018**	**Change**	**31/12/2017**
Average number of staff (weighted)	2,083	33	2,050
Number of branches	160	-1	161

Development of Business of the Oberbank Group in Q1 2018

Dear Readers,

Oberbank is once again very pleased to report excellent earnings in the first quarter of 2018.

Robust earnings trend sustained

- **Net profit before tax EUR 64.0 million / +3.8%**
- **Net profit after tax EUR 53.7 million / +9.1%**
- **Lending and service business contribute to earnings growth**

After the excellent results achieved in Q1 2017, earnings again developed very robustly. Net profit before tax rose by 3.8% to EUR 64.0 million and after tax by 9.1% to EUR 53.7 million.

We are pleased to report that the excellent results were supported by contributions from both lending and service operations. Net interest income rose in Q1 by 2.1% to EUR 79.1 million due to the much higher lending volume, while income from equity investments was EUR 74.3% higher year on year at EUR 16.5 million.
At EUR 40.4 million, net commission income was 13.3% higher versus 2017. All commission-earning business lines contributed to this increase, with commissions from lending (+30.4%) and securities (13.7%) developing particularly well.

Steep growth in financial services and customer deposits

- **Lending volume EUR 15.1 billion/ +6.2%**
- **Primary deposits EUR 5.2 billion/ +6.0%**

The first quarter of 2018 saw strong growth in lending, with the total lending volume increasing by 6.2% to EUR 15.1 billion. Loans in the retail segment advanced by 6.8% to EUR 3.1 billion, and loans to corporate customers by 6.1% to EUR 12.0 billion. This makes the last quarter the strongest first quarter ever in lending to corporate customers.

As regards deposits, the low interest rates are still having a perceptible impact. Investors avoid fixed terms and prefer daily callable sight deposits. Retail deposits (savings deposits, private accounts, online savings deposits) increased by 6.0% to EUR 5.2 billion, while total customer assets under management rose by 8.4% to EUR 28.9 billion.

Continued good risk situation

- ***Positive* risk result at EUR 2.3 million**

Despite the above average strong growth in lending and a conservative policy in provisioning for risk, the credit risk situation remained good in the first quarter of 2018. Overall, more impairment allowances were reversed than new ones allocated, and therefore, the first-time risk result recognized pursuant to IFRS 9 was a positive figure of EUR 2.3 million.

Equity at record level

- **Increase by EUR 300 million to EUR 2.7 billion**

Equity stood at EUR 2,663.1 million on 31 March 2018 and thus EUR 291 million or 12.3% higher than in the like period of the preceding year. A key reason for the steep rise was the high level of reserve allocations due to the excellent earnings.

Excellent performance ratios

- **RoE before tax 10.05%, after tax 8.43%**
- **Cost/income ratio 51.42%**
- **16.60% CET1, total capital ratio 19.12%**

ROE remained more or less stable at a high level, despite the steep 12.3% rise in equity. After the close of the first quarter 2018, ROE was 10.05% (vs. 10.65%) before tax, and after tax 8.43% (vs. 8.51%).

The cost/income ratio in Q1 2018 was outstandingly low at 51.42%. Therefore, our productivity is much better than the entire Austrian banking sector which recently published a cost/income ratio of over 66%.
The capital base continues to be excellent. At a CET1 of 16.60% and a total capital ratio of 19.12%, the figures clearly surpass the statutory requirements as well as the most recent figures released for the overall market.

Franz Gasselsberger, CEO

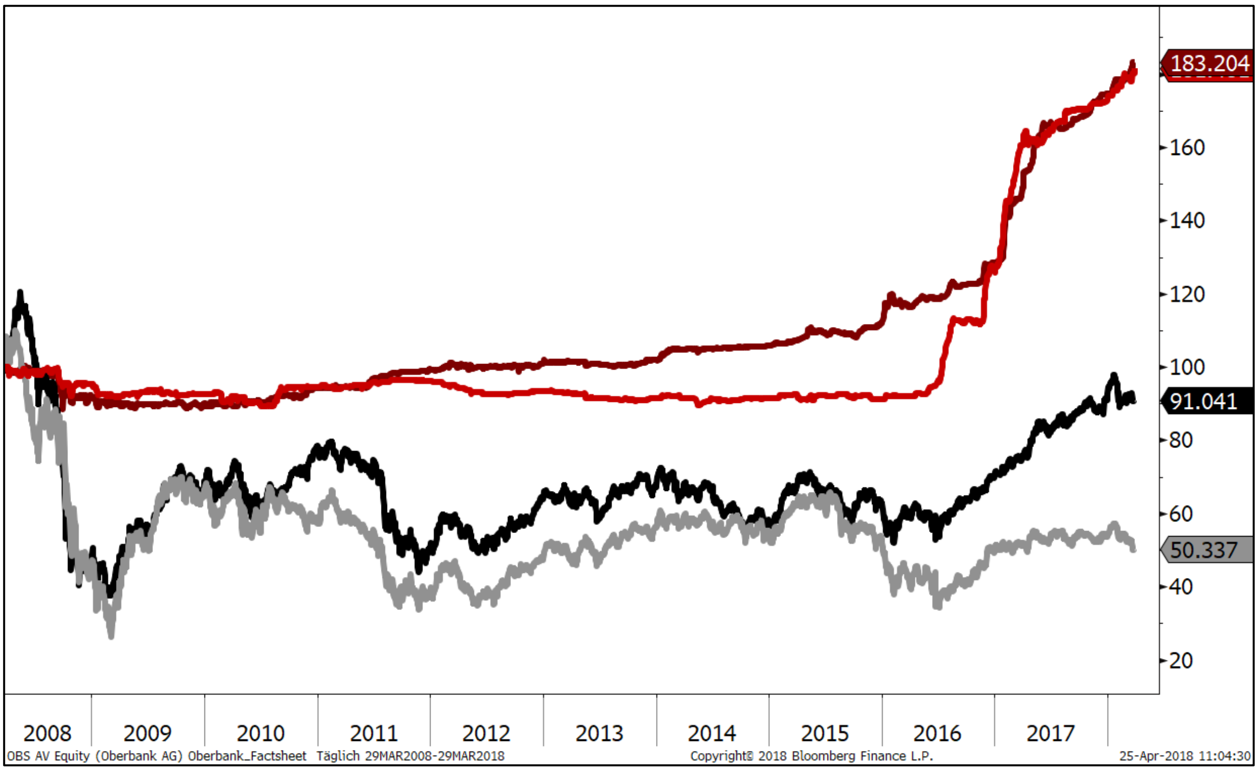
The Oberbank share

The price of Oberbank's ordinary share as well as the price of Oberbank's preference share climbed to new all-time highs in the first half of 2018 (ordinary share EUR 86.00, preference share EUR 75.00). The excellent development of the two share classes pushed up the market capitalization of Oberbank (total value of ordinary and preference shares) over the mark of EUR 3.0 billion for the first time on 23 March 2018.

Oberbank shares – key figures	Q1 2018	Q1 2017
Number of ordinary no-par shares	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	86.00/75.00	69.90/66.40
Low (ordinary/preference share) in €	82.00/71.50	60.36/52.00
Close (ordinary/preference share) in €	86.00/75.00	69.90/66.30
Market capitalization in € m	3,003.42	2,457.18
IFRS earnings per share in € annualised	6.08	5.57
P/E ratio, ordinary shares	14.14	12.55
P/E ratio, preference shares	12.34	11.90

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

Chart (period: 30/03/2008 to 29/03/2018) ■ 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 of 29 March 2018
The figures given refer to the past. These cannot be used to derive future trends.

