Oldenburgische Landesbank AG

Oldenburgische Landesbank AG
Financial Report 2016

Oldenburgische Landesbank AG at a Glance

EUR m	12/31/2016	12/31/2015	Change	Change (%)
Total assets	**14,108.0**	**13,752.6**	**355.4**	**2.6**
Receivables from banks	201.9	149.4	52.5	35.1
Total customer lendings	10,533.4	10,163.1	370.3	3.6
Securities	2,577.9	2,813.1	–235.2	–8.4
Liabilities to banks	4,174.8	4,540.5	–365.7	–8.1
Liabilities to customers	8,210.2	7,366.5	843.7	11.5
Securitized liabilities	550.0	696.2	–146.2	–21.0
Subordinated debt	257.7	258.8	–1.1	–0.4
Funding for general bank risks	12.8	12.8	—	—
Equity	**649.3**	**619.9**	**29.4**	**4.7**
Subscribed capital	60.5	60.5	—	—
Capital reserves	208.3	208.3	—	—
Revenue reserves	345.3	332.4	12.9	3.9
Net retained profits	35.2	18.7	16.5	88.2

EUR m	1/1/2016 –12/31/2016	1/1/2015 –12/31/2015	Change	Change (%)
Net interest income	229.9	245.6	–15.7	–6.4
Net commission income	67.9	68.8	–0.9	–1.3
Net operating trading income/expense	0.1	–0.2	0.3	n/a
Operating income	**297.9**	**314.2**	**–16.3**	**–5.2**
Personnel expenses	135.7	140.3	–4.6	–3.3
Other administrative expenses	75.6	74.5	1.1	1.5
Write-downs of tangible fixed assets	14.9	14.8	0.1	0.7
General administrative expenses	**226.2**	**229.6**	**–3.4**	**–1.5**
Net other operating income (+) and expenses (–)	3.1	–9.1	12.2	n/a
Operating result before risk provisions	**74.8**	**75.5**	**–0.7**	**–0.9**
Risk provisions for credit business	37.1	36.3	0.8	2.2
Gain (+)/loss (–) on securities in the liquidity reserve	–2.3	5.0	–7.3	n/a
Expenses for the credit business and liquidity reserve	**39.4**	**31.3**	**8.1**	**25.9**
Net operating result	**35.4**	**44.2**	**–8.8**	**–19.9**
Other result	21.6	–0.9	22.5	n/a
Extraordinary result	–2.7	–9.0	6.3	–70.0
Profit before taxes	**54.3**	**34.3**	**20.0**	**58.3**
Taxes	19.1	16.0	3.1	19.4
Net income for the financial year	**35.2**	**18.3**	**16.9**	**92.3**
Cost–income ratio (in %)	**75.9 %**	**73.1 %**	**n/a**	**n/a**

	12/31/2016	12/31/2015		
Core capital ratio per Sec. 10 of the German Banking Act (%)	11.2	10.8		
Aggregate capital ratio per Sec. 10 of the German Banking Act (%)	14.3	13.9		
Number of employees	2,153	2,236		
Full-time equivalents	1,717	1,801		
Branches of Oldenburgische Landesbank AG	201	203		

FINANCIAL REPORT 2016

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Explanation of Symbols

References to the Glossary Page references Further information and explanations

TO OUR SHAREHOLDERS

Letter to Our Shareholders

Dear shareholders, dear friends of OLB,

The German economy continues to be in a phase of moderate upswing. Gross domestic product grew 1.9 percent in 2016, somewhat more vigorously than in the prior year. With support from ongoing employment growth and stable wages, consumer demand again remained the cornerstone of business conditions. Low interest levels encouraged construction, and in foreign trade the Federal Statistical Office reported that both exports and imports increased. The Northwest shared in this economic performance. Corporate earnings, according to estimates by the region's Chambers of Industry and Commerce, remained stable in all sectors, and demand for workers reached an all-time high during the year. The outlook for 2017 also appears positive. But a look ahead shows that uncertainties may arise from the national elections impending during the current year in several European Union countries; protectionist tendencies in the USA and the effects of the impending Brexit may also interfere with the export business.

The phase of major changes and renewal that has persisted for years now throughout the financial industry continued. Amid this dynamic environment, conditions for doing business profitably remain challenging. The European Central Bank's unchanging expansive monetary policy has meant that interest rates are likely to remain at historically very low levels for the foreseeable future, despite a slight recent recovery. Another outside influencing factor, the implementation of tightened regulatory requirements to reinforce banks' equity and liquidity, as well as to protect consumers, will tie up financial and staffing capacity. Furthermore, contemporary online and mobile banking requires a world of digital products. Consequently, the branch office business is undergoing a transformation, because in today's environment not every site is always able to offer full service, nor do customers expect them to do so.

We are facing up to these conditions with our strategic "OLB 2019" program for the future, launched in 2015. Our aim is to grow profitably. To that end, we are concentrating on our skills in personal advice, and in parallel are investing in automating our procedures, as well as – not insignificantly – digitization. Digitizing the customer business is very important to the entire sector. Statistically, more than half the bank clients in Germany use online banking several times a week. About half of our own clients use online banking, with user figures rising steadily. We achieved new milestones in online customer service during fiscal 2016 with the relaunch of our website at www.olb.de, including a display that automatically adjusts to the user's device, as well as the first account opening service that can be handled entirely over the Internet – which also represented the technological kickoff for additional direct product sign-ups. We also modernized our banking app. Moreover, our "OLB 2019" program for the future was able to generate positive effects that countered pressure on operating earnings.

All in all, your Bank again outperformed the earnings projected at the first half of 2016, generating a pretax profit of EUR 54.3 million as of December 31, 2016, compared to the prior year's EUR 34.3 million. The net profit for the year grew from EUR 18.3 million to EUR 35.2 million. Business performance was favored by nonrecurring income from equity investments, income from the remeasurement of pension provisions, and a very positive result from long-term financial assets.

At the Annual Shareholders' Meeting in Oldenburg on May 24, 2017, we will again propose to you, our valued shareholders, a dividend of EUR 0.25 per share, plus an exceptional dividend of EUR 0.10 per share – amounting to a total distribution of EUR 0.35 per no-par share. To further strengthen the Bank's capital base, we will propose appropriating the remaining EUR 27.1 million of the net retained profits to our revenue reserves.

In part thanks to the reinvestment you approved last year, we increased our equity to EUR 649.3 million. Our core capital ratio was 11.2 percent, 0.4 percentage points above the prior year's figure, and once again well above the regulatory minimum. A robust equity base is important to us so that we can continue closely supporting investments by our retail and corporate customers into the future.

The fact that we are a strong financing partner in the Northwest is especially evident from the expansion of our total lendings by more than EUR 370 million, to EUR 10.5 billion. Important driving factors in this development were our vigorous new business in private construction financing, and the growth in commercial investment loans for small and medium enterprises in the region, especially to finance onshore wind farms.

Thanks to the good liquidity situation among our corporate and retail clients, customer deposits grew more than EUR 840 million, to EUR 8.2 billion. In the deposit business, the trend continued for maturing savings deposits to be reallocated to short-term, non-interest-bearing deposits.

In spite of the growth in total lendings, net interest income decreased from EUR 245.6 million to EUR 229.9 million. Low interest rates continued to make their impact felt. This position once again included nonrecurring income from an equity interest in a financial service provider, although its final distribution of EUR 4.8 million was well below the prior-year figure of EUR 10.3 million.

Net commission income, at EUR 67.9 million, was just slightly below the prior-year level of EUR 68.8 million. Business that calls for extensive consulting continued to grow. As a consequence, asset management and the insurance business increased their contribution to earnings. The real estate business was also very successful. In the commission business, volatile stock markets led our clients to hold back on securities trading. We expect the securities business to grow, particularly in our newly established field of wealth management.

Our systematic digitization enhanced efficiency in our procedures. In that connection, we foresee a need for fewer employees. For that reason, back in October 2015 we had already announced that we would be eliminating about 280 full-time positions by 2019. During fiscal 2016, we reduced the number of our full-time positions by 84. Contracts have already ensured implementation for employees that account for another roughly 133 full-time equivalents.

Personnel expenses decreased from EUR 140.3 million to EUR 135.7 million. All in all, we had 2,153 employees at December 31, 2016. We fulfill our function as the region's largest job trainer with a current roster of 168 trainees, 54 of whom began their training in the summer of 2016.

On the cost side, digitization of products and internal procedures, modernization of our branches, and the substantial increase in the bank levy, by about 50 percent from last year, had a total impact of EUR 3.6 million. However, our systematic cost management limited the growth in other administrative expenses to EUR 75.6 million, following EUR 74.5 million for the prior year. Net other operating income and expenses largely showed the impact of a legislated change in the measurement of pension provisions, yielding remeasurement income that contributed to the improvement in this item from the prior year's EUR –9.1 million to EUR 3.1 million.

Risk provisions for the credit business came to EUR 37.1 million, which was slightly higher than the prior-year figure of EUR 36.3 million but substantially better than in the conservative projections for the year. The stable economic environment favored our clients' economic performance. Net new additions for the shipping portfolio, at EUR 17.0 million, were EUR 2.0 million less than for the prior year, because in past years we had already achieved a high level of provisioning.

All in all, we have now reduced the size of our shipping portfolio to about 2.6 percent of total assets.

We were able to improve our other net income substantially, to EUR 21.6 million, compared to the prior year's net expense of EUR –0.9 million. The bond business contributed to this figure with a realization gain of EUR 18.3 million. One factor here was that OLB was able to reallocate strategically developed positions in long-term securities to the higher-income customer lending business, with a better return for the Bank. A further gain of EUR 3.3 million came from the shares of Visa Europe Ltd that we contributed in the course of a takeover by Visa Inc., USA.

So OLB achieved solid business performance in an environment that was challenging to every bank, and thanks to various nonrecurring factors we achieved a substantial increase in earnings. We expect the implementation of our "OLB 2019" program for the future to advance further in fiscal 2017, yielding a slight increase in operating income and a decrease in administrative expenses. As a consequence of conservatively planned risk provisions and lower positive influences from nonrecurring effects, we expect a moderate decrease in pretax profits in comparison to 2016.

Ladies and gentlemen, in September 2016, my colleagues on the Board of Managing Directors of OLB and I were informed by Allianz Deutschland AG and Allianz SE that Allianz was reviewing various strategic alternatives for partially or entirely reducing its equity interest in OLB, and in that connection was in discussions with interested parties concerning a possible sale. No final results have yet emerged at the time of preparation of this report, so that I cannot offer you any assessment here about the Bank's further development, or any specific information about the opportunities and risks in the event that the Bank leaves the Allianz Group. It is important to all of us to keep OLB moving ahead. We are on the right track for that.

Yours truly,

Patrick Tessmann
Chairman of the Board of Managing Directors

The Share

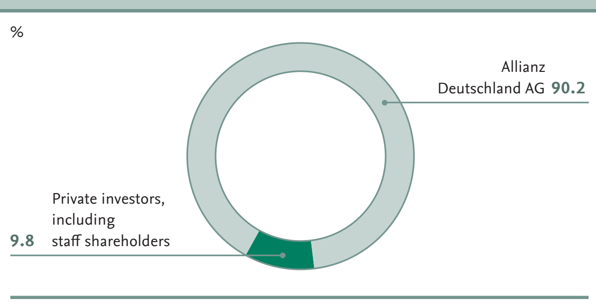
Performance of OLB stock

The DAX German stock index went through quite a volatile year in 2016. At the beginning of the year, stock prices came under pressure from uncertainty about the Chinese economy and the drop in the price of oil. In February, the DAX fell to its low for the year of 8,753. The subsequent recovery, supported over the course of the year by the European Central Bank's easing of monetary policy, suffered only brief interruptions from the unexpected results of the British referendum on exiting the EU in June, and the surprising outcome of the U.S. presidential election in November. The DAX ended the year up 6.9 percent, at a high for the year of 11,481. At the beginning of the new year, the tax cuts and infrastructure investments posited by U.S. president Trump provided positive sentiment on the American stock exchange. This proved to be transferable to the German stock market, raising the DAX above 12,000 in March 2017.

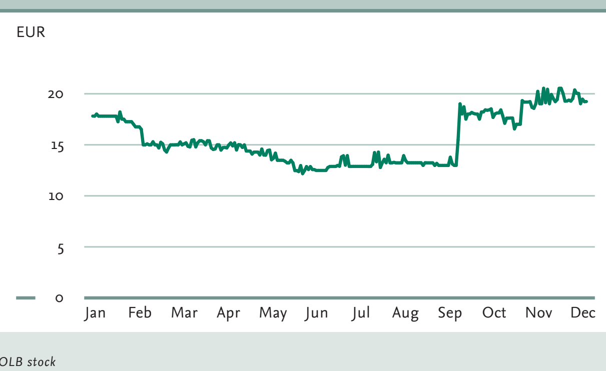
See Glossary, p. 130

In an environment of low interest rates, volatile capital markets and intensifying regulatory requirements, bank stocks were again lower on average for the year. As trading closed at the end of 2016, the Composite DAX (CDAX) Banken industry index was down nearly 18.5 percent from where it had begun the year. OLB stock fluctuated between EUR 12.20 and EUR 20.50 on the Frankfurt exchange during 2016, ending the year at EUR 19.21, more than 7.9 percent above its level at the beginning of the year. At the time of preparation of this report (at March 10, 2017), the stock was trading there at EUR 20.60.

Ownership structure



Performance of OLB stock in 2016



Ownership structure

Allianz Deutschland AG, of Munich, holds approximately 90.2 percent of the stock of Oldenburgische Landesbank AG (as of December 31, 2016). The remainder is held by private investors, including staff shareholders.

Oldenburgische Landesbank AG stock is traded on the regulated market of the Berlin, Hamburg and Hanover exchanges, and over the counter in Düsseldorf and Frankfurt, under German securities identification number (WKN) 808 600. At 184.6 thousand shares, trading volume in OLB stock for 2016 was above the prior-year figure of 175.6 thousand shares. The principal trading floor, with the comparatively highest trading volumes, was the Frankfurt exchange, followed by the exchange in Hamburg. The number of shares outstanding is just under 23.3 million. Multiplied by the trading price per share, this yields a market capitalization of just under EUR 480 million (as of March 10, 2017).

As one of Germany's major second-line stocks, the stock of Oldenburgische Landesbank AG also plays a significant role at the regional level. OLB is the only bank included in the Lower Saxony Stock Index, the NISAX20, under WKN 600 788. This regional index, established in May 2002, includes the 20 largest listed companies in the state of Lower Saxony.

Financial calendar

2017	
Financial press conference	March 17, 2017
Release of 2016 financial report on the Internet	March 30, 2017
Shareholders' Meeting in Oldenburg	May 24, 2017
Semiannual financial report as of June 30, 2017	August 11, 2017

Key information

2017	
German securities ID number (WKN)	808 600
International Securities Identification Number (ISIN)	DE0008086000
Type of stock	Bearer shares
Denomination	No-par common stock
Markets where quoted	Berlin, Hamburg and Hanover (regulated market) Düsseldorf and Frankfurt (over the counter)
Number of shares	23,257,143
Market capitalization as of March 10, 2017	EUR 479.1 million

Corporate Governance Report

Good corporate governance is an indispensable requirement for sustainable corporate success. Significant aspects of good corporate governance include trusting, efficient cooperation between the Supervisory Board and the Board of Managing Directors, as integral parts of a dual management system; attention to the best interests of shareholders, lenders, clients, employees, and the general public; and openness and transparency in corporate communications.