The segments in Q1 2018

Corporate and Business Banking

Corporate and Business Banking in	Q1 2018	Q1 2017	+ / - in %	+ / - in %
Net interest income	59.2	57.8	1.5	2.5%
Charges for losses on loans and	4.9	5.5	-0.6	-11.1%
Net commission income	20.2	18.5	1.7	9.2%
Net trading income	0.0	0.1	-0.1	
Administrative expenses	-34.7	-34.3	-0.4	1.2%
Other operating income	0.4	-0.5	0.9	
Profit before tax	50.0	47.0	2.9	6.3%
Risk equivalent	9,254.1	8,810.7	443.4	5.0%
Average allocated equity	1,408.3	1,297.4	110.9	8.5%
Return on equity before tax (RoE)	14.2%	14.5%	-0.3% ppt	
Cost/income ratio	43.5%	45.2%	-1.7% ppt	

Earnings in Corporate and Business Banking

Profit in the Corporate and Business Banking segment was up by EUR 2.9 million or 6.3% to a total of EUR 50.0 million.

Net interest income rose by EUR 1.5 million or 2.5% to EUR 59.2 million.

Charges for losses on loans and advances decreased by EUR 0.6 million from a positive EUR 5.5 million to EUR 4.9 million.

Net commission income was higher than in the preceding year, rising by EUR 1.7 million or 9.2% to EUR 20.2 million.

Administrative expenses rose by EUR 0.4 million or 1.2% to EUR 34.7 million.

Other operating income increased from EUR -0.5 million by EUR 0.9 million to EUR 0.4 million.

ROE in the Corporate and Business Banking segment decreased from 14.5% by -0.3%-points to 14.2%, while the cost/income ratio improved by -17%-points from 45.2% to 43.5%

Commercial lending

Oberbank's commercial lending volume continued to grow and rose by EUR 685.1 million or 6.1% from EUR 11,300.9 million to EUR 11,986.0 million.

Commercial loans		YoY change	
As at 31/3/2018	**As at 31/3/2017**	**absolute**	**in %**
€ 11,986.0 million	€ 11,300.9 million	€ 685.1 million	6.1%

Investment finance

At a total of 364 projects, the number of applications submitted in Austria and Germany for subsidised loans and innovation projects in the first three months of this year through our branches was 16% higher than the average of the past three years. In this respect, Oberbank holds the 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 875.1 million on 31 March 2018, thus 15% higher year on year.

Investment finance		YoY change	
As at 31/3/2018	**As at 31/3/2017**	**absolute**	**in %**
€ 8,657.9 million	€ 8,039.5 million	€ 618.4 million	7.7%

Leasing

We also had a good start into this financial year as well. Behind this trend was once again the excellent development of new business in vehicle leasing with a gain of 10%.

Leasing receivables from customers		YoY change	
As at 31/3/2018	As at 31/3/2017	absolute	in %
€ 2,227.5 million	€ 2,079.9 million	€ 147.6 million	7.1%

Structured finance

Demand for structured finance gained ground again in the first quarter of 2018. Demand in the tourism sector was sustained at a high level, and there was a sharp increase also in real estate finance. In this case, lively demand on the real estate market in combination with the persistently very low interest rate levels had a benign effect. Additionally, project volumes in finance for changes in ownership and for expansion financing increased considerably in the first quarter of 2018.

Oberbank Opportunity Fund

In the first quarter of 2018, the Oberbank Opportunity Fund reported 32 queries, thus queries were up year on year.
Since the inception of the Oberbank Opportunity Fund, 63 transactions for equity and mezzanine capital were supported financially and nine new supplementary financing projects were carried out. The volume of capital committed was EUR 140 million as at 31 March 2018.

Syndicated loans and international lending

In the area of syndication and international lending (loans to syndicates, borrower's note), both transactions and volume increased despite several early repayments. The uptrend in financing transactions for which Oberbank acted as arranger and syndicate leader was unbroken.

Trade finance and international business

The upswing in both domestic and foreign demand continued in the first quarter of 2018. Economic growth is expected to be robust also for the full year 2018.
Oberbank is popular with importers as well as with exporters, as it provides reliable payment services, a coordinated foreign currency strategy and finance products including forward hedging strategies. This is also seen in demand for documentary letters of credit, with the number of documentary transactions having risen again by 8.0%.

In subsidised export finance, Oberbank again successfully defended its leading position as the strongest Austrian regional bank. The market share in export finance under the Export Fund procedures as at 31 March 2018 was 11.0%, and in the KRR procedure of OeKB for corporates 11.7%. It was possible to increase the total volume of export finance to over EUR 1 billion, not least also due to the new finance options under the Export Fund procedures of OeKB.

Payment services

In the Corporates and Business Banking segment, Oberbank achieved a very good start into the year 2018. The trend of the past years was continued and earnings increased year on year by 7.3%.

International network of partner banks and institutions

There has been no change in the difficult overall conditions and the crisis-motivated restraint regarding politically instable export destinations. Nonetheless, ongoing support for our global export customers remains a top priority.
Customer activities in the relatively crisis-free Asian region receive the highest degree of attention. In the first quarter of 2018, we intensified bilateral agreements and business opportunities with traditional banking partners in several of the main markets of the region, among others, by paying visits to banks in China, Hong Kong, South Korea, Malaysia and Indonesia, Bangladesh and Vietnam. The Maghreb region also showed upwards tendencies and we visited traditional partner banks in Morocco and Tunisia especially before the backdrop of the mandatory compliance framework conditions. Even in high-risk countries, Oberbank's network of correspondent banks helps it meet customer demands for payment transfers, documentary and guarantee transactions as well as hedging and financing services.

With currently around 1250 ‘key banks’ worldwide -- with large-volume transactions - Oberbank continues to meet the high standards of its export and import customers.

Primary deposits

On the euro money market, high liquidity and low interest rates prevailed also in the first quarter of 2018. Nothing has changed in the still difficult situation for investors. The willingness to switch to longer maturities in order to earn at least small returns was subdued. Nonetheless, Oberbank has managed to keep deposits stable in this environment.

Interest rate and currency risk management

Hedging international transactions against undesired price fluctuations was a key component of customer activities in foreign currencies, also in the past quarter. At the focus was once again the USD, which is by far the most frequently used currency in foreign trade.

Personal Banking

Personal Banking segment in €m	Q1 2018	Q1 2017	+ / - in %	+ / - in %
Net interest income	14.7	14.0	0.7	5.3%
Charges for losses on loans and	-1.5	-0.6	-0.9	> 100%
Net commission income	20.3	17.3	3.0	17.6%
Net trading income	0.0	0.0	0.0	
Administrative expenses	-22.0	-20.8	-1.2	5.6%
Other operating income	1.1	-1.0	2.1	
Profit before tax	12.7	8.9	3.8	42.9%
Risk equivalent	1,695.9	1,569.1	126.8	8.1%
Average allocated equity	258.1	231.1	27.0	11.7%
Return on equity before tax (RoE)	19.7%	15.4%	4.3% ppt	
Cost/income ratio	60.7%	68.7%	- 8.0% ppt	

Earnings in Personal Banking

Profit in the Personal Banking segment rose year on year by EUR 3.8 million or 42.9% from EUR 8.9 million to EUR 12.7 million.

Net interest income expanded by EUR 0.7 million or 5.3% to EUR 14.7 million.

Charges for losses on loans and advances increased from EUR 0.6 million by EUR 0.9 million to EUR 1.5 million.

Net commission income was up by EUR 3.0 million or 17.6% to EUR 20.3 million year on year.

Administrative expenses declined by EUR 1.2 million or 5.6% to EUR 22.0 million.

Other operating income increased from EUR -1.0 million by EUR 2.1 million to EUR 1.1 million.

ROE in Personal Banking improved from 15.4% by 4.3%-points to 19.7%, while the cost/income ratio improved by 8.0%-points from 68.7% to 60.7%.

Personal accounts

The portfolio of personal accounts grew year on year by 3,033 to 184,820 accounts.

Personal accounts		YoY change	
As at 31/3/2018	**As at 31/3/2017**	**absolute**	**in %**
184,820	181,787	3,033	1.7%

Personal loans

Personal loans increased versus 31 March 2017 by EUR 197.3 million or 6.8%.

In the first quarter of 2018, the volume of new retail loans was 12.4% higher than in the same period of the preceding year. Consumer loans continued to develop very well. The volume of new loans granted was substantially above the level of the preceding year. The share of foreign currency loans in the portfolio of personal loans of Oberbank is now 3.4%.

Personal loans		YoY change	
As at 31/3/2018	**As at 31/3/2017**	**absolute**	**in %**
€ 3,098.9 million	€ 2,901.6 million	€ 197.3 million	6.8%

Savings deposits

The volume of savings deposits has decreased since 31 March 2017 by EUR 58.5 million or 2.1% to EUR 2,715.0 million. The low savings ratio decreased slightly again last year. The sustained low interest rates continue to restrict the leeway for a more proactive interest rate policy. Money is still being left on accounts or in daily callable investment forms. Online savings products are gaining significance as investors seek alternatives on the capital market and are increasingly turning to real estate.

Savings deposits		**YoY change**	
As at 31/3/2018	**As at 31/3/2017**	**absolute**	**in %**
€ 2,715.8 million	€ 2,774.3 million	- € 58.5 million	2.1%

Securities business

Commission income from the securities business developed very well in the first quarter of 2018 and was up by EUR 1.5 million/13.6% to EUR 12.7 million.

Strong growth was seen, above all, in management commissions from investment funds and individual portfolio management. Transaction revenues were just below the previous year's level. The transactions were mostly in investment funds and stocks, while transactions in bonds were at a low level.

Commissions income from securities		**YoY change**	
As at 31/03/2018	**As at 31/03/2017**	**absolute**	**in %**
€ 12.7 million	€ 11.2 million	€ 1.5 million	13.6%

Market value on custody accounts

The market value of securities on custody accounts rose year on year by EUR 1.8 billion or 13.2% to EUR 15.6 billion. The value as of 31 March 2018 reached a new all-time high. A large share of the increase is accounted for by the net inflow of funds especially from investment funds.

Market value on custody accounts		**YoY change**	
As at 31/03/2018	**As at 31/03/2017**	**absolute**	**in %**
€ 15,636.0 million	€ 13,811.2 million	€ 1,824.8 million	13.2%

Oberbank issues

Although interest rates are still at extremely low levels, Oberbank successfully floated EUR 37.2 million in new issues, of which EUR 17.1 million were subordinated bonds. Because of redemptions and secondary market movements, there was nonetheless a decline in securitised liabilities including subordinated debt capital.

3-Banken Wohnbaubank AG did not float any new issues in Q1.

Securitised liabilities including subordinated debt		**YoY change**	
As at 31/03/2018	**As at 31/03/2017**	**absolute**	**in %**
€ 1,827.0 million	€ 2,017.3 million	- € 190.3 million	9.4%

3 Banken-Generali

Demand for the investment funds of 3 Banken-Generali Investment GmbH continues at an excellent level. Public funds and also special funds achieved steep increases in volume. The inflow of funds in the first quarter was primarily into mixed funds, including the new fund, Oberbank Premium Strategien. Thus, the volume of funds assignable to Oberbank rose by EUR 750.0 million or 24.7% to EUR 3,784.0 million.

Overall, the increase was much higher than on the overall market. Volume increased year on year by 2.0% to EUR 173.0 billion. The company expanded in the period of comparison by 8.6% to EUR 9.3 billion and held a market share of 5.4% on 31 March 2018.

Public investment funds and special funds		YoY change	
As at 31/03/2018	As at 31/03/2017	absolute	in %
€ 3,784.0 million	€ 3,034.0 million	€ 750.0 million	24.7%

Building and loan associations

In Q1 2018, the number of new Oberbank building and loan contracts sold was 3,625, which is gain of 5.8% versus Q1 2017. 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.

Total building society loans facilitated in Q1 2018 amounted to EUR 7.2 million, which corresponds to a rise of 90% year on year.

Insurance services

The year also started out well for Oberbank's insurance business.

Austria: In the segment of life insurance, both endowment life insurance policies (+6.8% y/y) and also risk insurance (+29.4% y/y) attained gains. In the non-life insurance segment, last year's level also increased by one-fifth.

Germany: Premium volumes were up by 9.8% year on year.

Insurance contracts - premium volume		YoY change	
As at 31/3/2018	As at 31/3/2017	absolute	in %
€ 37.2 million	€ 34.4 million	€ 2.8 million	8.1%

Financial Markets

Segment Financial Markets in €m	Q1 2018	Q1 2017	+ / - in %	+ / - in %
Net interest income	5.2	5.7	-0.6	-10.3%
Income from entities recognised using the equity method	16.5	9.5	7.0	74.3%
Charges for losses on loans and	-1.2	-4.2	3.0	-72.1%
Net commission income	0.0	0.0	0.0	
Net trading income	0.8	1.6	-0.8	-46.6%
Administrative expenses	-1.9	-1.8	-0.1	5.6%
Other operating income	-0.8	11.5	-12.3	
Profit before tax	18.6	22.4	-3.7	-16.7%
Risk equivalent	5,774.2	5,328.6	445.6	8.4%
Average allocated equity	878.7	784.6	94.1	12.0%
Return on equity before tax (RoE)	8.5%	11.4%	-2.9% ppt	
Cost/income ratio	8.7%	6.4%	2.3% ppt	

Earnings in the Financial Markets segment

Profit in Financial Markets rose by EUR 3.7 million or 16.7% to EUR 18.6 million.

Net interest income decreased by EUR 0.6 million / 10.3% to EUR 5.2 million, while net income from entities accounted for using the equity method rose by EUR 7.0 million / 74.3% to EUR 16.5 million.

Charges for losses on loans and advances decreased from EUR 4.2 million by EUR 3.0 million to EUR 1.2 million.

Net trading income declined by EUR 0.8 million or 46.6% to EUR 0.8 million.

At EUR 1.9 million, administrative expenses were EUR 0.1 million higher year on year.

Other operating income decreased by EUR 12.3 million from EUR 11.5 million to EUR -0.8 million.

Return on equity in the Financial Markets segment dropped by 2.9%-points from 11.4% to 8.5%, and the cost/income ratio deteriorated by 2.3%-points from 6.4% to 8.7%.

Proprietary trading

After a very stable development in 2017, the year 2018 started out with turbulence. Political turbulence originating in the US, fear of an international trade war, tension between the major world powers, and also Brexit dampened sentiment causing setbacks, especially on stock markets.

On bond markets, the year began with fears of a start of an interest rate hiking cycle, which created pressure on bond markets.

On foreign exchange markets, we are still observing a strong euro and a strong Czech koruna especially versus the weaker USD.

A principal trade challenge was the introduction of MiFID 2 at the beginning of the year. Many trading procedures changed, market participants were extremely hesitant and there were many unanswered questions regarding documentation obligations. For this reason, activity was greatly subdued and there were fewer options for proprietary trading.

In this setting, the first quarter was highly challenging and cannot be compared with the preceding years.

Liquidity

Nothing has changed with respect to the excessive liquidity. Although the ECB throttled its bond buying programme at the beginning of the year, it is still pumping EUR 30 billion into the market every month. The buying is expected to be discontinued at year-end, but this will not extract liquidity - the market is still far from this.

The challenge in the current market is to keep surplus liquidity as low as possible and to use it as best as possible. Up to now, we have been doing this quite well. Although our deposits with the national bank are high on some days, on average we are just slightly above our requirement. This is achieved by a cautious deposit policy and the exploitation of market opportunities, especially in CZK.

Own funds

On 31 March 2018, own funds amounted to EUR 2,646.9 million which is a ratio of 19.1% or still around twice as high as the requirements stipulated by law. Tier 1 capital stood at EUR 2,298.8 million and the tier 1 capital ratio was 16.6%. Common equity tier 1 capital was EUR 2,234.0 million which is a ratio of 16.1%.

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 in the balance sheet.

When assessing creditworthiness and in collateral policy, Oberbank can rely on decades of know-how. Moreover, its business model as a regional bank, the professional credit management and the balanced distribution of overall debt across customer segments help to ensure that the threat to Oberbank's overall result from its risk exposure is contained. 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. In the case of liquidity risk, the sound position of Oberbank is also supported by the fact that it can refinance the entire credit volume (EUR 15.0 billion as at 31 March 2018) with the primary deposits of customers and other long-term refinancing lines (OeKB, LfA, KfW) amounting to EUR 15.3 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 year 2018.