The German Corporate Governance Code (DCGK) currently applies in its amended version as of May 5, 2015. It lays down the principal requirements of law for the management and supervision of German companies traded on stock exchanges, and incorporates internationally and nationally recognized standards for proper, responsible corporate management and supervision, in the form of recommendations and suggestions. It clarifies the obligation of the Board of Managing Directors and Supervisory Board to work toward the Company's survival and its sustainable added value, consistently with the principles of a social market economy.

There is no statutory obligation to comply with the Code's recommendations and suggestions. However, under Sec. 161 of the German Stock Corporation Act (AktG), each year the managing board and supervisory board of listed companies must issue a declaration of compliance with the Code's recommendations, under the principle of "comply or explain." Any deviations from the Code's recommendations must be explained. In certain cases, a well-justified deviation from a Code recommendation may very well be in the interest of good corporate management. The Declaration of Compliance issued by the Board of Managing Directors and Supervisory Board in December 2015 can be found in the Management Declaration in this Financial Report.

See p. 019

Description of operating procedures of the Board of Managing Directors and the Supervisory Board

In keeping with German corporate law, Oldenburgische Landesbank AG has a dual management and oversight structure, with a Board of Managing Directors and a Supervisory Board. The two boards cooperate closely, in a relationship of confidence and trust, for the Company's benefit.

In addition to the requirements of law for the management and oversight of a stock corporation, the Articles of Incorporation of Oldenburgische Landesbank AG adopted by the Shareholders' Meeting, as well as the rules of procedure for the Board of Managing Directors and the Supervisory Board, also include provisions governing corporate management and oversight.

Board of Managing Directors

The Board of Managing Directors of Oldenburgische Landesbank AG manages the Company with a focus on sustainable added value, on its own responsibility. It decides the Company's corporate goals, strategic orientation, and business policies. It must furthermore attend to compliance with the requirements of law and the Company's own guidelines, and must also provide for appropriate risk management and risk controlling within the Company.

See Glossary, p. 133

The Board of Managing Directors is appointed by the Supervisory Board. It must have at least two members. The actual number of members of the Board of Managing Directors is decided by the Supervisory Board, as is a target for the percentage of women among the managing directors. The Board of Managing Directors currently has four members, including one woman. They are jointly responsible for managing Oldenburgische Landesbank AG. The members of the Board of Managing Directors inform and consult one another on all of the Company's concerns.

The structure, size, composition and performance of the Board of Managing Directors are assessed at least once a year by the Supervisory Board. The Supervisory Board also assesses the knowledge, skills and experience of the individual managing directors and of the Board of Managing Directors as a whole, and reviews those board members' specialized expertise and reliability.

The Supervisory Board has appointed one member of the Board of Managing Directors as its Chairman. He represents the Board of Managing Directors to the Supervisory Board and the public at large. He is also responsible for coordinating his board's work.

The Board of Managing Directors meets regularly, in meetings that are convened by its Chairman. The full board decides by a simple majority of the board members participating in the vote. In the event of a tie, the Chairman's vote decides.

The work of the Board of Managing Directors is further structured by the rules of procedure for the Board of Managing Directors, issued by the Supervisory Board. These rules of procedure particularly include limits and reporting obligations on how credit risks, market risks and liquidity risks, as well as operational risk, have been mitigated. The rules of procedure also include a system of authorities for the lending business and for treasury and proprietary portfolio lines.

A business allocation plan, prepared by the board itself, governs the areas of responsibility of the members of the Board of Managing Directors, but does not affect all the members' joint responsibility for managing the Company. The business allocation plan, and any amendments, must be promptly brought to the attention of the Supervisory Board. The Board of Managing Directors has decided not to establish committees.

The Board of Managing Directors reports regularly, promptly and fully to the Supervisory Board about all matters of business performance, planning, risk position, risk management, internal auditing and compliance that are of consequence for the Company. In its reports, the board discusses deviations of business performance from its planned course and goals, explaining reasons.

Transactions of particular importance are subject to the consent of the Supervisory Board or its committees. The consent requirements are laid down by law, the Articles of Incorporation, and the rules of procedure for the Board of Managing Directors and the Supervisory Board. Matters subject to consent include issuing new stock out of authorized capital, entering into intercompany agreements under Secs. 291 et seq. of the German Stock Corporation Act, granting loans to members of governing bodies, related parties, or employees under Sec. 15 of the Banking Act (KWG), acquiring and selling equity interests and real estate for values above certain limits, and establishing or closing branch offices within the meaning of Sec. 13 of the German Commercial Code.

Each member of the Board of Managing Directors must disclose conflicts of interest immediately to the other members of the Board of Managing Directors and to the Supervisory Board. All transactions between Allianz Group companies and members of the Board of Managing Directors or their related parties, whether individuals or enterprises, must be on customary arm's length terms. In transactions between Oldenburgische Landesbank AG and members of the Board of Managing Directors, the Company is represented by the Executive and Compensation Committee of the Supervisory Board. Material transactions between Oldenburgische Landesbank AG and related parties, whether individuals or enterprises, of a member of the Board of Managing Directors are subject to the consent of the Executive and Compensation Committee of the Supervisory Board.

The members of the Board of Managing Directors are listed in the Compensation Report. See pp. 022 ff.

Supervisory Board

The Supervisory Board of Oldenburgische Landesbank AG has twelve members. As required by the gender quota under Sec. 96(2) Sentence 1 of the German Stock Corporation Act, the Supervisory Board must include at least 30 percent women and at least 30 percent men. These minimum quotas must be complied with for any elections that become necessary to fill one or more seats on the Supervisory Board. At least one member of the Supervisory Board must have an expert knowledge of accounting or auditing of financial statements. The members of the Supervisory Board as a whole must be familiar with the banking sector. Under the German Co-Determination Act (MitbestG), the Supervisory Board must consist of equal numbers of representatives of the shareholders and of the employees. The shareholder representatives are elected by the Shareholders' Meeting; the other members are elected by the employees. The Supervisory Board elects a Chair and Vice-Chair from among its ranks for the board's entire term of office.

The members of the Supervisory Board are obligated to pursue the Company's best interests; they cannot pursue their personal interests in making their decisions. No former members of the Board of Managing Directors of Oldenburgische Landesbank AG sit on the Supervisory Board.

The Supervisory Board, through its Chairman, maintains regular contact with the Board of Managing Directors, and advises and supervises the Board of Managing Directors in managing the Bank and in complying with the pertinent requirements of regulatory law. It is also responsible for appointing and dismissing members of the Board of Managing Directors, for reviewing the compensation system for that board, and for determining the total compensation paid to those individual members. The Supervisory Board audits the annual financial statements of Oldenburgische Landesbank AG, the management report, the report on relations with affiliated companies, and the proposed allocation of profits. It adopts the rules of procedure for the Board of Managing Directors, and is responsible for approving certain transactions of particular importance, unless that responsibility has been assigned to a committee of the Supervisory Board.

The Supervisory Board holds four regularly scheduled meetings per fiscal year, as required by law. These meetings are convoked by the Chairman of the Supervisory Board. Special meetings are held additionally as needed. The resolutions of the Supervisory Board are adopted by a simple majority vote, except where provided otherwise by law. In the event of a tie, the matter must be brought up for a vote again, and if a tie again results, the Chairman of the Supervisory Board has two votes.

The Chairman of the Supervisory Board coordinates the board's work and chairs its meetings.

The Supervisory Board reviews its own structure, size, composition and performance at least once a year. It also assesses the knowledge, abilities and experience of its individual members and of the board as a whole, and reviews its members' specialized expertise and reliability. The Supervisory Board also regularly reviews the efficiency of its activities. Steps for potential improvements are discussed, and if applicable adopted, by the full board.

Any member of the Supervisory Board who has conflicts of interest, especially those that might arise by way of an advisory or governing-body position with a client, supplier, lender or other third parties, must disclose those conflicts to the Supervisory Board.

Goals for composition of the Supervisory Board and status of implementation

In accordance with Item 5.4.1 of the German Corporate Governance Code (GCGC) and in fulfillment of Sec. 25d(11) Sentence 2 No. 2 of the German Banking Act (KWG), the Supervisory Board has adopted the following goals for its own composition:

The Supervisory Board of Oldenburgische Landesbank AG (OLB) seeks a membership that will ensure qualified supervision and advice for the management of OLB. Candidates are to be proposed whose integrity, motivation and personality indicate that they will be able to perform the duties of a member of the Supervisory Board of OLB. Where the requirements listed below relate to employee representatives on the Supervisory Board, it should be borne in mind that the Supervisory Board has no influence over the nominations for employee representatives. The shareholder representatives on the Supervisory Board are also not decided by the Supervisory Board itself, but elected by the Shareholders' Meeting; however, the Supervisory Board does propose nominees to the Shareholders' Meeting.

1. Requirements for individual members of the Supervisory Board

- Knowledge of the field, particularly
  - business experience
  - general understanding of the banking business
  - ability to understand and evaluate preparatory documents for annual financial statements and reports to the Supervisory Board
  - where possible, specialized knowledge of importance to the Bank's business operations
- Reliability
- Allowance for the regular age limit of 70 and the regular limit of 15 years of membership on the board, as established in the Supervisory Board's rules of procedure
- Compliance with the limitations on numbers of board positions held, as prescribed by law or recommended by the German Corporate Governance Code
- Ability and willingness to invest the time necessary to act as a member of the Supervisory Board
- No positions on governing bodies or consulting duties for significant OLB competitors

2. Requirements for the composition of the entire board

- At least six members of the Supervisory Board, including at least one shareholder representative, should be independent within the meaning of Item 5.4.2 of the German Corporate Governance Code. Under that recommendation of the Code, a member of the Supervisory Board is not to be considered independent, in particular, if he or she has a personal or business relationship with OLB, its governing bodies, a controlling shareholder, or an entity associated with the controlling shareholder, such as might result in a material, not merely transient conflict of interests. With regard to employee representatives, it is assumed that their independence is not affected by the simple fact that they represent employees or by an employment relationship.
- At least one member with a knowledge of accounting or auditing within the meaning of Sec. 100(5) of the German Stock Corporation Act
- At least one member with substantial experience in the banking business
- No more than two former members of the Board of Managing Directors of OLB
- At least 30 percent women and at least 30 percent men (the gender ratio required by law under Sec. 96(2) Sentence 1 of the Stock Corporation Act); the Supervisory Board also adopts the statutory gender ratio as a goal for encouraging representation by the underrepresented gender under, of Sec. 25d(11) Sentence 2 No. 2 of the Banking Act.
- Balanced composition, so that desirable professional knowledge is as widespread as possible within the Supervisory Board and the members of the Supervisory Board as a whole are familiar with the banking sector

The composition of the Supervisory Board is shown in the table below. Its present composition complies with the requirements outlined above. The gender quota required by law has been met because the Supervisory Board currently comprises four women and eight men. Future nominations by the Supervisory Board for the election of its members will take the above goals and legal requirements into account. The Supervisory Board recommends that its members elected by the employees should endeavor, as far as possible, to take the requirements and goals into account for the nominations to be made by the responsible employee committees.

Members of the Supervisory Board (at December 31, 2016), including year of birth and year when the member took office:

Name	Born	Took office
Rainer Schwarz (Chairman)	1952	5 / 27 / 2010
Uwe Schröder (Vice-Chairman)	1955	5 / 30 / 2000
Prof. Dr. Werner Brinker	1952	5 / 25 / 2004
Prof. Dr. Andreas Georgi	1957	9 / 26 / 2000 – 5 / 25 / 2004 5 / 23 / 2006
Svenja-Marie Gnida	1983	6 / 5 / 2013
Dr. Peter Hemeling	1955	10 / 1 / 2015
Stefan Lübbe	1963	3 / 11 / 2004
Prof. Dr. Petra Pohlmann	1961	6 / 5 / 2013
Horst Reglin	1956	5 / 27 / 2008
Carl-Ulfert Stegmann	1969	6 / 5 / 2013
Gabriele Timpe	1967	6 / 5 / 2013
Christine de Vries	1973	6 / 5 / 2013

Description of the composition and working procedures of the committees of the Supervisory Board

To enhance its efficiency, the Supervisory Board has formed five committees: an Executive and Compensation Committee, a Risk Committee, an Audit Committee, a Nominating Committee, and the Mediation Committee required under Sec. 31 (3) of the Co-Determination Act. The committees prepare for the decisions of the Supervisory Board and the proceedings of the full board. In some cases they also have been delegated decision-making authority. The composition, responsibilities and duties of the committees are governed by the rules of procedure of the Supervisory Board and of the Board of Managing Directors.

The committees meet as needed, and adopt their decisions by a simple majority vote. In the event of a tie, the committee chair has the right to cast the deciding vote, except in the case of the Mediation Committee.

The chairs of the various committees report regularly to the Supervisory Board on the committees' work and decisions.

The *Executive and Compensation Committee* has six members. It includes the Chairman and Vice-Chairman of the Supervisory Board, together with four other members elected by the Supervisory Board, two of them elected by nomination of the employee representatives and two by nomination of the shareholder representatives. At least one member of the Executive and Compensation Committee must have sufficient expertise and professional experience in risk management and risk controlling, particularly with regard to mechanisms for ensuring that compensation systems are in line with the Bank's overall risk propensity and risk strategy and with the equity capitalization of Oldenburgische Landesbank AG.

The Executive and Compensation Committee works with the Risk Committee and is expected, for example, to seek advice from the Risk Controlling department in-house and from outside parties who are independent from the Board of Managing Directors. Members of the Board of Managing Directors are not permitted to attend meetings of the Executive and Compensation Committee at which those members' own compensation is discussed. In performing its duties, the Executive and Compensation Committee may make use of any resources it deems appropriate, and may also involve outside consultants and advisors. It is to receive sufficient funding for this purpose from Oldenburgische Landesbank AG. The committee chair may obtain information directly from the head of Internal Auditing and from the heads of the organizational units responsible for structuring the Bank's compensation systems. The Board of Managing Directors must be notified of such consultations.

The Executive and Compensation Committee is responsible for personnel matters concerning the members of the Board of Managing Directors and for other personnel matters falling under the authority of the Supervisory Board, other than those referred by law to the full membership of the board. It prepares for the appointment of members of the Board of Managing Directors, and for the full Supervisory Board's decisions on the compensation system and the total compensation to be paid to the individual managing directors, and submits motions for resolutions to the full Supervisory Board. In addition, it assists the Supervisory Board in evaluating the structure, size, composition and performance of the Board of Managing Directors, and makes recommendations to the Supervisory Board in this regard. Similar considerations apply in assessing the knowledge, abilities and experience both of the individual members of the Board of Managing Directors, and of that board as a whole, as well as reviewing the individual members' specialized expertise and reliability. The committee furthermore reviews the principles applied by the Board of Managing Directors in selecting and appointing members of upper management, and makes recommendations to the Board of Managing Directors in this regard. Its duties furthermore include monitoring the appropriate structuring of the compensation systems for the Board of Managing Directors and the Bank's employees, and especially the appropriateness of the compensation for the heads of the Risk Controlling and Compliance functions, as well as of those employees who have a material influence on the overall risk profile of Oldenburgische Landesbank AG. It monitors whether the internal controlling organization and all other relevant units have been duly consulted in organizing the compensation systems, and evaluates the effects of the compensation systems on risk management, capital management and liquidity management. The duties of the Executive and Compensation Committee also include consenting to the appointment of the Bank's representatives with full signing authority, consenting to anticipatory resolutions on the approval of loans made to natural persons who are related parties of the Company, and consenting for members of the Board of Managing Directors to hold certain additional offices and engage in certain incidental activities.

The *Risk Committee* comprises the Chairman of the Supervisory Board and up to six additional members of the Supervisory Board, up to three each elected by nomination of the shareholder and employee representatives. The Risk Committee currently has six members. The chair of the Risk Committee may obtain information directly from the head of Internal Auditing, the head of the Compliance unit, and the head of the Risk Controlling department. The Board of Managing Directors must be informed of these consultations. The Risk Committee may obtain the advice of outside experts where necessary. It also defines the nature, scope, format and frequency of the information on the basis of which the Board of Managing Directors must report on the topics of strategy and risk.

The Risk Committee advises the Supervisory Board on the Bank's current and future overall risk propensity and risk strategy, and supports the Supervisory Board in monitoring how this strategy is implemented by upper management at OLB. The committee also concerns itself with the Bank's risk situation and monitors the efficacy of the risk management system, along with special risk developments.

The Risk Committee also monitors whether terms and conditions in business with customers are consistent with OLB's business model and risk structure and, if applicable, will make suggestions to the Board of Managing Directors on how terms and conditions in the customer business can be structured in accordance with the business model and risk structure. It reviews whether the incentives established by the compensation system take due account of the Bank's risk structure, capital structure, and liquidity structure, as well as the probability and due dates of income. It also approves loans that the Board of Managing Directors cannot approve on its own authority, including loans to related-party entities as defined under Sec. 15 of the Banking Act. Finally, the Bank's acquisition and disposal of equity investments and real estate for amounts above certain limits, as well as the founding of subsidiaries other than pure asset management companies, are also subject to the Risk Committee's consent.

The *Audit Committee* comprises the Chairman of the Supervisory Board and up to four additional members to be elected by the Supervisory Board, up to two each by nomination of the shareholder and employee representatives. It currently has five members. The members of the Audit Committee as a whole must be familiar with the banking sector. The Chairman of the Supervisory Board cannot chair the Audit Committee as well. The chairman of the committee must have expertise in financial reporting or auditing of financial statements; he or she must furthermore be independent, and not a member of the Board of Managing Directors whose term of office ended less than two years previously. The Supervisory Board has found that Prof. Dr. Andreas Georgi, as chairman of the Audit Committee, meets the above requirements; in particular, he is independent and has the required expertise. The chair of the Audit Committee may obtain information directly from the head of Internal Auditing, the head of Compliance, and the head of the Risk Controlling department. The Board of Managing Directors must be informed of these consultations.

The Audit Committee has the responsibility of auditing the annual financial statements, the management report, the proposal for the allocation of profits, the report on relations with affiliated entities, and the audit reports. It prepares for the decisions of the full Supervisory Board on adopting the annual financial statements and approving the report on relations with affiliated entities. It monitors the accounting process and the efficacy of the internal controlling, internal auditing and compliance systems, and is also concerned with the activities that are the particular focus of the latter two systems. The Supervisory Board's decision on nominating independent auditors for appointment by the Shareholders' Meeting must be based on a recommendation from the Audit Committee. If the Audit Committee recommends changing the independent auditor, it must submit at least two nominations to the Supervisory Board, and indicate its preference for one of the two nominees, stating reasons. The committee monitors the process of auditing the financial statements, and especially the independence of the independent auditors, as well as the additional services to be provided by the independent auditors. The independent auditors' provision of tax advisory services under Art. 5(1) Subsection 2(a)(i) and (iv)–(vii) of Regulation (EU) 537/2014, and of non-audit services under Art. 5(4) Sentence 1 of that Regulation, is subject to the prior consent of the Audit Committee. The committee furthermore monitors the prompt correction by the Board of Managing Directors of any deficiencies found by the auditors. It engages the auditors, and in this connection concerns itself with the main focuses of the audit and the auditors' fee. It also discusses the semiannual financial report with the Board of Managing Directors before the report is released. Finally, the Audit Committee is also responsible for preparing the Supervisory Board's annual Declaration of Compliance under Sec. 161 of the Stock Corporation Act, for auditing the efficiency of the Supervisory Board's activities, and for approving the investment plan.

The *Nominating Committee* comprises the Chairman of the Supervisory Board and two additional shareholder representatives. In performing its duties, the Nominating Committee may make use of any resources it deems appropriate, and may also involve outside consultants and advisors. It is to receive sufficient funding for this purpose. This committee's task is to seek suitable candidates for election to the Supervisory Board as shareholder representatives, giving due attention to balance and diversity in the knowledge, skills and experience of the Supervisory Board members, as well as other factors. The Nominating Committee develops a set of objectives for the promotion of representation of the underrepresented gender on the Supervisory Board, together with a strategy for achieving the associated balance. It prepares for assessments of the structure, size, composition and performance of the Supervisory Board, and makes recommendations to the Supervisory Board in this regard. Similar considerations apply in assessing the knowledge, abilities and experience both of the individual members of the Supervisory Board, and of that board as a whole, as well as reviewing the individual members' specialized expertise and reliability.

The *Mediation Committee,* to be formed under Sec. 27(3) of the Co-Determination Act, has four members, as provided by law. These are the Chairman and Vice-Chairman of the Supervisory Board, together with one Supervisory Board member each elected by the shareholders and the employees. The Mediation Committee submits suggestions to the full Supervisory Board for the appointment of members of the Board of Managing Directors if the two-thirds majority vote of the Supervisory Board, as required for the appointment of managing directors, is not achieved in the first round of voting.

The members of the committees of the Supervisory Board are as follows:

Executive and Compensation Committee
- Rainer Schwarz, Chairman
- Prof. Dr. Andreas Georgi
- Dr. Peter Hemeling
- Stefan Lübbe
- Uwe Schröder
- Christine de Vries

Risk Committee
- Prof. Dr. Andreas Georgi, Chairman
- Svenja-Marie Gnida
- Stefan Lübbe
- Uwe Schröder
- Rainer Schwarz
- Carl-Ulfert Stegmann

Audit Committee
- Prof. Dr. Andreas Georgi, Chairman
- Stefan Lübbe
- Prof. Dr. Petra Pohlmann
- Rainer Schwarz
- Christine de Vries

Nominating Committee
- Rainer Schwarz, Chairman
- Prof. Dr. Werner Brinker
- Dr. Peter Hemeling

Mediation Committee (Sec. 27(3) Co-Determination Act)
- Rainer Schwarz, Chairman
- Prof. Dr. Andreas Georgi
- Uwe Schröder
- Gabriele Timpe

The Report of the Supervisory Board includes details of the meetings held by the Supervisory Board and its committees in fiscal 2016, together with the topics addressed at those meetings.

See pp. 032 ff.

Shareholders' Meeting

The shareholders exercise their rights at the Shareholders' Meeting, where they have the right to vote. Each share confers one vote. To facilitate voting, Oldenburgische Landesbank AG offers its shareholders the option of being represented at the Shareholders' Meeting by proxies appointed by the Company, who must vote solely as instructed by the shareholders. Participation and voting at the Shareholders' Meeting are contingent on the shareholder's timely registration for the meeting, and on documentation of the shareholder's rights.

At the regular Annual Shareholders' Meeting, the Board of Managing Directors and Supervisory Board provide an accounting of the past fiscal year. The Shareholders' Meeting has the rights accorded to it by law. These include deciding on whether to ratify the actions of the Board of Managing Directors and Supervisory Board, on the allocation of profits, on amendments to the Articles of Incorporation, and on measures to change the Bank's capital. The Shareholders' Meeting also elects the shareholders' representatives on the Supervisory Board. Details on the agenda and on voting procedure are sent to the shareholders together with the notice of the meeting. The reports and documentation needed for the Shareholders' Meeting, together with the agenda, are published on OLB's Web site (www.olb.de).

Transparency and information

Shareholders and third parties are notified promptly about the Bank's business performance, by way of the publication of annual and semiannual financial statements. The accounting principles prescribed by national law and regulations are followed in preparing the financial statements. In addition, ad-hoc disclosures publish facts that can materially affect stock price, and any other relevant information is also reported. All information is released through suitable communications media, and is kept available at the Company's Web site (www.olb.de).

See p. 009

Oldenburgische Landesbank AG notifies the public of the dates for major events and publications (such as the Shareholders' Meeting and the release of the Financial Report) in a financial calendar that is published in the Investor Relations section of the Oldenburgische Landesbank AG Web site and in the Financial Report.

Directors' dealings

Under Art. 19 of the Market Abuse Regulation (until July 2, 2016: Sec. 15a of the German Securities Trading Act – WpHG), concerning disclosure and notification of dealings, persons holding management positions in an issuer of stock must report their own dealings in stock and debt instruments of the issuer, or in financial instruments relating thereto, particularly derivatives, to the issuer and to the Federal Financial Supervisory Authority (BaFin), if the total value of the purchase or sales transactions over the course of a calendar year is equal to or greater than EUR 5,000. This obligation applies to members of the Board of Managing Directors and of the Supervisory Board, as well as to other persons who regularly have access to insider information and who are authorized to make significant business decisions. The obligation furthermore applies for persons related to persons in management positions.

During fiscal 2016, no reportable securities transactions under Sec. 15a of the Securities Trading Act or Art. 19 of the Market Abuse Regulation were reported to Oldenburgische Landesbank AG.

Shareholdings of the Board of Managing Directors and Supervisory Board

The total amount of Oldenburgische Landesbank AG stock held by all members of the Board of Managing Directors and the Supervisory Board as of December 31, 2016, was less than 1 percent of the stock issued by the Company.

Management Declaration (Disclosures per Sec. 289a (1) and (2) of the German Commercial Code)

Declaration of Compliance with the German Corporate Governance Code

Under Sec. 161 of the German Stock Corporation Act, each year the managing board and supervisory board of listed companies must issue a declaration of compliance with the recommendations of the German Corporate Governance Code. Deviations from the recommendations must be disclosed, and their reasons must be given, under the principle of "comply or explain."

In December 2016, the Board of Managing Directors and the Supervisory Board of Oldenburgische Landesbank AG issued the periodic Declaration of Compliance with the German Corporate Governance Code, declaring that the Company has complied with all recommendations of the German Corporate Governance Code since the last Declaration of Compliance was issued, and that it will continue to comply with those recommendations in the future. The Declaration of Compliance of December 2016 reads as follows:

"Declaration of the Board of Managing Directors and the Supervisory Board of Oldenburgische Landesbank AG on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with Sec. 161 of the Stock Corporation Act

1. Oldenburgische Landesbank AG complies, and will continue to comply, with all recommendations of the Government Commission on the German Corporate Governance Code in the version of May 5, 2015, as promulgated by the Federal Ministry of Justice in the Official Part of the Federal Gazette, the Bundesanzeiger.

2. Since the last Declaration of Compliance, from December 2015, Oldenburgische Landesbank AG has complied with all recommendations of the Government Commission on the German Corporate Governance Code in the version of May 5, 2015.

Oldenburg, December 2016
Oldenburgische Landesbank AG

For the Board of Managing Directors:
(signed) Patrick Tessmann
(signed) Karin Katerbau

For the Supervisory Board:
(signed) Rainer Schwarz"

This Declaration of Compliance, together with the Declarations of Compliance from past years, is kept permanently available to the public in the Investor Relations section of the Web site of Oldenburgische Landesbank AG (www.olb.de), under the Corporate Governance heading.

Oldenburgische Landesbank AG furthermore complied extensively with the nonbinding suggestions of the German Corporate Governance Code in fiscal 2016.

Disclosures regarding management practices

Oldenburgische Landesbank AG depends for its survival on the trust of its clients, shareholders, employees and the public in the Company's performance and integrity. This trust depends significantly on the conduct of employees, executives, and corporate management, and on the way in which they apply their abilities for the benefit of clients, shareholders and the Company itself.

Oldenburgische Landesbank AG is an Allianz Group company. Through its own initiatives, Allianz supports the UN Global Compact program and acknowledges the OECD Guidelines for multinational corporations. These efforts are intended to integrate sustainability and social responsibility into business. The UN Global Compact is an initiative of former UN Secretary-General Kofi Annan and major international corporations to promote the recognition of human rights.

The Code of Conduct that the Bank has established for all employees, executives and members of the Board of Managing Directors of OLB implements these principles and sets minimum standards for every member of the team. It is intended to provide the employees with guidelines for their daily thoughts and actions. In addition to matters of corruption, money laundering and discrimination, the principles also especially emphasize potential conflicts of interest and how to avoid them.

The Bank's Code of Conduct is available in the Corporate Governance area of the Investor Relations section of the Company's Web site, and is founded on the Allianz Group's Code of Conduct for Business Ethics and Compliance.

Description of the working procedures of the Board of Managing Directors and Supervisory Board and the composition and working procedures of their committees

See pp. 010 ff.

The working procedures of the Board of Managing Directors and Supervisory Board are described in the Corporate Governance Report.

See pp. 022 ff.

The members of the Board of Managing Directors are listed in the Compensation Report. The members of the Supervisory Board are listed in the Corporate Governance Report.

See pp. 014 ff.

The composition and working procedures of the committees of the Supervisory Board are described in the Corporate Governance Report. The Board of Managing Directors has decided not to form committees of its own.

Targets for women's participation in the Board of Managing Directors and the two levels of management below the Board of Managing Directors

In implementation of the Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors, OLB has set the following targets for the membership of women in the Board of Managing Directors and in the two levels of management below that board. All have agreed on June 30, 2017, as the date for all targets to be achieved. No target for women's membership in the Supervisory Board had to be set under Sec. 111 (5) Sentence 5 of the German Stock Corporation Act, because the statutory gender ratio under Sec. 96 (2) Sentence 1 of that Act applies to the Supervisory Board.

- The target for women's participation in the Board of Managing Directors is 25 percent (as of December 31, 2016: 25 percent). Because it was impossible by law to set an implementation deadline beyond June 30, 2017, and no changes can be expected at present, the target is oriented to the status quo.
- The target for women in the first level of management below the Board of Managing Directors is 20 percent (as of December 31, 2016: 16 percent).
- The target for women in the second level of management below the Board of Managing Directors is 20 percent (as of December 31, 2016: 16 percent).

The Bank is not merely concerned with simply meeting the requirements of law; OLB can be successful in business for the long term only if women are advanced with equal rights and are assigned to management positions on the basis of merit. Oldenburgische Landesbank AG committed early to encouraging diversity within the Company. It has already established the appropriate conditions for this purpose; it has focused HR processes on this goal and taken a number of steps. In addition to providing better alternatives for compatibility between work and family, the range of these measures includes personnel development programs, targeted preparation for future duties, and mentoring for upcoming managers, in which participants can benefit from the experience of long-standing executives, including women executives.