Outlook 2018

- **Robust development of global economy, Austria's economy also growing at steady pace in 2018**
- **Downturn in sentiment and leading indicators Q1 2018**
- **Oberbank: Expansion in Baden Württemberg and Saxony, ten new branches to open, earnings optimism**

The global economy is expected to grow vigorously in 2018 and 2019, but risks are on the rise.
The global economy is set to grow substantially across all countries and regions.
The 2018 forecasts for the US were revised upwards just recently by around 0.5% points. The US economy is being driven mainly by the tax reform. The greatest risk is the possibility of a trade war with China.
In Europe, the outlook is much brighter. In the euro area the upswing is set to continue, with both the OECD and the IMF having just revised their forecasts slightly upwards.
Great Britain's economy is dominated by high inflation at low growth rates. Sentiment is being considerably dampened by the insecurity prevailing over the consequences of Brexit.

Austria's economy is also developing very gratifyingly.
According to the forecasts of the OeNB, GDP growth in 2018 will be just as strong in the preceding year.
The upswing continues across a broad base. The attractive overall conditions in foreign trade are supportive of Austria's exporting sector, consumption is benefiting from solid employment and higher wage growth, and we are now in an unusually strong and long-lasting investment cycle.

However, sentiment and leading indicators were down in Q1 2018 - have we reached the turning point?
Since the start of the year, the soft facts such as consumer, industry and service sector confidence levels have declined significantly. Also, the hard facts such as capacity utilization, industry and construction output, and trade revenues are showing a clear declining tendency.

In the environment described, Oberbank will continue its proactive policy in 2018.
The policy of organic growth will be continued with the opening of some ten branches.
In Germany, new branches will be established in the markets of the federal states of Baden Württemberg and Saxony; there are plans to open eight branches (Hanau, Aalen, Esslingen, Reutlingen, Halle a. d. Saale, Chemnitz, Dresden, Leipzig). Moreover, new branches are budgeted for Vienna and Budapest.

Our goal is to attain the same record level of earnings as in 2017.

Consolidated Interim Financial Statements pursuant to IFRS for 1/1/2018 to 31/3/2018

Consolidated income statement in €k		1/1-31/3 2018	1/1-31/3 2017	Change in €k	Change in %
1. Interest and similar income	(1)	100,609	99,842	767	0.8
2. Interest and similar expenses	(1)	-21,507	-22,334	827	-3.7
Net interest income	(1)	79,102	77,508	1,594	2.1
3. Income from entities recognised using the equity method		16,507	9,469	7,038	74.3
4. Charges for losses on loans and advances	(2)	2,262	777	1,485	191.1
5. Net commission income	(3)	44,629	39,700	4,929	12.4
6. Net commission expenses	(3)	-4,179	-3,983	-196	4.9
Net commission income	(3)	40,450	35,717	4,733	13.3
7. Net trading income	(4)	846	1,708	-862	-50.5
8. Administrative expenses	(5)	-65,305	-63,308	-1,997	3.2
9. Other operating income	(6)	-9,909	-288	-9,621	> 100.0
a) Net income from financial assets - FVTPL	(6)	-5,696	-4,562	-1,134	24.9
b) Net income from financial assets - AfS	(6)	N/A	14,590		
a) Net income from financial assets - FVOCI		-138	N/A		
c) Net income from financial assets - HtM	(6)	N/A	0		
c) Net income from financial assets - AC		0	N/A		
d) Other operating income	(6)	-4,075	-10,316	6,241	-60.5
Profit for the period before tax		63,953	61,583	2,370	3.8
10. Income taxes	(7)	-10,292	-12,391	2,099	-16.9
Profit for the period after tax		53,661	49,192	4,469	9.1
of which attributable to equity holders of the parent and to the owners of additional equity components		53,473	49,105	4,368	8.9
of which attributable to minority interests		188	87	101	> 100.0

N/A means that the provision is not applicable in the respective FY

Income and expenses recognised directly in equity in €k	1/1 to 31/03/2018	1/1 to 31/03/2017
Consolidated profit for the year after tax	53,661	49,192
Items not reclassified to profit or loss for the year	-7,696	4,819
+/- Actuarial gains/losses IAS 19	0	0
+/- Deferred taxes on actuarial gains/losses IAS 19	0	0
+ / - Share from entities recognised using the equity method	-841	4,819
+/- Value changes in own credit risk recognised in equity IFRS 9	951	N/A
+ / - Deferred tax on changes recognised in equity for own credit risk	-238	N/A
+/- Value changes in equity instruments recognised in equity IFRS 9	-8,926	N/A
+ / - Deferred tax on value changes in equity instruments recognised in equity IFRS 9	1,358	N/A
Items reclassified to profit or loss for the year	-726	29,805
+ / - Value changes recognised in equity IAS 39	N/A	33,581
Amounts recognised in equity	N/A	47,818
Reclassification adjustments	N/A	-14,237
+ / - Deferred tax on value changes recognised in equity under IAS 39	N/A	-8,395
Amounts recognised in equity	N/A	-11,955
Reclassification adjustments	N/A	3,559
+/- Value changes recognised in equity for debt securities IFRS 9	-1,649	N/A
Amounts recognised in equity	1,568	N/A
Reclassification adjustments	-81	N/A
+ / - Deferred tax on value changes recognised in equity for debt instruments IFRS 9	412	N/A
Amounts recognised in equity	392	N/A
Reclassification adjustments	20	N/A
+ / - Exchange differences	886	-2
+ / - Share from entities recognised using the equity method	-375	4,621

	1/1 to 31/03/2018	1/1 to 31/03/2017
Total income and expenses recognised directly in equity	-8,422	34,624
Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss	45,239	83,816
of which attributable to equity holders of the parent and to the owners of additional equity components	45,051	83,729
of which attributable to non-controlling interests	188	87

Performance indicators	**1/1 to 30/9/2017**	**1/1 to 31/3/2017**
Cost/Income ratio in %	51.42	51.01
Return on equity before tax in %	10.05	10.65
Return on equity after tax in %	8.43	8.51
Risk/earnings ratio in %	-2.86	-1.00
Earnings per share in €	6.08	5.57

Balance sheet as at 31/3/2018 / Assets

	in €k		31/3/2018	31/12/2017	Change in €k	Change in %
1.	Cash and balances at central banks	(9)	432,870	845,105	-412,235	-48.8%
2.	Loans and advances to credit institutions	(10)	1,357,331	1,253,366	103,965	8.3%
3.	Loans and advances to customers	(11)	15,084,998	14,760,335	324,663	2.2%
4.	Loan loss provisions	(12)	-244,182	-392,706	148,524	-37.8%
5.	Trading assets	(13)	32,489	37,570	-5,081	-13.5%
6.	Financial investments	(14)	3,662,220	3,726,371	-64,151	-1.7%
	a) Financial assets - FVTPL	(14)	254,222	228,565	25,657	11.2%
	b) Financial assets - AfS	(14)	N/A	664,796		
	b) Financial assets FVOCI		603,169	N/A		
	c) Financial assets - HtM	(14)	N/A	2,007,056		
	c) Financial assets - AC		1,955,359	N/A		
	d) Interest in entities accounted for using	(14)	849,470	825,954	23,516	2.8%
7.	Intangible assets	(15)	803	929	-126	-13.6%
8.	Property, plant and equipment	(16)	287,004	292,955	-5,951	-2.0%
	a) Investment property	(16)	98,134	98,905	-771	-0.8%
	b) Other property, plant and equipment	(16)	188,870	194,050	-5,180	-2.7%
9.	Other assets	(17)	298,274	306,681	-8,407	-2.7%
	a) Deferred tax assets	(17)	26,532	48,947	-22,415	-45.8%
	b) Positive fair values of closed out derivatives in the banking book	(17)	117,582	124,609	-7,027	-5.6%
	c) Other	(17)	154,160	133,125	21,035	15.8%
	Total assets		20,911,807	20,830,606	81,201	0.4%

N/A means that the provision is not applicable in the respective FY

Balance sheet as at 31/3/2018 / Equity and liabilities

	in €k		31/3/2018	31/12/2017	Change in €k	Change in %
1.	Amounts owed to credit institutions	(18)	4,160,053	4,155,297	4,756	0.1%
	a) Refinance allocated for customer loans		2,006,202	1,793,162	213,040	11.9%
	b) Other amounts owed to credit institutions		2,153,851	2,362,135	-208,284	-8.8%
2.	Amounts owed to customers	(19)	11,423,957	11,397,394	26,563	0.2%
3.	Securitised liabilities	(20)	1,225,587	1,368,250	-142,663	-10.4%
4.	Provisions for liabilities and charges	(21)	375,094	381,030	-5,936	-1.6%
5.	Other liabilities	(22)	462,523	432,743	29,780	6.9%
	a) Trading liabilities	(23)	30,042	31,848	1,806	-5.7%
	b) Tax liabilities	(22)	27,029	18,399	8,630	46.9%
	ba) Current tax liabilities	(22)	22,513	13,948	8,565	61.4%
	bb) Deferred tax liabilities	(22)	4,516	4,451	65	1.5%
	c) Negative fair values of closed out derivatives in the banking book	(22)	28,488	40,475	11,987	-29.6%
	c) Other	(22)	376,964	342,021	34,943	10.2%
6.	Subordinated debt capital	(24)	601,455	629,103	-27,648	-4.4%
7.	Equity	(25)	2,663,138	2,466,789	196,349	8.0%
	a) Equity after minorities	(25)	2,606,876	2,410,541	196,335	8.1%
	b) Minority interests	(25)	6,262	6,248	14	0.2%
	c) Additional equity capital components	(25)	50,000	50,000	0	
	Total equity and liabilities		20,911,807	20,830,606	81,201	0.4%

Consolidated statement of changes in equity as at 31/3/2018

in €k	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Revaluation reserve: IAS 39	Revaluation reserve: Reclassified debt securities IFRS 9	Revaluation reserve: Equity instruments IFRS 9 not reclassified	Revaluation reserve: 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			44,260	-2	25,186					14,285	83,729	87		83,816
Net annual profit/loss			44,260							4,845	49,105	87		49,192
Other comprehensive income				-2	25,186					9,440	34,624			34,624
Dividend distribution											0			0
Coupon payments on additional equity components											0			0
Capital increase											0			0
Issuance of additional equity components											0			0
Repurchased own shares	70		1,224								1,294			1,294
Other changes not recognised in income			-126							4,454	4,328	-121		4,207
As at 31/3/2017	**105,907**	**505,523**	**1,114,912**	**-1,680**	**110,238**	**N/A**	**N/A**	**N/A**	**-19,568**	**501,792**	**2,317,124**	**4,957**	**50,000**	**2,372,081**
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			41,644	886		-1,237	-7,568	713		10,613	45,051	188		45,239
Net annual profit/loss			41,644							11,829	53,473	188		53,661
Other comprehensive income				886		-1,237	-7,568	713		1,216	-8,422			-8,422
Effect of changeover to IFRS 9			121,572			-8,123	44,523	-8,543			149,429			149,429
Dividend distribution											0			0
Coupon payments on additional equity components											0			0
Capital increase											0			0
Issuance of additional equity components											0			0
Repurchased own shares	-14		-514								-528			-528
Other changes not recognised in income			-304							2,687	2,383	-174		2,209
As at 31/3/2018	**105,848**	**505,523**	**1,354,742**	**358**	**N/A**	**4,515**	**107,394**	**-7,830**	**-21,993**	**558,320**	**2,606,876**	**6,262**	**50,000**	**2,663,138**

Statement of cash flows in €k	1/1 to 31/3/2018	1/1 to 31/3/2017
Net profit/loss for the period	53,661	49,192
Non-cash items in the profit for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	18,507	-2,718
Change in provisions for staff benefits and other provisions for liabilities and charges	-5,936	8,122
Change in other non-cash items[1)]	15,581	28,159
Gains and losses on divestments of financial investments, property, plant and equipment, and intangible assets	7,121	-14,477
Subtotal	74,691	68,278
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	-84,698	274,507
- Loans and advances to customers	-468,377	-430,997
Loan loss provisions	107,622	0
- Trading assets	3,591	12,637
- Other current assets	47,658	26,344
- Other assets from operating activities	26,475	-4,326
- Amounts owed to credit institutions	-1,595	375,327
- Amounts owed to customers	20,631	-120,245
- Securitised liabilities	-150,482	-67,579
- Other liabilities from operating activities	-51,602	-50,288
Cash flow from operating activities[1)]	-476,084	83,658
Proceeds from the sale of		
- financial investments	120,511	158,209
- property, plant and equipment and intangible assets	2,912	1,683
Outlay on purchases of		
- financial investments	-32,839	-8,815
- property, plant and equipment and intangible assets	-3,420	-6,071
Cash flow from investing activities	87,162	145,006
Capital increase	0	0
Dividend distributions	0	0
Coupon payments on additional equity components	0	0
Cash from subordinated liabilities and other financing activities		
Issues	17,051	14,211
- Other	15	1,259
Subordinated liabilities and other financing activities		
- Redemptions	-39,663	-65
- Other	716	-87
Cash flow from financing activities[1)]	-23,313	15,318
Cash and cash equivalents at the end of preceding period	845,105	657,558
Cash flow from operating activities[1)]	-476,084	83,658
Cash flow from investing activities	87,162	145,006
Cash flow from financing activities[1)]	-23,313	15,318
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	432,870	901,540

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)] Due to the higher degree of detail in the presentation of the cash flows from finance activities, the figures for the preceding year were also adjusted.

Statement of cash flows in €k	**1/1 to 31/3/2018**	**1/1 to 31/3/2017**
Interest received	98,150	105,082
Dividends received	7,352	7,198
Interest paid	-59,717	-41,980
Coupon payments on additional equity components	0	0
Income tax paid	-7,084	-7,344

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Notes

Changes to accounting policies 2018

The quarterly 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 final version of IFRS 9 was published in July 2014 and entered into force on 1 January 2018.

Essentially, IRFS 9 entails the following changes of relevance for the Oberbank Group:

Classification – Financial assets

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

Business Model

The classes of financial assets were analysed with respect to the business strategy as well as potential divestments from which business models were derived.

The securities in the 'held-to-maturity portfolio' pursuant to IAS 39 are intended to be held, and therefore, this portfolio was allocated to the business model 'hold-to-collect' also under IFRS 9. Securities measured at fair value not recognised in income (available for sale assets) will continue to be allocated to the business model 'hold and sell'. Securities held in the trading book were allocated to the business model sell.

The lending operations, on the other hand, were all allocated to the category 'hold-to-collect'. The clear intention to hold the assets is derived from the corporate strategy. The divestments made in the past were all insignificant.

Cash Flow Conditions

The analysis of the cash flow conditions (SPPI test) examines the contractual provisions regarding interest that stipulate fixed payments of principal and interest solely on the outstanding principal. Within the course of the implementation project, mainly loans 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 majority of the loan portfolio does not contain any contractual clauses with negative SPPI effects.

Valuation 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 test), 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 income (depending on the business model). For certain equity instruments, it is

optional to recognize changes in value under Other income. Only dividend claims on these assets must be recognised in the income statement. The standard eliminates the current categories of IAS 39: held-to-maturity, loans and receivables, and available-for-sale assets.
Under IFRS 9, derivatives that are embedded in contracts for which the underlying is a financial asset to which the standard applies are never accounted for separately. Instead, the hybrid financial instrument is assessed in its entirety for the classification.
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 are measured by applying IFRS 9 at amortised costs, because these financial instruments largely pass 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.

Impairment – financial assets and contract assets

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

The new impairment model applies to financial assets designated at amortised costs or at FVOCI – with the exception of dividend securities held as financial assets – and contract assets.
Under IFRS 9, impairments are measured based on one of the following situations:

- 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 application 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, the following is done for a financial instrument recognised at amortised cost:

- 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 election 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 is 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 an 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.

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

- The change in the fair value due to changes in the credit risk of the liability is reported under Other income.
- The remaining change to fair value is reported in the income statement.