Statutory gender quota for the Supervisory Board

In compliance with Sec. 96 (2) Sentence 1 of the German Stock Corporation Act, the Supervisory Board of Oldenburgische Landesbank AG must include at least 30 percent women and at least 30 percent men. The Company was in compliance with this statutory quota in fiscal 2016, as since its last constituting meeting in May 2013, the Supervisory Board has included four women and eight men.

Compensation Report

The Compensation Report summarizes the structure, principles and amounts of the compensation of the Board of Managing Directors of Oldenburgische Landesbank AG (OLB). It also presents the composition and amount of the compensation of the Supervisory Board. It furthermore describes the structure of the compensation systems for OLB employees, and the total amounts of all compensation.

This information is to be considered an integral part of the Management Report, and is therefore not repeated in the Notes to the Annual Financial Statements.

Compensation of the Board of Managing Directors

Compensation system

The concept for the compensation of the Board of Managing Directors aims for fairness, sustainability and competitiveness. Its structure is deliberated and regularly reviewed by the Supervisory Board. This procedure was most recently carried out in September 2016.

The following compensation principles govern the compensation of the Board of Managing Directors:

- Total compensation must be sufficient to attract highly qualified executives and keep them with the Company for the long term.
- The compensation structure must ensure a balance between short-term and long-term components of compensation.
- The incentive system must be designed in such a way as to be effective even if the business environment changes.
- The variable results-based and performance-based components of compensation must be consistent with the strategic and financial interests of Oldenburgische Landesbank AG. They are designed so as to offer no incentives to incur unreasonable risk.
- Total compensation must be consistent with the individual board members' duties and responsibilities, as well as their achievements.
- The compensation system supports the objectives of risk management, capital management and liquidity management, and aims to encourage a structurally conservative risk policy within the Company.

The compensation system for the Board of Managing Directors consists of the following components:

Non-performance-based compensation

The non-performance-based component of compensation comprises a fixed component and other elements:

a) *Fixed component.* The base compensation is a fixed amount disbursed in twelve monthly payments. The amount of this component depends in part on the board member's position and responsibilities, and in part on external market conditions.

b) *Other components of compensation.* Noncash benefits provided as compensation in kind and perquisites are accorded in variable amounts depending on the individual's duties and position, and must be taxed individually. These are primarily insurance benefits commonly provided in the market, the use of company cars, and reimbursements of the expenses for maintaining two residences.

Performance-based compensation

The performance-based component of compensation has two elements and ensures an appropriate balance between short-term financial targets, longer-term results, and a sustainable increase in corporate value. All elements of performance-based compensation are described in a model that applies throughout the Allianz Group, the Allianz Sustained Performance Plan (ASPP). To determine the performance-based component, each year the Supervisory Board makes a goal agreement with the individual members of the Board of Managing Directors that sets forth both corporate and personal targets. In assessing the achievement of targets, the Supervisory Board may set the performance-based component within a range of zero percent to 150 percent of the variable target compensation. However, it may not exceed 100 percent of the fixed component.

See Glossary, p. 130

The performance-based compensation for all members of the Board of Managing Directors comprises the following components:

a) *Annual bonus.* The members of the Board of Managing Directors receive an annual bonus depending on the degree to which the targets under a personal goal agreement are achieved. The targets are defined before the beginning of the performance period. At the end of that annual period, the degree to which these goals have been achieved is assessed, and that assessment serves as a basis for the amount of the annual bonus to be paid.

b) *Share-based payments.* The members of the Board of Managing Directors furthermore participate in Allianz's Group-wide program for share-based compensation (Allianz Equity Incentive – AEI). Share-based compensation is awarded in the form of virtual stock, known as Restricted Stock Units (RSUs), after the end of the fiscal year, at the time when the annual bonus is determined. The number of RSUs is calculated from the amount of the annual bonus for the past year, divided by the calculated market value of one RSU as of the date of the award. The RSUs are subject to a holding term of four years after they are awarded. After that period expires, the RSUs are automatically exercised by the Company in accordance with the terms of the plan. For each RSU, the member of the Board of Managing Directors receives the equivalent of one share of Allianz SE at the exercise price defined in the terms of the plan. This amount is paid out in cash or in Allianz SE stock. Moreover, the potential appreciation of RSUs is limited to 200 percent of the stock price as of their grant date. Fifty percent of the RSUs are subject to additional sustainability criteria. If certain events of an especially serious nature occur, the Supervisory Board may cancel up to 50 percent of awarded RSUs before they are exercised.

See Glossary, pp. 130 and 132

The Supervisory Board has defined maximum limits for the compensation of the Board of Managing Directors, both as a whole and in terms of their variable components. It has also defined the target benefits level for the individual members of that board.

c) *Transaction bonus:* In connection with the sale of Allianz Deutschland AG's ownership interest in Oldenburgische Landesbank AG, the members of the Board of Managing Directors will receive a transaction bonus as part of their variable cash compensation. This bonus will be provided not by Oldenburgische Landesbank AG, but by Allianz Deutschland AG, with the consent of the Supervisory Board of Oldenburgische Landesbank AG. Oldenburgische Landesbank AG will incur no financial charges from the grant of the transaction bonus. The transaction bonus will be paid in several tranches, the first of which is for fiscal 2016. That tranche came to EUR 150 thousand for Mr. Tessmann and EUR 125 thousand for each of the other board members.

Company retirement plan

Under their employment agreements, the members of the Board of Managing Directors receive a company retirement plan in the form of a defined-contribution arrangement.

Individualized compensation of the Board of Managing Directors

Individualized details of the compensation paid to the Board of Managing Directors in fiscal 2016 can be found in the tables below.

This table presents and expands upon the compensation of the Board of Managing Directors in the reporting form required by the German Commercial Code (HGB):

EUR k		Non-performance-based components		Performance-based components		Total
		Fixed component	Other components of compensation	Annual bonus and transaction bonus (short term)[1]	Share-based payments (long term)	
Patrick Tessmann	**2016**	**465.0**	**50.6**	**305.0**	**155.0**	**975.6**
	2015	465.0	99.8	164.9	164.9	894.6
Dr. Thomas Bretzger	**2016**	**360.0**	**6.7**	**236.6**	**111.6**	**714.9**
	2015	360.0	10.9	124.6	124.6	620.1
Karin Katerbau	**2016**	**360.0**	**15.3**	**237.5**	**112.5**	**725.3**
	2015	360.0	17.3	126.6	126.6	630.5
Hilger Koenig	**2016**	**360.0**	**15.5**	**239.5**	**114.5**	**729.5**
	2015	360.0	15.1	126.3	126.3	627.7
Total compensation	**2016**	**1,545.0**	**88.1**	**1,018.6**	**493.6**	**3,145.3**
	2015	1,545.0	143.1	542.4	542.4	2,772.9

1 This figure for fiscal 2016 includes a transaction bonus of EUR 150 thousand for Mr. Tessmann and of EUR 125 thousand each for Dr. Bretzger, Ms. Katerbau and Mr. Koenig. It will be paid by Allianz Deutschland AG and therefore is not incurred as a charge by Oldenburgische Landesbank AG.

The total compensation paid to the Board of Managing Directors under Sec. 285 No. 9 of the Commercial Code (HGB) for fiscal 2016 came to EUR 3.1 million (prior year: EUR 2.8 million). This figure includes RSUs with a total fair value of EUR 0.5 million (prior year: EUR 0.5 million). As of December 31, 2016, the number of share-based rights held by the active members of the Board of Managing Directors totaled 26,041 RSUs.

Additionally, the compensation tables are also presented below in the form recommended under the German Corporate Governance Code (GCGC).

Compensation table as recommended under the German Corporate Governance Code – presentation of benefits granted:

Benefits granted	Patrick Tessmann Chairman of the Board of Managing Directors				Dr. Thomas Bretzger Member of the Board of Managing Directors			
EUR k	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)
Fixed component	465.0	465.0	465.0	465.0	360.0	360.0	360.0	360.0
Fringe benefits	99.8	50.6	50.6	50.6	10.9	6.7	6.7	6.7
Total	**564.8**	**515.6**	**515.6**	**515.6**	**370.9**	**366.7**	**366.7**	**366.7**
One-year variable compensation [1]	155.0	305.0	—	382.5	119.0	244.0	—	303.5
Multi-year variable compensation	164.9	155.0	—	232.5	124.6	111.6	—	178.5
RSU 2016 (period 4 years)	164.9	—	—	—	124.6	—	—	—
RSU 2017 (period 4 years)	—	155.0	—	232.5	—	111.6	—	178.5
Total	**319.9**	**460.0**	**—**	**615.0**	**243.6**	**355.6**	**—**	**482.0**
Pension-related expense	161.8	139.0	139.0	139.0	125.3	107.6	107.6	107.6
Total compensation	**1,046.5**	**1,114.6**	**654.6**	**1,269.6**	**739.8**	**829.9**	**474.3**	**956.3**

Benefits granted	Karin Katerbau Member of the Board of Managing Directors				Hilger Koenig Member of the Board of Managing Directors			
EUR k	2015	2016	2016 (min)	2016 (max)	2015	2016	2016 (min)	2016 (max)
Fixed component	360.0	360.0	360.0	360.0	360.0	360.0	360.0	360.0
Fringe benefits	17.3	15.3	15.3	15.3	15.1	15.5	15.5	15.5
Total	**377.3**	**375.3**	**375.3**	**375.3**	**375.1**	**375.5**	**375.5**	**375.5**
One-year variable compensation [1]	119.0	244.0	—	303.5	119.0	244.0	—	303.5
Multi-year variable compensation	126.6	112.5	—	178.5	126.3	114.5	—	178.5
RSU 2016 (period 4 years)	126.6	—	—	—	126.3	—	—	—
RSU 2017 (period 4 years)	—	112.5	—	178.5	—	114.5	—	178.5
Total	**245.6**	**356.5**	**—**	**482.0**	**245.3**	**358.5**	**—**	**482.0**
Pension-related expense	125.2	108.6	108.6	108.6	140.6	137.6	137.6	137.6
Total compensation	**748.1**	**840.4**	**483.9**	**965.9**	**761.0**	**871.6**	**513.1**	**995.1**

1 This figure for fiscal 2016 includes a transaction bonus of EUR 150 thousand for Mr. Tessmann and of EUR 125 thousand each for Dr. Bretzger, Ms. Katerbau and Mr. Koenig. It will be paid by Allianz Deutschland AG and therefore is not incurred as a charge by Oldenburgische Landesbank AG.

Compensation table as recommended under the German Corporate Governance Code – presentation according to allocation:

Allocation	Patrick Tessmann Chairman of the Board of Managing Directors		Dr. Thomas Bretzger Member of the Board of Managing Directors	
EUR k	2016	2015	2016	2015
Fixed component	465.0	465.0	360.0	360.0
Fringe benefits	50.6	99.8	6.7	10.9
Total	**515.6**	**564.8**	**366.7**	**370.9**
One-year variable compensation [1]	305.0	164.9	236.6	124.6
Multi-year variable compensation	—	—	—	—
Other	—	—	—	—
Total	**305.0**	**164.9**	**236.6**	**124.6**
Pension-related expense	139.0	161.8	107.6	125.3
Total compensation	**959.6**	**891.5**	**710.9**	**620.8**

Allocation	Karin Katerbau Member of the Board of Managing Directors		Hilger Koenig Member of the Board of Managing Directors	
EUR k	2016	2015	2016	2015
Fixed component	360.0	360.0	360.0	360.0
Fringe benefits	15.3	17.3	15.5	15.1
Total	**375.3**	**377.3**	**375.5**	**375.1**
One-year variable compensation [1]	237.5	126.6	239.5	126.3
Multi-year variable compensation	—	—	—	—
Other	—	—	—	—
Total	**237.5**	**126.6**	**239.5**	**126.3**
Pension-related expense	108.6	125.2	137.6	140.6
Total compensation	**721.4**	**629.1**	**752.6**	**642.0**

1 This figure for fiscal 2016 includes a transaction bonus of EUR 150 thousand for Mr. Tessmann and of EUR 125 thousand each for Dr. Bretzger, Ms. Katerbau and Mr. Koenig. It will be paid by Allianz Deutschland AG and therefore is not incurred as a charge by Oldenburgische Landesbank AG.

Credit granted to members of the Board of Managing Directors was as follows as of December 31, 2016: Approved credit lines totaled EUR 90.4 thousand (prior year: EUR 90.4 thousand), EUR 6.8 thousand of which (prior year: EUR 18.3 thousand) had been used as of December 31, 2016. The interest rate charged for each line was 4.42 percent p. a. The interest rates and credit terms are those commonly applied in the market.

At the reporting date, EUR 4.6 thousand (prior year: EUR 7.7 thousand) in credit card lines had been utilized, out of total limits of EUR 60.2 thousand (prior year: EUR 60.2 thousand).

There were furthermore loan commitments of EUR 341.6 thousand (prior year: EUR 446.1 thousand), of which EUR 341.6 thousand (prior year: EUR 366.1 thousand) had been drawn as of December 31, 2016. The interest rates charged were between 1.43 percent and 1.67 percent p. a. The interest rates and loan terms are those commonly applied in the market.

At December 31, 2016, the discounted fulfillment amount of pension obligations, as determined on the basis of the Commercial Code, for the members of the Board of Managing Directors who were active during fiscal 2016 was EUR 2,022.4 thousand (prior year; EUR 1,545.2 thousand). Of this amount, EUR 305.1 thousand was for Mr. Tessmann, EUR 490.7 thousand for Dr. Bretzger, EUR 505.6 thousand for Ms. Katerbau, and EUR 721.0 thousand for Mr. Koenig.

A total of EUR 1.3 million was paid to former members of the Board of Managing Directors or their survivors. The discounted fulfillment amount of pension obligations on the basis of the Commercial Code for former members of the Board of Managing Directors and their survivors was EUR 15.5 million (prior year: EUR 16.4 million).

The table below shows expenses for pension benefits and the pension provisions as defined under the Commercial Code (HGB) and the German Corporate Governance Code (GCGC) for the members of the Board of Managing Directors active in fiscal 2015 and 2016. Differences in the amounts shown derive primarily from the use of different discount rates under the Commercial Code and the GCGC:

		HGB			GCGC [1]
EUR k		Pension-related expense	Pension provisions	Current service cost	Pension obligations
Patrick Tessmann	**2016**	**134.9**	**305.1**	**139.0**	**312.1**
	2015	155.7	185.8	161.8	189.1
Dr. Thomas Bretzger	**2016**	**105.5**	**490.7**	**107.6**	**546.9**
	2015	121.5	380.7	125.3	408.7
Karin Katerbau	**2016**	**105.3**	**505.6**	**108.6**	**571.5**
	2015	121.0	395.2	125.2	428.0
Hilger Koenig	**2016**	**109.3**	**721.0**	**137.6**	**1,035.9**
	2015	158.5	583.5	140.6	776.0
Total	**2016**	**455.0**	**2,022.4**	**492.8**	**2,466.4**
	2015	556.7	1,545.2	552.9	1,801.8

1 Determined on the basis of International Accounting Standard IAS 19 pursuant to the German Corporate Governance Code (GCGC)

Compensation system for employees of Oldenburgische Landesbank AG

Compensation system

Fixed component

The compensation system at Oldenburgische Landesbank AG provides in principle for a payment of twelve monthly gross salary installments, each of which is paid in the middle of the month.