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

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

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

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

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 1	-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 purs. to IAS 39 at 31/12/2017	**Reclassification**	**Revaluation**	**Carrying value purs. to IFRS 9 at 1/1/2018**
CASH AND BALANCES AT CENTRAL BANKS				
Closing balance sheet 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 purs. to 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 purs. to IFRS 9)		-48,006,718.22		
Opening balance sheet pursuant to IFRS 9				0.00

Amortised cost measurement				
	Carrying value purs. to IAS 39 at 31/12/2017	**Reclassification**	**Revaluation**	**Carrying value purs. to IFRS 9 at 1/1/2018**
FINANCIAL ASSETS				
Financial assets – AC (amortised cost)				
Closing balance sheet purs. to IAS 39	0.00			
Reclassification (from held to maturity purs. to IAS 39)		2,007,055,698.88		
Opening balance sheet purs. to IFRS 9				2,007,055,698.88
Held-to-maturity financial assets				
Closing balance sheet purs. to IAS 39	2,007,055,698.88			
Reclassification (in amortised cost purs. to 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 (FVTPL)				
	Carrying value purs. to IAS 39 at 31/12/2017	**Reclassification**	**Revaluation**	**Carrying value purs. to IFRS 9 at 1/1/2018**
LOANS AND ADVANCES TO CUSTOMERS				
Loans and advances to customers (not securitised)				
Closing balance sheet purs. to IAS 39	0.00			
Reclassification (from held to maturity purs. to IAS 39)		19,161,655.38	-13,499.85	
Opening balance sheet purs. to IFRS 9				19,148,155.53
Financial assets and liabilities designated at fair value through profit or loss				
Closing balance sheet purs. to IAS 39	0.00			
Reclassification (from held to maturity purs. to IAS 39)		13,036,416.12		
Opening balance sheet purs. to IFRS 9				13,036,416.12
Trading assets (financial assets recognised in income at fair value)				
Closing balance sheet purs. to IAS 39	37,570,454.30			
Changeover of derivatives formerly subject to separation		-3,516,320.97		
Opening balance sheet purs. to IFRS 9				34,054,133.33
FINANCIAL ASSETS				
Financial assets and liabilities designated at fair value through profit or loss (FVTPL)				
Closing balance sheet purs. to IAS 39	0.00			
Reclassification (from held to maturity purs. to IAS 39)		70,435,386.08		
Reclassification (from held to maturity purs. to IAS 39)		228,564,559.64		
Opening balance sheet purs. to IFRS 9				298,999,945.72
TOTAL	**37,570,454.30**	**327,681,696.25**	**-13,499.85**	**312,036,361.84**

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

	Carrying value purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
<u>**LOANS AND ADVANCES TO CUSTOMERS**</u>				
Loans and advances to customers (not securitised)				
Closing balance sheet purs. to IAS 39 and opening balance sheet purs. to IFRS 9	51,747,542.10	0.00	0.00	51,747,542.10
<u>**FINANCIAL ASSETS**</u>				
Financial assets FVO (fair value option)				
Closing balance sheet purs. 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 purs. to IFRS 9				0.00
<u>**TOTAL**</u>	**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 purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
<u>**LOANS AND ADVANCES TO CUSTOMERS**</u>				
Financial instruments carried FVOCI (fair value through other comprehensive income)				
Closing balance sheet purs. to IAS 39	0.00			
Reclassification (from held to maturity purs. to IAS 39)		71,268,406.68		
Opening balance sheet purs. to IFRS 9				71,268,406.68

	Carrying value purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
FINANCIAL ASSETS				
Financial instruments carried FVOCI (fair value through other comprehensive income)				
Closing balance sheet purs. to IAS 39	0.00			
Reclassification (from available for sale purs. to IAS 39)		280,648,617.08		
Opening balance sheet purs. to IFRS 9				280,648,617.08

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

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

Available for sale assets

	Carrying value purs. to IAS 39 at 31/12/2017	Reclassification	Revaluation	Carrying value purs. to IFRS 9 at 1/1/2018
LOANS AND ADVANCES TO CUSTOMERS				
Financial assets - AfS (available for sale)				
Closing balance sheet purs. 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 purs. to 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 purs. to IFRS 9)		-280,648,617.08		
Reclassification (in fair value through other comprehensive income without recycling purs. to IFRS 9)		-313,712,104.85		
Opening balance sheet pursuant to IFRS 9				0.00
TOTAL	**749,100,930.81**	**-83,471,802.20**	**0.00**	**704,073,308.61**

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

	31/3/2018	31/12/2017
Interest rate applied	1.75%	1.75%
Increase under collective agreements	2.93%	2.93%
Pension increase	1.52%	1.52%

Oberbank group of consolidated companies

The Group consolidated companies as at 31 March 2018 included, apart from Oberbank AG, 35 Austrian and 18 foreign subsidiaries. Compared to 31 December 2017, the group of consolidated companies did not change.

Details of the income statement in €k

1) Net interest income	**1/1 to 31/3/2018**	**1/1 to 31/3/2017**
Interest income from		
Credit and money market operations	83,030	80,364
Shares and other variable-yield securities	1,400	1,328
Other equity investments	1,088	1,001
Subsidiaries	186	237
Fixed-interest securities and bonds	14,905	16,912
Interest and similar income	100,609	99,842
Interest expenses for		
Deposits	-11,436	-12,440
Securitised liabilities	-4,780	-4,982
Subordinated liabilities	-5,291	-4,912
Interest and similar expenses	-21,507	-22,334
Net interest income	79,102	77,508

2) Charges for losses on loans and advances	**1/1 to 31/3/2018**	**1/1 to 31/3/2017**
Addition to charges for losses on loans and advances	-63,367	-27,280
Direct write-offs	-180	-275
Reversals of loan loss provisions	65,238	27,688
Recoveries of written-off receivables	571	644
Charges for losses on loans and advances	2,262	777

3) Net commission income	**1/1 to 31/3/2018**	**1/1 to 31/3/2017**
Payment services	13,471	12,682
Securities business	12,724	11,196
Foreign exchange, foreign bank notes and precious metals business	3,461	3,361
Credit operations	9,321	7,150
Other service and advisory business	1,473	1,328
Net commission income	40,450	35,717

4) Net trading income	**1/1 to 31/3/2018**	**1/1 to 31/3/2017**
Gains/losses on interest rate contracts	201	533
Gains/losses on foreign exchange, foreign bank note and numismatic	945	1,846
Gains/losses on derivatives	-300	-671
Net trading income	846	1,708

5) Administrative expenses	**1/1 to 31/3/2018**	**1/1 to 31/3/2017**
Staff costs	39,563	38,582
Other administrative expenses	22,338	21,670
Write-offs and valuation allowances	3,404	3,056
Administrative expenses	65,305	63,308

6) Other operating income	1/1 to 31/3/2018	1/1 to 31/3/2017
a) Net income from financial assets - FVTPL	-5,696	-4,562
b) Net income from financial assets - AfS	N/A	14,590
b) Net income from financial assets - FVOCI	-138	N/A
c) Net income from financial assets - HtM	N/A	0
c) Net income from financial assets - AC	0	N/A
d) Other operating income	-4,075	-10,316
Stability tax	-1,112	-939
Expenses from operational risks	-337	2,314
Income from operational risks	4,262	680
Gains from the sale of land and buildings	0	103
Expenses from operating leases	-4,000	-4,096
Income from operating leases	4,582	4,703
Other	-7,470	-8,453
Other operating income net of other operating expenses	-9,909	-288

7) Income taxes	1/1 to 31/3/2018	1/1 to 31/3/2017
Current income tax expense	15,204	18,583
Deferred income tax expenses (+)/income (-)	-4,912	-6,192
Income taxes	10,292	12,391

8) Earnings per share in €	1/1 to 31/3/2018	1/1 to 31/3/2017
Number of shares as at 31/03	35,307,300	35,307,300
Average number of shares in issue	35,281,255	35,297,647
Consolidated profit for the year after tax	53,661	49,192
Earnings per share in €	1.52	1.39
Annualised values	6.08	5.57