If an employee's contract is governed by the collective bargaining agreement for the private banking industry, the gross monthly salary is based on the pay groups under the current agreement. Employees under that collective bargaining agreement are also generally entitled to a contractually guaranteed extra payment in the amount of one month's gross salary (known as the "thirteenth month's gross salary"), which as a rule is paid in November of each year. General terms apply to this extra payment, and are published shortly before the disbursement.

Employees not covered by collectively bargained agreements receive a monthly base salary that is agreed upon consistently with their duties and responsibilities.

Other components of salaries as a rule include:
- Asset-building benefits
- Components of the company retirement plan

Variable component

To enable employees to share appropriately in the Company's success, to acknowledge individual and collective accomplishments appropriately, and to support achievement of the corporate goals laid down in Oldenburgische Landesbank AG's Business and Risk Strategy, employees are also granted variable components of compensation.

To make sure compensation does not depend significantly on the variable component, and thus to avoid incentivizing any conduct that would be inappropriate from the viewpoint of business and risk strategy, the compensation system is structured so that the variable component is well below the statutory limit of 100 percent of the fixed component.

Allowing for the Bank's business situation, the Board of Managing Directors decides each year about whether to pay a voluntary bonus (special allowance) for employees covered by the collective bargaining agreement, in addition to the thirteen months' salaries guaranteed by that agreement. The board also decides the amount of that bonus.

In addition, employees under the collective bargaining agreement – other than apprentices and trainees – can earn commissions by successfully brokering insurance policies, real estate, and home loan and savings agreements. No variable components of compensation under goal agreements are provided for this group of employees.

For employees not covered by collective bargaining agreements, the Bank makes an individual goal agreement, on the basis of which the employee can earn a results-dependent voluntary profit-sharing bonus. The goal achievement ranges run from 70 percent to 120 percent, equivalent to a range of 1.5 to 3.5 times a gross monthly salary, or for employees in second-level management, 60 percent to 140 percent of an individually defined target bonus. Except for second-level management employees, employees not covered by collective bargaining agreements can also earn commissions by successfully brokering insurance policies, real estate and home loan and savings contracts.

Total compensation

Total compensation paid within OLB is shown in the following table:

EUR	2016 total compensation			
	Fixed	Variable [1]	Recipients [2]	Total
Oldenburgische Landesbank AG	98,550,142	10,425,667	2,490	108,975,809

1 Including commissions
2 Recipients in 2016 including trainees, temporary workers and interns

Compensation of the Supervisory Board

Compensation system

The compensation of the Supervisory Board was decided by the Shareholders' Meeting. It is governed by Art. 13 of the Articles of Incorporation. Members of the Supervisory Board receive only a fixed compensation. The amount of the compensation of the Supervisory Board is based on the board members' responsibilities and scope of activities.

Compensation for work on the Supervisory Board

Members of the Supervisory Board receive annual fixed compensation of EUR 50,000. The Chairman of the Supervisory Board receives EUR 100,000 and the Vice-Chairman receives EUR 75,000.

Compensation for committee work

Each member of the Executive and Compensation Committee, the Risk Committee, and the Audit Committee receives an additional annual compensation of EUR 15,000; each member of the Nominating Committee receives compensation of EUR 7,500. The committee chairs each receive twice the compensation of regular members. No additional compensation is provided for members of the Mediation Committee.

Meeting honorarium

The members of the Supervisory Board receive an honorarium of EUR 500 for each meeting of the Supervisory Board or its committees that they attend in person. No additional honorarium is paid if multiple meetings are held on the same day or on successive days.

Compensation for those who join or leave the board during the year

Members of the Supervisory Board who serve for only part of a fiscal year receive one-twelfth of the full compensation for each full or partial month in which they serve. The equivalent applies to memberships on board committees.

Individualized compensation of members of the Supervisory Board

EUR		Fixed component	Committee work	Meeting honorarium	Total compensation
	2016	**100,000**	**75,000**	**3,500**	**178,500**
Rainer Schwarz, Chairman	2015	62,500	58,125	3,500	124,125
	2016	**75,000**	**30,000**	**2,500**	**107,500**
Uwe Schröder, Vice-Chairman	2015	75,000	30,000	3,500	108,500
	2016	**50,000**	**7,500**	**2,000**	**59,500**
Prof. Dr. Werner Brinker	2015	50,000	7,500	2,000	59,500
	2016	**50,000**	**75,000**	**3,000**	**128,000**
Prof. Dr. Andreas Georgi	2015	50,000	75,000	3,500	128,500
	2016	**50,000**	**15,000**	**3,500**	**68,500**
Svenja-Marie Gnida	2015	50,000	15,000	3,500	68,500
	2016	**50,000**	**45,000**	**3,500**	**98,500**
Stefan Lübbe	2015	50,000	45,000	3,500	98,500
	2016	**50,000**	**15,000**	**3,500**	**68,500**
Prof. Dr. Petra Pohlmann	2015	50,000	3,750	2,500	56,250
	2016	**50,000**	**—**	**2,000**	**52,000**
Horst Reglin	2015	50,000	—	2,500	52,500
	2016	**—**	**—**	**—**	**—**
Dr. Peter Hemeling[1]	2015	—	—	—	—
	2016	**50,000**	**15,000**	**3,500**	**68,500**
Carl-Ulfert Stegmann	2015	50,000	3,750	2,500	56,250
	2016	**50,000**	**—**	**2,000**	**52,000**
Gabriele Timpe	2015	50,000	—	2,500	52,500
	2016	**50,000**	**30,000**	**3,500**	**83,500**
Christine de Vries	2015	50,000	30,000	3,500	83,500
	2016	**625,000**	**307,500**	**32,500**	**965,000**
Total	2015	587,500	268,125	33,000	888,625

1 Waiver per Art. 13(7) of the Articles of Incorporation

Total compensation paid to the Supervisory Board for fiscal 2016, including meeting honoraria, came to EUR 965.0 thousand (prior year: EUR 888.6 thousand).

The statutory value-added tax (VAT) applicable to total compensation and meeting honoraria came to EUR 183,350 and was reimbursed.

In addition, in 2016 Carl-Ulfert Stegmann received EUR 2 thousand (prior year: EUR 1 thousand) plus VAT as compensation for his membership on the Advisory Board of Oldenburgische Landesbank AG.

Dr. Petra Pohlmann received compensation in the amount of EUR 40 thousand (prior year: EUR 40 thousand) and meeting honoraria of EUR 0.9 thousand (prior year: EUR 0.6 thousand), each plus VAT, from Allianz Versicherungs-AG for her activity on the present Company's Supervisory Board.

Loans to members of the Supervisory Board

Credit granted to members of the Supervisory Board was as follows as of December 31, 2016: Approved credit lines totaled EUR 290.3 thousand (prior year: EUR 290.3 thousand), EUR 21.9 thousand of which (prior year: EUR 18.1 thousand) had been used as of December 31, 2016. The interest rates charged for each line were between 3.48 percent and 7.92 percent p. a. The interest rates and credit terms are those commonly applied in the market.

At the reporting date, EUR 4.1 thousand (prior year: EUR 5.5 thousand) in credit card lines had been utilized, out of total limits of EUR 109.3 thousand (prior year: EUR 109.3 thousand).

There were furthermore loan commitments of EUR 3,781.4 thousand (prior year: EUR 3,372.3 thousand), of which EUR 3,781.4 thousand (prior year: EUR 3,372.3 thousand) had been drawn as of December 31, 2016. The interest rates are between 0.81 percent and 4.98 percent p. a. The interest rates and loan terms are those commonly applied in the market.

Report of the Supervisory Board

The Supervisory Board continuously monitored the management of the Bank during the year, advised the Board of Managing Directors on running the institution, and participated directly in decisions of fundamental importance. The organization of activities and the areas of responsibility of the Supervisory Board are set forth in the rules of procedure of the Supervisory Board and those of the Board of Managing Directors.

Overview

The Supervisory Board was regularly informed by the Board of Managing Directors about the course of business and the condition and performance of Oldenburgische Landesbank AG (below, also OLB). We also obtained information about the Bank's strategic focus, major business events, and the risk situation. We furthermore participated in the planning by the Board of Managing Directors for fiscal 2017. We additionally obtained reports on deviations of actual business developments from the originally defined goals, together with an explanation of the reasons. The Supervisory Board monitored and advised management on the basis of the written reports and oral information provided by the Board of Managing Directors. Matters of particular significance were thoroughly examined and discussed with the Board of Managing Directors. In addition to the reports from the Board of Managing Directors, we also obtained reports from the independent auditors.

The Supervisory Board held four meetings in person in fiscal 2016: in March, May, September and December. It also held a meeting in September by way of a conference call. The Chairman of the Supervisory Board also maintained contact with the Board of Managing Directors between meetings, and with them regularly discussed the Bank's strategy, business performance, risk management and other matters of importance.

The reports by the Board of Managing Directors on business performance and other reports on special issues were accompanied by written documentation that was made available as preparation to every member of the Supervisory Board in good time before each meeting. The same applied for all documentation for the financial statements, and the audit reports of the independent auditors. Where acts of management were subject to the consent of the Supervisory Board or one of its committees, the matters were duly resolved upon.

Matters addressed by the full board

The Supervisory Board's regular deliberations concerned the economic condition of Oldenburgische Landesbank AG. The Supervisory Board obtained information about business performance and the current risk situation at every regular meeting, and discussed full details of the course of business development with the Board of Managing Directors. We also obtained a separate report from the Board of Managing Directors on the Company's Business and Risk Strategy, which we discussed with the Board of Managing Directors.

We addressed matters concerning the Board of Managing Directors and compensation on several occasions. For example, we decided the level of goal achievement for each member of the Board of Managing Directors for fiscal 2015, and set both the goals and the total amount for the variable component of compensation in 2017. We also satisfied ourselves that the system of compensation for the Board of Managing Directors complies with the relevant terms of law and the recommendations of the German Corporate Governance Code. We once again made certain that the compensation system is in line with OLB's business targets and risk-strategy objectives, and that there is no incentive to incur unreasonably high risk. On the basis of an external benchmark analysis, we found that the amount of the compensation of the Board of Managing Directors is fair and reasonable. We likewise found that the level of pension benefits for members of the Board of Managing Directors is fair and reasonable. We additionally carried out the periodic review of the compensation guideline for the Board of Managing Directors.

Finally, the Supervisory Board assessed the Board of Managing Directors, both as a whole and its individual members, on the basis of criteria prescribed by the German Banking Act (Kreditwesengesetz), and furthermore reviewed the expertise and reliability of the individual members of that board. After due preliminary deliberations in the Executive and Compensation Committee, we extended the term of office of Ms. Karin Katerbau, which expired on December 31, 2016, for a further five years.

Further information about the compensation of the Board of Managing Directors is provided in the Compensation Report.

See pp. 022 ff.

In a special meeting on September 27, 2016, the Board of Managing Directors informed us that it had been notified by Allianz Deutschland AG and Allianz SE that Allianz was reviewing various strategic alternatives for partially or entirely reducing its equity interest in OLB, and in this context was also in discussions with interested parties concerning a possible sale.

At all four regular meetings, the Board of Managing Directors informed us in detail of the status of the implementation of the “OLB 2019” program for the future. The Supervisory Board finds that in this program the Board of Managing Directors presented a viable concept for confronting the challenges ahead, particularly changes in client preferences, increasing digitization and regulation, and the persistent environment of low interest rates. We obtained regular progress reports from the Board of Managing Directors, on the basis of which we were able to satisfy ourselves that by far the majority of the program’s many project modules are being carried out on schedule. We will attentively follow further developments.

We also obtained an overview of the principal contents of the EU’s new statutory audit legislation, particularly the mandatory requirements for rotating independent auditors. The German legislature has also set additional requirements for the Supervisory Board by way of the German Audit Reform Act (AReG). Where these changes required revisions in the Supervisory Board’s rules of procedure and the board’s definition of objectives for its own composition, we made those revisions.

Work in the committees of the Supervisory Board

The Supervisory Board has established five committees to assist it in performing its duties efficiently: the Executive and Compensation Committee, the Audit Committee, the Risk Committee, the Nominating Committee, and the Mediation Committee.

The committees prepare the decisions of the Supervisory Board and the work of the full meetings of the board. Where permitted by law, the Supervisory Board has also transferred its decision-making authority on numerous topics to committees. The committee chairs regularly informed the Supervisory Board of the committees’ work. The membership and scope of duties of the individual committees are described in the Corporate Governance Report.

See pp. 014 ff.

The Executive and Compensation Committee met a total of four times in fiscal 2016. It dealt primarily with matters concerning the Board of Managing Directors. The committee prepared for the review of the compensation system for the Board of Managing Directors, addressed the updating of the compensation guideline for the Board of Managing Directors, and evaluated the appropriateness of the level of pension benefits for members of the Board of Managing Directors. The committee furthermore discussed the degree of achievement of the goals set for the members of the Board of Managing Directors for fiscal 2015, and presented a corresponding recommendation to the full Supervisory Board. It additionally prepared a proposal for the full Supervisory Board for setting goals for the Board of Managing Directors and the total amount of variable compensation for 2017.

The Executive and Compensation Committee also prepared the assessment of the structure, size, composition and performance of the Board of Managing Directors, and supported the Supervisory Board in assessing the knowledge, abilities and experience of the individual managing directors, as well as the Board of Managing Directors as a whole. It also dealt with the redrafting of the German Bank Compensation Regulation (Institutsvergütungsverordnung) and its new regulatory requirements for the compensation systems at banking institutions, and it monitored the appropriate design of the compensation system for OLB employees. Finally, the committee also deliberated on the extension of Ms. Karin Katerbau's term of office as a member of the Board of Managing Directors, which would expire on December 31, 2016. The committee furthermore approved anticipatory resolutions on granting loans to individuals who are related parties of the Company, and consented for members of the Board of Managing Directors to accept certain offices at other companies and institutions.

The *Audit Committee* met five times in fiscal 2016, including once by way of teleconferencing. Between meetings, the committee chairman also maintained contact with the Board of Managing Directors, the independent auditors, and the heads of the Internal Auditing and Compliance units. The committee reviewed the annual financial statements of Oldenburgische Landesbank AG, the management report and the audit reports, and discussed these documents for the financial statements with the auditors, who were in attendance and had first presented the principal results of their audit. The committee additionally addressed the report on relations with affiliated companies and the associated audit report. The Audit Committee found no cause for objection in either the documents of the financial statements or the report on relations with affiliated companies. It also satisfied itself of the independence of the independent auditors, discussed the main emphases for the audit, and engaged the auditors. It also made decisions on the nature and scope of what are known as "non-audit services" that the independent auditors are permitted to provide. The committee furthermore submitted a recommendation to the full Supervisory Board for the Supervisory Board's recommendation to the Shareholders' Meeting regarding the election of the independent auditors. The Audit Committee also dealt several times with the EU's new statutory audit legislation and the associated requirements for rotating independent auditors. At all meetings held in person, the committee obtained reports about the activities of the Internal Auditing and Compliance departments. It also dealt with the emphases of the regulatory requirements in the coming fiscal year, and the personnel expenses and other costs associated with their implementation. The planned amendment of the Minimum Requirements for Risk Management (MaRisk) was presented to the committee in further detail. The Audit Committee again dealt with the internal controlling system for financial reporting, and reviewed the Internal Audit and Compliance systems for efficacy. It also addressed audit reports that KPMG had prepared on various topics (requirements under the laws on depository institutions and the capital markets; prevention of money laundering, financing of terrorism and other criminal acts; legal, economic and organizational bases; risk management; prevention of cybercrime; the internal controlling system, the lending business and the fulfillment of other regulatory requirements). It also discussed the semiannual financial report with the Board of Managing Directors before publication. Finally, the committee submitted a suggestion to the full Supervisory Board for the Declaration of Compliance with the German Corporate Governance Code, and approved the Company's investment plan for 2017.

The *Risk Committee* held a total of four meetings last year in person. It also met seven times by way of teleconferencing, to deliberate and decide primarily on individual credit exposures. Between meetings, the chairman of the Risk Committee maintained regular contact with the Board of Managing Directors.

The Risk Committee obtained an explanation of the Business and Risk Strategy from the Board of Managing Directors and concerned itself in depth with the Bank's current risk position at all its meetings held in person. These quarterly risk reports addressed such matters as risk-carrying capacity, credit risks, market price risks, liquidity risks and operational risks. As in the previous reporting periods, the committee obtained regular reports on the evolution of the loans extended by OLB for ship financing, and attentively tracked the steps taken by the Board of Managing Directors to reduce risk in this segment. The committee also gave special attention to the Bank's strategy for financing wind farms, and discussed the further evolution of this portion of the portfolio with the Board of Managing Directors. The Risk Committee also evaluated the incentives established under the compensation structure, and found that the provided incentives take due account of OLB's risk, capital and liquidity structure and of the probability and maturities of revenues. It also examined whether terms in the customer business are consistent with OLB's business model and risk structure, and satisfied itself that this was the case. Further topics were the review of the risk management system, the approval of the sale of real estate holdings, consent to loans extended to related entities of the Company, and addressing individual loan applications. Credit applications also concerned Supervisory Board member Carl-Ulfert Stegmann and AG Reederei Norden-Frisia, of which Mr. Stegmann is the sole director. Because Mr. Stegmann is a member of the Risk Committee, to avoid conflicts of interest he left the meeting room each time the committee deliberated and decided on these applications.

The *Nominating Committee* met once during the year. At that meeting it prepared the Supervisory Board's self-evaluation in compliance with the criteria of the Banking Act.

There was no occasion to convene the *Mediation Committee* formed under Sec. 31(3) of the German Co-Determination Act.

Self-evaluation of the Supervisory Board

The Supervisory Board reviewed the efficiency of its activities again in the past year. Here we particularly discussed implementing the efficacy enhancement measures adopted in the prior year. Additionally, with the support of the Nominating Committee, the Supervisory Board performed a self-assessment of its structure, size, composition and performance. Likewise based on preparations by the Nominating Committee, it also assessed the knowledge, abilities and experience of the Supervisory Board as a whole and its members as individuals, and in that connection also reviewed the expertise and reliability of its members.

Corporate Governance and Declaration of Compliance

The Supervisory Board and Board of Managing Directors discussed the implementation of the provisions of the German Corporate Governance Code; there were no new requirements to be taken into account in this regard. In December 2016, both bodies issued a Declaration of Compliance with the German Corporate Governance Code in accordance with Sec. 161 of the German Stock Corporation Act, declaring that the Company has complied with all recommendations of the German Corporate Governance Code since the last Declaration of Compliance was issued, and that it will continue to comply with those recommendations in the future. The Declaration of Compliance of December 2016 was published on OLB's Web site, and is also reproduced in the Management Declaration (Disclosures per Sec. 289a(1) and (2) of the German Commercial Code). Both the Management Declaration and the Corporate Governance Report provide further information about corporate governance at Oldenburgische Landesbank AG.

See p. 019

Audit of annual financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft, of Hamburg, has audited the annual financial statements of Oldenburgische Landesbank AG as of December 31, 2016, together with the management report, and has granted them an unqualified audit opinion. The annual financial statements were prepared in accordance with the German Commercial Code (HGB).

The documents for the financial statements and KPMG's associated audit report for fiscal 2016 were forwarded to all members of the Supervisory Board in a timely manner. These documents were discussed in detail by the Audit Committee at its meetings of December 7, 2016, and March 9, 2017, and by the full Supervisory Board at its meeting of March 16, 2017. The auditors participated in all of these meetings. They reported to us on the material results of their audits and were available to answer questions and provide additional information. The independent auditors furthermore confirmed that the Board of Managing Directors has duly taken the measures required under Sec. 91(2) of the Stock Corporation Act, particularly for establishing a monitoring system, and that the monitoring system is suitable for the early detection of developments that might pose a threat to the Company's continuing existence.

On the basis of its own audit and review of the annual financial statements and the management report, as well as the proposed allocation of profits, the Supervisory Board found no objections, and concurred in the results of KPMG's audit of the financial statements. The Supervisory Board approved the annual financial statements prepared by the Board of Managing Directors; the annual financial statements are thereby adopted. We concur in the allocation of profits proposed by the Board of Managing Directors.

Report on relations with affiliated companies

The Board of Managing Directors furthermore submitted to the Supervisory Board the report on relations with affiliated companies, together with the associated audit report prepared by KPMG. On the basis of their audit, completed without finding objections, the independent auditors provided the following audit opinion:

"Following our conscientious audit and assessment, we confirm that

1. the factual details of the report are correct,
2. in the transactions detailed in the report, the consideration furnished by the company was not excessive, or any detriment was compensated,
3. there are no circumstances that argue for an assessment materially different from that of the Board of Managing Directors in regard to the measures detailed in the report."

The report on relations with affiliated companies, together with the associated audit report, was forwarded to all members of the Supervisory Board. These documents were discussed by the Audit Committee and by the full board, with the independent auditors attending. The independent auditors reported on the material findings of their audit. On the basis of its own review, the Supervisory Board approved the report on relations with affiliated companies. We have noted with approval the associated report by the independent auditors.

In accordance with the final results of its own audit, the Supervisory Board has no objections to the declaration by the Board of Managing Directors at the end of the report on relations with affiliated companies.

Members of the Supervisory Board and Board of Managing Directors

There were no changes in the membership of the Supervisory Board or the Board of Managing Directors.

The Supervisory Board wishes to thank every employee of Oldenburgische Landesbank AG for their dedication and for their successful hard work.

Oldenburg, March 16, 2017
For the Supervisory Board

Rainer Schwarz
Chairman

MANAGEMENT REPORT

About the Company

Oldenburgische Landesbank AG (OLB) is an exchange-listed regional bank that has conducted commercial banking business for corporate and retail customers since 1869. Its core business territory covers the region between the Weser and Ems Rivers and the North Sea. With experienced staff for corporate customers, retail customers and independent professionals, specialized advisors particularly for the region's strong agricultural and renewable energy sectors and in private banking, and an ingrained sense of social responsibility, OLB has made itself a partner for the region and its people.

The Company's banking business operations are conducted by OLB AG. OLB additionally maintains two special funds, AGI-Fonds Ammerland and AGI-Fonds Weser-Ems, as long-term financial assets. The Bank is furthermore the sole shareholder of two companies which, however, are not of material significance for OLB's net assets, financial position and results of operations, and therefore are not required to be consolidated.

OLB's intent to provide comprehensive, individualized advice for its customers requires a systematic orientation to target groups in its front-office units. For that reason, the Bank's monitoring and reporting are based on three strategic lines of business: Retail and Business Customers, Private Banking & Independent Professionals, and Corporate Customers.

The Retail and Business Customers segment comprises the classic banking business with individuals and businesses. Above and beyond private construction financing and the deposits business, its principal product groups are account management, payment traffic, consumer loans, smaller business loans, risk cushioning and retirement planning, and structured asset investment. This segment is a very important source for OLB's stable deposit base, and thus for the Bank's liquidity and refinancing base as well.

The Private Banking & Independent Professionals segment offers all-around customized support for its clients, from investment counseling to the lending business. This line of business places a particular emphasis on asset investment, with a strong focus on managed forms of investment and asset management, securities advisory services to assist orders, and real estate brokering and financing. It also offers classic banking products in payment traffic, deposits and lending, as well as customized solutions for private risk cushioning and retirement planning.

In the Corporate Customers segment, OLB concentrates on its traditional broad-based credit business with small and medium-sized corporate customers, especially in the key regional industries of renewable energy, agriculture and food. In addition to the lending business, here OLB primarily offers payment traffic, foreign business, interest rate hedges and insurance.

OLB aligns its profitability goals with the risk structure of its business activities, the returns that the capital market expects from companies with a comparable risk structure, and the structural need for profits to safeguard adequate capitalization by way of retained earnings. As part of its strategic "OLB 2019" program for the future, the Bank is aiming to steadily raise its return on equity in coming years. The bounds within which the requisite profitability potential will be achieved are set by ensuring that incurred risks remain manageable at all times. OLB's management system is derived from these principles of business and risk policy.

The Bank is managed on the basis of the business policy goals established in its Business and Risk Strategy, and of the resources and measures planned for achieving those goals, including the allocation of capital to cover risk. Both strategic documents are reviewed by OLB's Board of Managing Directors and discussed with the Supervisory Board at least once a year, to take timely account of changing conditions.

As part of the annual planning process, profit targets are set for the Bank's business units on the basis of these strategic expectations. The targets take due account of the resources allocated to the units, such as capital and risk limits, together with the associated profit expectations.

Success in implementing strategic objectives is assessed using key performance indicators (KPIs) on the basis of a comparison between planned and actual figures. The principal control parameters are reported monthly, and the reports include detailed comments to point up important current developments and areas of action for the Board of Managing Directors. Early identification of deviations from projected figures for the Bank as a whole and within the strategic lines of business ensures that when such discrepancies from the targets are discovered, management can decide on the most direct possible measures for a correction. The Bank manages its financial figures internally on the basis of International Financial Reporting Standards (IFRSs). The choice of KPIs for the Whole Bank is based on the overriding financial objective of achieving a fair return while controlling incurred risks at all times. For that reason, the principal financial performance indicators applied are return on equity,[1] the core capital ratio,[2] the risk coverage ratio,[3] and the liquidity coverage ratio[4] as a key figure for the Bank's ability to meet payments. The cost–income ratio[5] is used to assess cost efficiency at the Whole Bank level.

The above key figures are embedded in a system of additional financial and nonfinancial key performance indicators that are used to manage specific aspects, but that are of secondary importance for managing the Company as a whole.

The table below shows changes in the principal key performance indicators:

	12/31/2015	Prior-year projection	12/31/2016	Current projection
Return on equity (IFRS)	7.3 %	↘ Slight decrease	8.3 %	↘ Slight decrease
Core capital ratio	10.8 %	→ Stable	11.2 %	↗ Slight increase
Risk coverage ratio	174.0 %	→ Stable	159.0 %	→ Stable
Liquidity coverage ratio	138.0 %	→ Well above 70 %	117.5 %	→ Well above 80 %
Cost–income ratio (IFRS)	72.9 %	↗ Slight decline	77.3 %	↘ Slight improvement

1 Ratio of profit before taxes to average equity per IFRSs, excluding other comprehensive income

2 Ratio of core capital to risk-weighted assets

3 Ratio of available risk coverage to risk capital needed

4 Ratio of holdings of highly liquid assets to expected cash outflows in the next 30 days

5 Ratio of administrative expenses to total of net interest income, net commission income and net operating trading income

Additional Disclosures Concerning Takeovers under Sec. 289(4) HGB and Explanatory Report

See Glossary, p. 132

Composition of subscribed capital

The subscribed capital of OLB, in the amount of EUR 60,468,571.80, is divided into 23,257,143 no-par shares. These shares are bearer shares and are fully paid in. All shares carry the same rights and obligations. Each share confers one vote. The shareholders' participation in the Company's profits is proportionate to their holdings of the share capital (Sec. 60 of the German Stock Corporation Act – AktG). Treasury stock held by the Company itself is not eligible to vote or to participate in profits (Sec. 71 b AktG). Under Art. 5(2) Sentence 2 of the Articles of Incorporation, shareholders are not entitled to have their shares certificated. Details of the shareholders' rights and duties are specified by the Stock Corporation Act, particularly Secs. 12, 53a et seq., 118 et seq., and 186.

Restrictions on voting rights or on the transfer of shares

So far as the Board of Managing Directors is aware, there are no restrictions on voting rights or on the transfer of shares.

Capital holdings in excess of 10 percent of voting rights

Allianz Deutschland AG, of Munich, holds approximately 90.2 percent of the stock of Oldenburgische Landesbank AG (as of December 31, 2016). The sole shareholder of Allianz Deutschland AG is Allianz SE, of Munich. In September 2016, the Board of Managing Directors of OLB was informed by Allianz Deutschland AG and Allianz SE that Allianz was reviewing various strategic alternatives for partially or entirely reducing its equity interest in OLB, and in that connection was in discussions with interested parties concerning a possible sale. Up to March 14, 2017, the date of preparation of the annual financial statements, the Bank had received no further information on this matter.

Shares with special rights conferring control

There are no shares with special rights conferring control.

Nature of control of voting rights for shares held by employees

Those employees who hold interests in the capital of Oldenburgische Landesbank AG exercise their rights of control directly.

Provisions of law and of the Articles of Incorporation for the appointment and dismissal of members of the Board of Managing Directors, and for amending the Articles of Incorporation

The members of the Board of Managing Directors are appointed and dismissed by the Supervisory Board, in accordance with Sec. 84 of the German Stock Corporation Act (AktG). Members of the Board of Managing Directors are appointed for terms of no more than five years. Their terms may be extended, and reappointments are permitted. In appointing members of the Board of Managing Directors, particular care must be taken that they are reliable and professionally qualified to manage a banking institution (cf. Sec. 25c of the German Banking Act – KWG). The Federal Financial Supervisory Authority (BaFin) must be notified of the intent to appoint a new member to the Board of Managing Directors, and of the appointment proper, in accordance with Sec. 24(1) No. 1 of the German Banking Act. Under Art. 7 of the Articles of Incorporation, the Board of Managing Directors must have at least two members. If the Board of Managing Directors lacks a necessary member, in emergencies an interested party may petition the court to appoint that member, in accordance with Sec. 85 of the Stock Corporation Act.

Otherwise, the Supervisory Board may decide the number of members

The Supervisory Board of Oldenburgische Landesbank AG is covered by the requirements of the German Co-Determination Act (MitbestG). Under Sec. 31(2) of that Act, a member of the Board of Managing Directors must be appointed by a majority of at least two-thirds of the vote by the members of the Supervisory Board. If no such majority is obtained, the further procedure is governed by Sec. 31(3) and (4) of the Co-Determination Act.

Members of the Board of Managing Directors may be dismissed by the Supervisory Board for cause (Sec. 84(3) Stock Corporation Act). The resolution is to be adopted by the same rules as for an appointment. BaFin must be informed of the departure of a member of the Board of Managing Directors in accordance with Sec. 24(1) No. 2 of the Banking Act. Under certain circumstances, Sec. 36 of the Banking Act authorizes BaFin to demand the dismissal of members of the Board of Managing Directors. Dismissal may be demanded particularly in cases of unreliability or if a board member lacks the necessary professional qualifications.