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 at central banks	31/3/2018	31/12/2017
Cash in hand	76,662	85,543
Credit balances with central banks of issue	356,208	759,562
Cash and balances at central banks	432,870	845,105

10) Loans and advances to credit institutions	31/3/2018	31/12/2017
Loans and advances to Austrian credit institutions	221,923	190,105
Loans and advances to foreign credit institutions	1,135,408	1,063,261
Loans and advances to credit institutions	1,357,331	1,253,366

11) Loans and advances to customers	31/3/2018	31/12/2017
Loans and advances to Austrian customers	9,149,553	9,093,104
Loans and advances to foreign customers	5,935,445	5,667,231
Loans and advances to customers	15,084,998	14,760,335

12) Impairment provisions	31/3/2018	31/12/2017
Impairment provisions for banks	414	0
Impairment provisions for customers	242,131	392,706
Impairment provisions for bonds	1,637	0
Impairment provisions	244,182	392,706

13) Trading assets	31/3/2018	31/12/2017
Bonds and other fixed-interest securities		
Listed	102	1,383
Shares and other variable-yield securities		
Listed	1,926	228
Positive fair values of derivative financial instruments		
Currency contracts	115	531
Interest rate contracts	30,346	35,428
Other contracts	0	0
Trading assets	32,489	37,570

14) Financial investments	31/3/2018	31/12/2017
Bonds and other fixed-interest securities	2,250,636	2,351,989
Shares and other variable-yield securities	316,622	326,740
Equity investments/shares		
in subsidiaries	103,938	83,294
entities accounted for using the equity method		
Banks	373,277	358,924
Non-banks	476,193	467,030
Other equity investments		
Banks	24,271	13,221
Non-banks	117,283	125,173
Financial investments	3,662,220	3,726,371
a) Financial assets - FVTPL	254,222	228,565
b) Financial assets - AfS	N/A	664,796
b) Financial assets FVOCI	603,169	N/A
c) Financial assets - HtM	N/A	2,007,056
c) Financial assets - AC	1,955,359	N/A
d) Interest in entities accounted for using the equity method	849,470	825,954
Financial investments	3,662,220	3,726,371

15) Intangible assets	31/3/2018	31/12/2017
Other intangible assets	335	454
Customer base	468	475
Intangible assets	803	929

16) Property, plant and equipment	31/3/2018	31/12/2017
Investment property	98,134	98,905
Land and buildings	101,483	101,456
Business equipment and furnishings	69,615	71,385
Other property, plant and equipment	17,772	21,209
Property, plant and equipment	287,004	292,955

17) Other assets	31/3/2018	31/12/2017
Deferred tax assets	26,532	48,947
Other items	136,723	128,862
Positive fair values of closed out derivatives in the banking book	117,582	124,609
Deferred items	17,437	4,263
Other assets	298,274	306,681

18) Amounts owed to credit institutions	31/3/2018	31/12/2017
Amounts owed to Austrian banks	2,402,395	2,436,798
Amounts owed to foreign banks	1,757,658	1,718,499
Amounts owed to credit institutions	4,160,053	4,155,297

19) Amounts owed to customers	31/3/2018	31/12/2017
Savings deposits	2,715,822	2,719,041
Other	8,708,135	8,678,353
Amounts owed to customers	11,423,957	11,397,394

20) Securitised liabilities	31/3/2018	31/12/2017
Bonds issued	1,222,900	1,365,548
Other securitised liabilities	2,687	2,702
Securitised liabilities	1,225,587	1,368,250

21) Provisions for liabilities and charges	31/3/2018	31/12/2017
Provisions for benefits and pensions	172,168	172,931
Provisions for anniversary bonuses	11,886	11,801
Provisions for credit risks	139,988	141,461
Other provisions	51,052	54,837
Provisions	375,094	381,030

22) Other liabilities	31/3/2018	31/12/2017
Trading liabilities	30,042	31,848
Tax liabilities	27,029	18,399
Current tax liabilities	22,513	13,948
Deferred tax liabilities	4,516	4,451
Other liabilities	289,182	267,263
Negative fair values of closed out derivatives in the banking book	28,488	40,475
Deferred items	87,782	74,758
Other liabilities	462,523	432,743

23) Other liabilities (trading liabilities)	31/3/2018	31/12/2017
Currency contracts	115	525
Interest rate contracts	29,927	31,323
Other contracts	0	0
Trading liabilities	30,042	31,848

24) Subordinated debt capital	31/3/2018	31/12/2017
Subordinated bonds issued incl. tier 2 capital	541,838	570,003
Hybrid capital	59,617	59,100
Subordinated debt capital	601,455	629,103

25) Equity	31/3/2018	31/12/2017
Subscribed capital	105,847	105,862
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	1,993,634	1,797,284
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	6,262	6,248
Equity	2,663,138	2,466,789

26) Contingent liabilities and commitments	31/3/2018	31/12/2017
Other contingent liabilities (guarantees and letters of credit)	1,532,696	1,441,004
Contingent liabilities	1,532,696	1,441,004
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	3,930,314	4,028,144
Credit risks	3,930,314	4,028,144

26) Segment report as at 31/3/2018 Core business segments in €m	Personal Banking	Corporate a. Business Banking	Financial Markets	Other	Total
Net interest income	14.7	59.2	5.2	0.0	79.1
Income from entities recognised using the equity	0	0	16.5	0	16.5
Charges for losses on loans and advances	-1.5	4.9	-1.2	0.0	2.3
Net commission income	20.3	20.2	0.0	0.0	40.5
Net trading income	0.0	0.0	0.8	0.0	0.8
Administrative expenses	-22.0	-34.7	-1.9	-6.7	-65.3
Other operating income	1.1	0.4	-0.8	-10.6	-9.9
Extraordinary profit/loss	0.0	0.0	0.0	0.0	0.0
Profit before tax	12.7	50.0	18.6	-17.3	64.0
Average risk-weighted assets	1,695.9	9,254.1	5,774.2	0.0	16,724.2
Average allocated equity	258.1	1,408.3	878.7	0.0	2,545.1
Return on equity before tax	19.7%	14.2%	8.5%		10.1%
Cost/income ratio	60.7%	43.5%	8.7%		51.4%

27) Human resources	31/3/2018	31/12/2017
Salaried employees	2,083	2,050
Blue-collar	11	15
Total resources	2,094	2,065

28) Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013	31/3/2018	31/12/2017	31/3/2017
Subscribed capital	100,522	101,422	101,422
Capital reserves	505,523	505,523	505,523
Retained earnings	1,734,356	1,728,837	1,546,301
Minority interests	0	0	0
Cumulated other comprehensive income	59,289	38,961	69,408
Regulatory adjustment items	5,315	-8,925	-18,243
Deductions from common equity tier 1 capital items	-171,039	-162,694	-155,488
COMMON EQUITY TIER 1 CAPITAL	2,233,966	2,203,124	2,048,923
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs. to national implementation rules	23,600	29,500	29,500
Deductions from AT1 capital items	-8,768	-8,807	-8,847
Additional Tier 1 capital	64,832	70,693	70,653
TIER 1 CAPITAL	2,298,798	2,273,817	2,119,576
Qualifying supplementary capital instruments	309,300	308,656	331,960
Nominal capital preference shares purs. to transition rules	5,400	4,500	4,500
AT1 capital instruments purs. to transition rules	35,400	29,500	29,500
Supplementary capital (tier 2) items purs. to national impl. rules	20,233	28,782	35,607
General credit risk adjustments	0	0	0
Deductions from tier 2 capital items	-22,271	-22,359	-13,224
Supplementary capital (tier 2)	348,062	349,079	388,343
OWN FUNDS	2,646,860	2,622,896	2,507,919
Total risk exposure purs. Art. 92 CRR			
Credit risk	12,789,465	12,308,891	11,991,949
Market risk, settlement risk and CVA risk	46,400	37,497	56,073
Operational risk	1,009,236	1,009,236	970,730
Total exposure	13,845,101	13,355,624	13,018,752