Amendments of the Articles of Incorporation must be adopted by the Shareholders' Meeting. The amending resolution must be adopted by a simple majority of votes cast and by a majority of at least three-quarters of the share capital represented at the vote (Secs. 133(1) and 179(2) Sentence 1 of the Stock Corporation Act, respectively). Under Art. 16(5) Sentence 2 of the Articles of Incorporation, a simple capital majority is sufficient in place of the capital majority required under Sec. 179(2) Sentence 1 of the Stock Corporation Act (at least three-quarters of the share capital represented at the vote), if permitted by law. Under Art. 12 of the Articles of Incorporation, the Supervisory Board is authorized to make purely editorial amendments to the Articles.

Authorization of the Board of Managing Directors to issue or buy back stock

Under Art. 6 of the Articles of Incorporation, the Board of Managing Directors is authorized to increase the Company's share capital on one or more occasions on or before May 30, 2017, subject to the consent of the Supervisory Board, by issuing new no-par shares in return for cash contributions, for a total of not more than EUR 15 million. The shareholders are to be given preemptive rights; however, the Board of Managing Directors is authorized to exclude fractional amounts from the shareholders' preemptive rights, subject to the consent of the Supervisory Board. This authorization enables the Board of Managing Directors to cover any capital needs quickly and flexibly.

Otherwise, the authority of the Board of Managing Directors to issue or repurchase stock is governed by the terms of law.

Material agreements of the Company subject to a change of control due to a takeover bid

Oldenburgische Landesbank AG is a party to the following agreements that provide special conditions in the event of a change of control due to a takeover bid:

See Glossary, p. 133, 132, 131

- Under the Allianz Sustained Performance Plan (ASPP), Restricted Stock Units (RSUs) – in other words, virtual Allianz stock – are distributed as a share-based component of compensation to top management of the Allianz Group worldwide, including at Oldenburgische Landesbank AG. Additionally, until 2010, Stock Appreciation Rights (SARs) – virtual options on Allianz stock – were issued under the Group Equity Incentive Plan (GEI), and some of these still remain valid. The terms of these RSUs and SARs include change of control clauses. These apply if the majority of the voting capital in Oldenburgische Landesbank AG is acquired directly or indirectly by one or more third parties who do not belong to the Allianz Group. The change of control clauses provide for an exception from the usual exercise periods. In accordance with the terms of the RSU plans, RSUs are exercised by the Company for plan participants on the change of control date, waiving the vesting period that would otherwise apply. In accordance with the SAR plan terms, SARs are exercised by the Company for plan participants on the change of control date, waiving the normal exercise dates. However, exercise of the SARs presupposes that the performance thresholds must have been met. The elimination of the vesting period in the event of a change of control takes account of the fact that the terms for stock price performance will change substantially in the event of a change of control.
- Oldenburgische Landesbank AG still maintains various business relationships from the former Allianz Bank, which ceased operations in 2013. It also engages in a certain amount of new business with Allianz agents and Allianz employees. OLB serves both groups through its “Direct Banking Services” (DBS) unit. In declarations dated December 3 and 16, 2014, Allianz Deutschland AG has assumed the obligation to cover all potential losses incurred in connection with this business. This obligation to cover losses, which maintains the same content as the loss coverage obligation that previously was in effect for Allianz Bank, remains in effect until December 31, 2019.
- The agreement to cover losses was terminated by mutual consent with Allianz Deutschland AG on September 30, 2016, subject to the condition precedent of the sale of part or all of Allianz Deutschland AG’s holdings of OLB stock. In this case, the termination agreement provides for a one-time compensating payment to OLB for those risks surviving from the aforementioned business whose amount can be specifically estimated. For potential risks for which no amount can be established, the assumption of liability will continue in certain areas until the associated prescription period ends.

Indemnification agreements in the event of a change of control following a takeover bid

There are no indemnification agreements with members of the Board of Managing Directors or employees for the event of a change of control following a takeover bid.

Report on Economic Conditions

Economic conditions

According to estimates by the International Monetary Fund, the global economy expanded 3.1 percent in 2016, just as it had in the prior year. After a slow start to the year, by mid-year the global economy regained momentum, and production in the advanced economies expanded in the second half. Business conditions in emerging economies stabilized. However, the general trend of the global economy still remains less dynamic than in the years prior to the financial crisis.

Preliminary estimates by the statistical office of the European Union indicate an increase of 1.6 percent in real gross domestic product in 2016 within the euro zone (prior year: 2.0 percent), and 1.7 percent (prior year: 2.2 percent) for the European Union as a whole. Growth was largely driven by consumer spending at the beginning of the year. Over the further course of the year, the increase in consumer and government spending slowed, and the expansion of production was based almost entirely on an increase in exports, especially to the USA and Japan. The British referendum on exiting from the EU did indeed cloud the economic outlook, but any consequences for the real economy were scarcely evident by year's end.

See Glossary, p. 131

The German economy remains in a phase of moderate upswing. According to preliminary figures from the Federal Statistical Office, the economy grew 1.9 percent in 2016 (prior year: 1.7 percent). Growth was once again driven by consumer demand. The continuing expansion of employment, stable wages, and low inflation rates encouraged consumer spending to expand 2.0 percent (prior year: 2.0 percent). Government spending on consumption also increased, by 4.2 percent (prior year: 2.7 percent) in connection with the immigration of refugees. Capital expenditure increased 2.5 percent in 2016 (prior year: 1.7 percent) in 2016, particularly reflecting a 3.1 percent increase in investment in construction (prior year: 0.3 percent). Foreign trade again showed an export surplus; however, exports grew less, at 2.5 percent (prior year: 5.2 percent), than imports, which rose 3.4 percent (prior year: 5.5 percent).

According to the leading German economic research institutes, the outlook for the German economy remains positive for 2017. The federal government's annual economic report projects that German exports may well grow a further 2.8 percent. Because of the country's rather lively domestic economy, imports may expand 3.8 percent – and therefore faster than exports. All in all, therefore, the current account surplus is likely to decrease slightly. Thanks to sound domestic business conditions, the core impetus for demand will once again come from consumer spending. Both private and public construction spending will probably remain high, given the environment of low interest rates, rising demand for residential space, a good job market, and less attractive alternative options for capital investments. The inflation rate may rise further, because of higher prices for oil and raw materials. The Bundesbank estimates that inflation will approach the upper end of the stability level of nearly 2 percent targeted by the ECB. All in all, then, the leading German economic institutes expect gross domestic product to grow 1.4 percent in 2017; the difference from 2016 is partly a consequence of the calendar, which includes fewer business days. After adjustment for that effect, the institutes project growth of 1.6 percent for 2017.

Evolution of interest rates

Interest rates in Germany remained extremely low in 2016. From March 2016 onward, the key lending rates set by the European Central Bank (ECB) were at zero percent (refinancing operations rate), – 0.40 percent (deposit rate) and 0.25 percent (marginal lending rate). The ECB's bond buybacks were increased in March 2016 from EUR 60 billion a month to EUR 80 billion, putting further substantial pressure on market interest rates. Consequently, returns on fixed-income securities hit new interim lows in the summer of the year. However, the results of the British referendum on Brexit, increasing prices for oil and raw materials, and finally the outcome of the U. S. presidential election led to rising expectations of inflation, so that an increase in yields started becoming evident in October. At year's end, the yield on ten-year German government bonds was 0.20 percent, after hitting a low of – 0.18 percent in July. Any projection of future interest rates will be heavily contingent on further developments, although interest rates in the euro zone will continue to be dominated by the ECB's continuation of its highly expansively oriented policies. Even in the event of a mild recovery, therefore, interest rates are likely to remain at very low levels, in historical terms, for the foreseeable future.

The economy in Northwest Germany

Thanks to strong domestic demand, the economic picture in Northwest Germany remained at good levels in 2016. Estimates by the regional Chambers of Industry and Commerce indicated a stable earnings situation across all sectors; within the territory of the Oldenburg Chamber of Industry and Commerce, almost 90 percent of the companies surveyed at the end of 2016 viewed their present position as good to satisfactory. At the same time, consumer spending was supported by the ongoing good situation in the job market. Demand for labor in Lower Saxony reached a new all-time high in September and October of the year. The Federal Employment Agency, pointing to stable business conditions, reported that companies in Lower Saxony had a strong propensity to hire. Accordingly, the state's unemployment rate, at 5.8 percent for the state as a whole, remained at the same low level as the year before (5.9 percent).

In the coming years, OLB expects regional and national business conditions to remain essentially the same, a development that has also been observed in past years. Because of the region's structurally broad-based mix of industries, with many small and medium-sized businesses, sector-specific differences in business conditions tend to even themselves out here. Extra-economic factors are also unlikely to exert as much of an effect as in the national economy, since the Weser-Ems region's export level, at roughly 32 percent, is substantially lower than the nationwide average of nearly 49 percent.

The banking environment

In the Weser-Ems region, OLB's traditional business territory, some 80 banking institutions have an area-wide network that is extrapolated to number more than 1,000 sales offices. Within its business territory, OLB holds one of the top three positions in market share in all three of its strategic business areas: Retail and Business Customers, Private Banking & Independent Professionals, and Corporate Customers.

The financial industry has been in a phase of radical change and renewal for years now. Banks are under pressure to adjust to the aftereffects of the financial crisis, the persistent low-interest environment, changes in client expectations, the digitization of business models and processes, and intense competition, including new entrants into the market from the financial technology sector. Legislators and the supervisory authorities have initiated and in many cases already implemented numerous measures to strengthen banks' equity capitalization and liquidity, and to protect consumers. Particularly noteworthy are the rules that have been implemented in the European Union's Capital Requirements Directive (CRD) IV and Capital Requirements Regulation (CRR). Most notably, the rules increase both the quantitative and qualitative requirements for liable equity capital and for banks' liquidity position, and must be phased in by 2019. Furthermore, the revised MiFID II Markets in Financial Instruments Directive and the supplementary MiFIR Markets in Financial Instruments Regulation, which will take full effect in January 2018, will have an impact on the entire value chain in the securities business.

In an analysis of the earnings position of German banks, the Bundesbank listed the following principal findings in its monthly report for 9 / 2016:

- The classic interest-based business will see a decline in net earnings; banks will attempt to compensate with the commissions business.
- Higher personnel expenses and higher expenses to meet new regulatory requirements will weigh down the expenses side of the income statement.
- All in all, the cost–income ratio, as a measure of cost efficiency, is likely to deteriorate on average for all German banks.
- The current positive macroeconomic environment will lead to a below-average need for risk provisioning.

Furthermore, according to the Bundesbank's study, the persistent low-interest phase is revealing that the increasing concentration of customers' deposits on overnight deposit products is associated with a shortening of maturities on the liabilities side of the balance sheet, countered on the assets side by loans with considerably longer interest lock-in periods. In itself, this will support earnings from interest-based business, but at the same time it will cause a rise in the maturity transformation risk to the balance sheet. Because German banks allocate a large portion of their net profits for the year to equity, their equity capitalization on the balance sheet has improved significantly, so that at present the Bundesbank considers German banks well able to withstand the stresses of the low-interest environment.

Business performance

Results of operations

EUR m	2016	2015	Change	Change (%)
Net interest income	229.9	245.6	– 15.7	– 6.4
Net commission income	67.9	68.8	– 0.9	– 1.3
Net operating trading income or expense	0.1	– 0.2	0.3	n / a
Operating income	**297.9**	**314.2**	**– 16.3**	**– 5.2**
Personnel expenses	135.7	140.3	– 4.6	– 3.3
Other administrative expenses	75.6	74.5	1.1	1.5
Write-downs of tangible fixed assets	14.9	14.8	0.1	0.7
General administrative expenses	**226.2**	**229.6**	**– 3.4**	**– 1.5**
Net other operating income (+) and expenses (–)	3.1	– 9.1	12.2	n / a
Operating result before risk provisions	**74.8**	**75.5**	**– 0.7**	**– 0.9**
Risk provisions for credit business	37.1	36.3	0.8	2.2
Gain (+) / loss (–) on securities in the liquidity reserve	– 2.3	5.0	– 7.3	n / a
Expenses for the credit business and liquidity reserve	**39.4**	**31.3**	**8.1**	**25.9**
Net operating result	**35.4**	**44.2**	**– 8.8**	**– 19.9**
Other result	21.6	– 0.9	22.5	n / a
Extraordinary result	– 2.7	– 9.0	6.3	– 70.0
Profit before taxes	**54.3**	**34.3**	**20.0**	**58.3**
Taxes	19.1	16.0	3.1	19.4
Net income for the fiscal year	**35.2**	**18.3**	**16.9**	**92.3**
Earnings per share (EUR)	**1.51**	**0.79**	**0.72**	**91.1**

With its strategic “OLB 2019” program for the future, which OLB launched in 2015, the Bank got an early start equipping itself for the very challenging environment that the entire banking industry faces. During fiscal 2016, the strategic changes under the program already helped counteract the pressure on operating earnings from the ongoing phase of low interest rates. At the same time, they enabled the Bank to make the necessary forward-looking investments in further digitizing business processes and customer services; lower personnel expenses more than compensated for the cost. The Bank additionally generated a very positive contribution to earnings from its long-term financial assets, as reflected in the “Other result.” Nonrecurring income from long-term equity investments and lower charges for pension provisions also favored business performance. All in all, the profit before taxes grew from the prior year’s EUR 34.3 million to EUR 54.3 million in fiscal 2016. The net income for the fiscal year increased to EUR 35.2 million (prior year: EUR 18.3 million).

Details of the individual components of profits:

Net interest income

EUR m	2016	2015	Change	Change (%)
Interest (and similar income)	394.5	447.2	– 52.7	– 11.8
Interest expense (and similar charges)	164.6	201.6	– 37.0	– 18.4
Net interest income	**229.9**	**245.6**	**– 15.7**	**– 6.4**
Customer lending volume at end of period (after risk provisions)	10,533.4	10,163.1	370.3	3.6

Once again in 2016, there was no change of course in the ECB's expansive monetary policy. Short-term money market rates, which are significant for OLB's results of operations, reached new lows. Despite an increase in long-term interest rates toward the end of the year, the year's average interest rates for longer-term maturities were well below the prior year's figures, and below the assumptions on which the Bank based its planning for 2016. Low interest rates did have a positive impact on demand for credit. In construction financing especially, OLB achieved a substantial 17 percent increase in new business in comparison to the prior year. It saw additional increases in volume in lending for capital investments, in part as a consequence of a vigorous upsurge in the project business for wind farms in response to the amendment of the country's Renewable Energy Act (EEG), which took effect on January 1, 2017. All in all, total customer lendings expanded considerably once again, by EUR 370.3 million, to EUR 10.5 billion. Gross margins in the credit business were generally stable; the Bank was even able to increase them for some products. Total deposits increased 11.5 percent from the prior year, to EUR 8.2 billion, particularly as a result of the growth in non-interest-bearing demand deposits. In the deposit business, margins continued to decline in light of the historic lows in interest rates. All in all, net income from this line of products was well below projections. Customer deposits still retained their important role as a stable source of refinancing for the Bank.