Own funds ratio purs. Art. 92 CRR			
Common equity tier 1 capital ratio	16.14%	16.50%	15.74%
Tier 1 capital ratio	16.60%	17.03%	16.28%
Total capital ratio	19.12%	19.64%	19.26%
Regulatory requirement own capital ratios under transition rules in %			
Common equity tier 1 capital ratio	7.204%	6.577%	5.783%
Tier 1 capital ratio	8.970%	8.343%	7.283%
Total capital ratio	11.320%	10.693%	9.283%
Regulatory capital requirements purs. to transition rules in €k			
Common equity tier 1 capital	997,382	878,426	752,814
Tier 1 capital	1,241,886	1,114,286	948,096
Total capital	1,567,246	1,428,144	1,208,471
Free capital components			
Common equity tier 1 capital	1,236,584	1,324,698	1,296,109
Tier 1 capital	1,056,912	1,159,531	1,171,480
Total capital	1,079,614	1,194,752	1,299,448

29) Fair value of financial instruments as at 31/3/2018 in €k							
	AC	**FVTPL**	**HFT**	**FVOCI**	**AC/liabilities**	**Other**	**Total**
Cash and balances at central banks						432,870	432,870
						432,870	432,870
Loans and advances to credit institutions					1,357,331		1,357,331
					1,357,556		1,357,556
Loans and advances to customers	46,342	62,539		71,737	14,904,380		15,084,998
	46,478	62,539		71,737	14,981,176		15,161,930
Loan loss provisions					-244,182		-244,182
					-244,182		-244,182
Trading assets			32,489				32,489
			32,489				32,489
Financial investments	1,955,359	254,222		603,169		849,470	3,662,220
	2,070,535	254,222		603,169			
Intangible assets						803	803
Property, plant and equipment						287,004	287,004
Other assets			117,582			180,692	298,274
			117,582				
of which closed out derivatives positions in the banking book			117,582				117,582
			117,582				117,582
Total assets	**2,001,701**	**316,761**	**150,071**	**674,906**	**16,017,529**	**1,750,839**	**20,911,807**
	2,117,013	**316,761**	**150,071**	**674,906**	**16,094,550**		
Amounts owed banks		55,987			4,104,066		4,160,053
		55,987			4,101,678		4,157,665
Amounts owed to customers		411,955			11,012,002		11,423,957
		411,955			11,009,026		11,420,981
Securitised liabilities		430,003			795,584		1,225,587
		430,003			804,731		1,234,734
Provisions for liabilities and charges						375,094	375,094
Other liabilities			58,530			403,993	462,523
			58,530				
of which closed out derivatives positions in the banking book			28,488				28,488
			28,488				28,488
Subordinated debt capital		410,391			191,064		601,455
		410,391			205,014		615,405
Capital						2,663,138	2,663,138
Total equity and liabilities	**-**	**1,308,336**	**58,530**	**-**	**16,102,716**	**3,442,225**	**20,911,807**
	-	**1,308,336**	**58,530**	**-**	**16,120,449**		

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 31/3/2018										
	AC Carrying value	FVTPL Carrying value	HFT Carrying value	FVOCI Carrying value	AC/ liabilities book value	Other carrying value	Total carrying 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	62,539	0	71,737	0	0	134,276	0	134,276	0
Trading assets	0	0	32,489	0	0	0	32,489	2,022	30,467	0
Financial assets - FVTPL	0	254,222	0	0	0	0	254,222	33,229	220,993	0
Financial assets - FVOCI	0	0	0	603,169	0	0	603,169	365,072	13,647	224,450[1)]
Other assets	0	0	117,582	0	0	0	117,582	0	117,582	0
of which closed out derivatives positions in the banking book	0	0	117,582	0	0	0	117,582	0	117,582	0
Financial assets not carried at fair value										
Loans and advances to credit institutions	0	0	0	0	1,357,331	0	1,357,331	0	1,357,556	0
Loans and advances to customers	46,342	0	0	0	14,904,380	0	14,950,722	0	15,027,654	0
Financial assets - AC	1,955,359	0	0	0	0	0	1,955,359	1,989,761	80,774	0
Financial assets carried at fair value										
Amounts owed to credit institutions	0	55,987	0	0	0	0	55,987	0	55,987	0
Amounts owed to customers	0	411,955	0	0	0	0	411,955	0	411,955	0
Securitised liabilities	0	430,003	0	0	0	0	430,003	0	430,003	0
Other liabilities	0	0	58,530	0	0	0	58,530	0	58,530	0
of which closed out derivatives positions in the banking book	0	0	28,488	0	0	0	28,488	0	28,488	0
Subordinated debt capital	0	410,391	0	0	0	0	410,391	0	410,391	0

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

Fair value hierarchy of financial instruments as at 31/3/2018										
	AC Carrying value	FVTPL Carrying value	HFT Carrying value	FVOCI Carrying value	AC/ liabilities carrying value	Other carrying value	Total carrying value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial assets not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	4,104,066	0	4,104,066	0	4,101,678	0
Amounts owed to customers	0	0	0	0	11,012,002	0	11,012,002	0	11,009,026	0
Securitised liabilities	0	0	0	0	795,584	0	795,584	0	804,731	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	191,064	0	191,064	0	205,014	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 or at which a debt can be transferred.
The assessment of the fair value is based on the assumption that the transaction takes place either on the principal market for the respective asset or debt instrument or, if no such principal market exists, the most advantageous active market for the respective transaction, provided the entities involved have access to such markets. Where market prices are available for identical assets or debt instruments in an active market to which access is available on the balance sheet date, these prices are used for the measurement (level 1). Where no such market prices are available, the fair value is determined using valuation models based on parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).
All fair value measurements refer to regularly performed measurements. There were no one-off fair value measurements in the reporting year.

Valuation process
Responsibility for independent monitoring and communication of risks as well as the valuation of financial instruments lies with the Strategic Risk Management of Oberbank. The unit is functionally and organisationally separate from trading, which is responsible for the initiation and conclusion of transactions.
Trading book positions are marked-to-market daily at the close of business.
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. The income-based methodology is the fair value measurement 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 amounts owed to banks and customers, with the cash flows of own issues being calculated using the contractual interest rate. The interest rates used for discounting are derived from the discount curve applicable to the respective currency, adding a premium in the form of a credit spread

corresponding to the seniority of the issue. The credit spreads are adjusted regularly. The fair value measurement of receivables from banks and customers is based on the discounted contract cash flow (based on contractually-agreed repayment structures) and the discounted expected credit loss cash flows (considers the credit rating of the customer and collateral).
The exchange rates used are the reference rates published by the ECB.
The fair value of **level 3** assets is measured using generally-accepted valuation models. The fair value of equity investments and shares in affiliated companies is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation. Changes in the fair value hierarchy or classification take place whenever there is any change in the quality of the input parameters used in the valuation method. Classification adjustments are made at the end of the reporting period.

The following table shows the development of equity investments FVOCI measured at fair value and assigned to level 3. The fair value of these assets is measured primarily using the discounted cash-flow entity method and/or mixed methods (multiples method in combination with the discounted standard cash-flow method, e.g. 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)	820	0
Disposals (sales)	-14,312	0
Initial recognition due to IFRS 9	149,758	0
Value changes recognised in equity	0	13,568
Value changes recognised in income	0	0
Carrying value as at 31/03	**224,450**	**88,184**

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 1/1/2017	51,748	53,276
Carry forward 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 31/03	0	0

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

The Management Board 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 results of operations of the Oberbank Group.

- These consolidated interim financial statements cover the first quarter of 2018 (1 January 2018 to 31 March 2018) and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

Major transactions with related parties as at 31 March 2018 were:

Associated companies	€k 1,084
Subsidiaries	€k 0
Other related parties	€k 571

Linz, 18 May 2018

The Management Board
Franz Gasselsberger
Josef Weißl
Florian Hagenauer

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.

Financial calendar 2018
The interim reports to shareholders Oberbank are published three times a year.

18 May 2018	Report for Q1 2018
24 August 2018	Report for Q1-Q2 2018
30 November 2018	Report for Q1-Q3 2018

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

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