In 2015, OLB had received a nonrecurring distribution of EUR 10.3 million from a long-term equity interest in a card service provider, which was included in net interest income. This equity investment yielded a further, final nonrecurring distribution of EUR 4.8 million in 2016. This distribution, EUR 5.5 million less than for the prior year, along with lower contributions to earnings from the deposit business, was another major factor in the decrease in net interest income from the prior year's EUR 245.6 million to EUR 229.9 million in fiscal 2016. This item consequently fell short of the prior year's projections.

Net commission income

EUR m	2016	2015	Change	Change (%)
Securities business	10.4	11.9	–1.5	–12.6
Asset management	11.9	11.4	0.5	4.4
Payment traffic	22.2	23.4	–1.2	–5.1
Foreign business	4.1	4.1	—	—
Insurance, home loan and savings, real estate business	13.7	13.1	0.6	4.6
Credit card business	1.7	1.9	–0.2	–10.5
Other	3.9	3.0	0.9	30.0
Net commission income	**67.9**	**68.8**	**–0.9**	**–1.3**

The securities business had a difficult first half in 2016, with substantial price losses in the stock markets at the beginning of the year and further declines in the aftermath of the June referendum on the UK's exit from the EU. Clients remained hesitant in the second half of the year, so that this line of business saw a decline of EUR 1.5 million in its net result. But there were positive contributions to earnings from asset management (EUR +0.5 million, to EUR 11.9 million), the real estate business (EUR +0.4 million, to EUR 3.1 million) and the insurance business (EUR +0.8 million, to EUR 8.2 million).

On the other hand, net commission income from brokering home loan and savings contracts was down slightly (EUR –0.6 million, to EUR 2.4 million), because in long-term construction financing OLB has lately been relying more on its own attractive products. In payment traffic, higher expenses for refunds of fees on cash withdrawals and regulatory requirements for fee caps in the credit card business had a particular negative impact, so that these two lines of business contributed EUR 1.4 million less to profits.

Finally, OLB received a nonrecurring payment of EUR 1.2 million for serving as a regulatory liability umbrella for the sale of Allianz Global Investors products by independent Allianz agents; this function has been terminated as part of a reorganization within the Allianz Group. All in all, net commission income was down by EUR 0.9 million, from EUR 68.8 million in 2015 to EUR 67.9 million in 2016. This result fell short of expectations.

General administrative expenses

EUR m	2016	2015	Change	Change (%)
Personnel expenses	135.7	140.3	–4.6	–3.3
Other administrative expenses	75.6	74.5	1.1	1.5
Write-downs of tangible fixed assets	14.9	14.8	0.1	0.7
General administrative expenses	**226.2**	**229.6**	**–3.4**	**–1.5**
Employees at 12/31	2,153	2,236	–83	–3.7
Full-time equivalents at 12/31	1,717	1,801	–84	–4.7
Cost–income ratio (in %)	75.9 %	73.1 %	n/a	n/a

Advances in digitizing client services and internal business processes, together with simplifications as part of the strategic "OLB 2019" program for the future, reduced the need for personnel in fiscal 2016. The announced staff cutbacks were carried out, resulting in savings on current payroll expenses. The expense for employees' post-employment benefits was also less than for the prior year. All in all, personnel expenses decreased by EUR 4.6 million, to EUR 135.7 million.

In spite of systematic cost management, including savings from the prior year in costs for delivery, IT and consulting, other administrative expenses and write-downs of tangible fixed assets increased slightly, by EUR 1.2 million, to a total of EUR 90.5 million. One important engine driving the rise in other administrative expenses was the further increase in the bank levy, which was reflected in earnings; it increased about 50 percent from the prior year, to EUR 3.6 million (moreover, this expense is still not tax-deductible). In this regard, it is also worthwhile to mention slightly higher IT expenses for the automation and digitization of business processes, as well as conversion costs for modernizing branches and teller station concepts under the strategic "OLB 2019" program for the future. On the basis of the terms of the Commercial Code, the cost–income ratio increased as expected, from the prior year's 73.1 percent to 75.9 percent for 2016.

Net other operating income and expenses

The statutory amendment concerning the measurement of pension provisions altered the net balance of other operating income and expenses. An amendment of Sec. 253 of the German Commercial Code (HGB) that took effect on March 17, 2016, requires the valuation of pension provisions as of 2016 to be based on a market interest rate derived from the average over the past ten years (formerly seven years). Since this interest rate, at 4.01 percent as of December 31, 2016, was above the rate of 3.89 percent estimated in the 2015 financial statements, there was income from the remeasurement of pension obligations. Additionally, the review and adjustment that outside appraisers regularly conduct for other parameters for measuring pension provisions resulted in a reduction in the assumption about the increase in the pension trend to 1.5 percent (prior year: 1.7 percent). All in all, the two effects reduced pension provisions by about EUR 21 million from the prior year. This effect was countered, among other factors, by lower income from the reversal of provisions and other matters (EUR –6 million from prior year) and by a necessary adjustment of the safety margin for the measurement of derivatives (EUR –2.8 million from prior year). All in all, these factors essentially resulted in an increase of EUR 12.2 million in net other operating income and expenses, to EUR +3.1 million in 2016.

Risk provisions for credit business

The continuing stable growth of the economy in 2016 provided a supportive environment for the economic growth of OLB's clients. In the customer credit portfolio, actual defaults were below the long-term average, at EUR 20.1 million. The associated charge here largely derives from the corporate customer portfolio and from special developments in individual markets. The crisis in the shipping industry persisted, but because of the level of provisioning for the shipping portfolio in previous years, further net risk provisions decreased slightly, to EUR 17.0 million (prior year: EUR 19.0 million). The total need for risk provisions, at EUR 37.1 million, was slightly higher than the prior year's EUR 36.3 million, but was substantially better than had been estimated in the deliberately conservative planning for the year.

Gain / loss on securities in the liquidity reserve

The measurement of the Bank's special funds showed a loss because of the massive pressure on the stock markets in the first half of the year. The Bank responded by revising the special funds' hedging concept, and by reducing the risk position. The stock markets' recovery during the second half did not entirely compensate for the loss. The net loss for the year came to EUR –2.3 million. In the prior year, the net result from securities in the liquidity reserve had benefited from an auspicious stock market, yielding a substantial gain of EUR +5.0 million.

Other result

The "Other result" increased by EUR 22.5 million in 2016, to EUR 21.6 million. Substantial trading gains resulted from the strategic reallocation of existing positions in long-term securities toward higher-income customer lending business with a better return for the Bank. This compensated for the pressure on net interest income from the customer business. Additionally, OLB profited from the takeover of Visa Europe Ltd by Visa Inc., from the USA, which was completed in the first half of 2016. In the course of that transaction, the Bank realized a gain of about EUR 3.3 million for its contributed share of Visa Europe.

Extraordinary result

The extraordinary result of EUR –2.7 million was mainly the result of expenses of EUR 2.5 million (prior year: EUR 2.5 million) for the year's proportionate amortization of the conversion effect from changes in the measurement of pension provisions under the 2010 Accounting Law Modernization Act (the "BilMoG Effect," after the German acronym for the new Act). The prior year's figure of EUR –9.0 million was additionally influenced by the formation of restructuring provisions for the "OLB 2019" program for the future.

Profit / taxes

At the time of publication of its preliminary semiannual results on August 1, 2016, OLB increased its earnings projection on the basis of the German Commercial Code for fiscal 2016, which was still in progress at that time, and projected a before-tax profit that would be above the prior year's level of EUR 34.3 million. Thanks to exceptional effects, the Bank generated a pretax profit of EUR 54.3 million for 2016 as a whole, which represents a 58 percent increase from the prior year. The tax charge came to EUR 19.1 million. The improvement in the tax rate from the prior year is largely the consequence of a substantial decrease in interest expenses for pension provisions in 2016, which have only a limited eligibility as tax deductions, and the nontaxable gains on the sale of the shares of Visa Europe Ltd. All in all, the Bank generated a substantially higher net income of EUR 35.2 million for the year (prior year: EUR 18.3 million).

Net assets and financial position

Total lendings

Carefully focused risk- and return-oriented growth initiatives in the credit business are one of the cornerstones of the strategic "OLB 2019" program for the future. The implemented changes already yielded results in business operations during the past fiscal year. As expected, the Bank was able to increase total lendings, less risk provisions, by EUR 370.3 million during 2016, to EUR 10.5 billion.

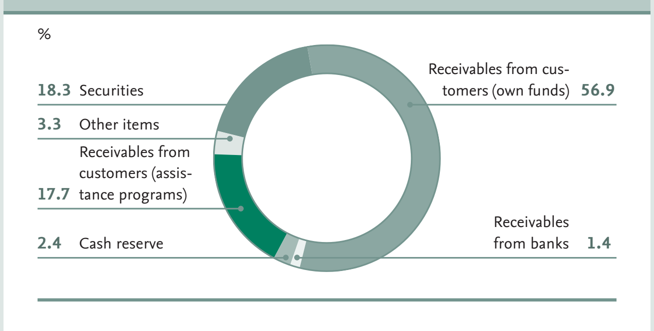
In this regard, the Bank continued to manage its business with a strong focus on meeting its margin requirements, and on improving the risk structure of its portfolio. An important driving factor in this development was private construction financing and commercial capital investment loans, particularly to finance onshore wind farms.

EUR m	12/31/2016	12/31/2015	Change	Change (%)
Customer lending in Germany	10,663.8	10,298.6	365.2	3.5
Customer lending outside Germany	66.0	74.1	– 8.1	– 10.9
Total lending volume (gross)	**10,729.8**	**10,372.7**	**357.1**	**3.4**
less: risk provisions	196.4	209.6	– 13.2	– 6.3
Total lendings (net)	**10,533.4**	**10,163.1**	**370.3**	**3.6**

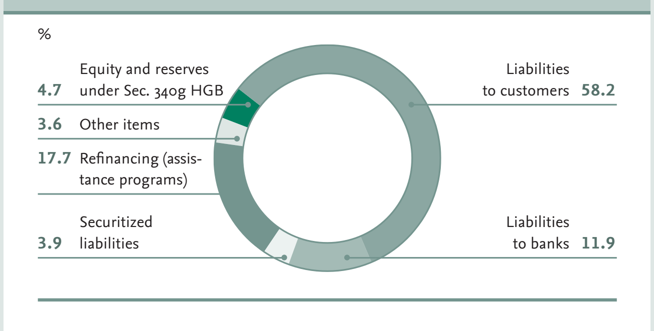
Liquidity

The Bank had an appropriate level of liquidity at all times. It was oriented to the objective of ensuring that OLB is able to meet payments even in the event of a suddenly exacerbated crisis in the financial markets. For this purpose, the Bank maintained conservative safety buffers and refinanced its lending business primarily through its deposits business. The result was that the regulatory liquidity ratio at the reporting date was 1.24 (prior year: 1.25), and was thus once again well above the regulatory minimum of 1.0. The second liquidity figure that is relevant from the regulatory point of view, the liquidity coverage ratio (LCR), was likewise well above the regulatory threshold (70 percent) at year's end, at 117.5 percent (prior year: 138 percent; both figures at the level of OLB AG).

Balance sheet ratios for assets



Balance sheet ratios for equity and liabilities



Long-term financial assets

OLB maintained a portfolio of long-term financial assets of approximately EUR 2.6 billion, which serves primarily as a liquidity reserve and consists largely of Pfandbrief bonds and government bonds with very good ratings (prior year: EUR 2.8 billion). The slight decrease is due in part to longer-term customer savings deposits that matured as planned, which the Bank had invested in securities with corresponding maturities. OLB also deliberately reduced its long-term securities investments that had been built up in advance in view of the Bank's growing lending business.

Deposits and borrowed funds

EUR m	12/31/2016	12/31/2015	Change	Change (%)
Customer deposits	**8,210.1**	**7,366.5**	**843.6**	**11.5**
Demand deposits	5,435.6	4,615.7	819.9	17.8
Term deposits	1,222.0	882.2	339.8	38.5
Savings deposits	1,552.5	1,868.6	–316.1	–16.9
Interbank money	**4,174.8**	**4,540.5**	**–365.7**	**–8.1**
Demand deposits	14.8	65.1	–50.3	–77.3
Term deposits	4,160.0	4,475.4	–315.4	–7.0
Securitized liabilities	**550.0**	**696.3**	**–146.3**	**–21.0**
Subordinated debt	**257.7**	**258.8**	**–1.1**	**–0.4**
Total deposits and borrowed funds	**13,192.6**	**12,862.1**	**330.5**	**2.6**

Customer deposits grew EUR 843.6 million, to EUR 8.2 billion. The trend toward reallocating maturing savings deposits toward short-term, non-interest-bearing deposits continued. All in all, OLB therefore remained able to refinance a large proportion of its lending business from customer deposits, without having to replace maturing, high-interest securitized liabilities (OLB bonds).

On-balance-sheet equity

The Bank strengthened its capital base by reinvesting EUR 13.0 million, as resolved at the Annual Shareholders' Meeting on May 11, 2016. Including the net retained profits for 2016, equity increased at the end of the year to EUR 649.3 million, compared to EUR 619.9 million for the prior year.

Regulatory capital (Sec. 10 of the German Banking Act – KWG – in conjunction with Arts. 25 through 88 of the CRR)

The Bank's regulatory capital essentially comprises its on-balance-sheet equity (excluding the net retained profits of EUR 35.2 million), the fund for general banking risks, at EUR 12.8 million, and the required regulatory deductions totaling EUR 24.6 million. The capital ratios under Sec. 10 of the German Banking Act were calculated for regulatory purposes at the individual bank level of OLB AG in the statements under the German Commercial Code.

EUR m	12/31/2016	12/31/2015	Change	Change (%)
Tier 1 capital	**602.3**	**596.2**	**6.1**	**1.0**
Tier 2 capital	164.0	174.9	– 10.9	– 6.2
Share capital and reserves	**766.3**	**771.1**	**– 4.8**	**– 0.6**
Risk assets for counterparty risks	4,823.7	4,989.7	– 166.0	– 3.3
Risk assets for market risks	23.8	23.4	0.4	1.7
Risk assets for operational risks	515.5	530.8	– 15.3	– 2.9
Risk assets	**5,363.0**	**5,543.9**	**– 180.9**	**– 3.3**

%	12/31/2016	12/31/2015
Core capital ratio	11.2	10.8
Aggregate capital ratio	14.3	13.9

On the basis of the adopted annual financial statements, OLB's tier 1 capital at year's end came to EUR 602.3 million (prior year: EUR 596.2 million). This increase resulted from the reinvestment of EUR 13.0 million from the prior year's net retained profits. The increase in certain deductions reduced the net increase as a whole, to EUR + 6.1 million. Tier 2 capital, composed mainly of subordinated debt, came to EUR 164.0 million at year's end, slightly below the prior-year level (EUR 174.9 million), as a consequence of the gradually increasing reduction over time in the eligibility of subordinated funds for recognition. In spite of the growth in lending, risk assets decreased slightly from the prior year's figure (EUR 5.5 billion), to EUR 5.4 billion. This was in part the consequence of an improvement in the creditworthiness structure of the portfolio as a whole, better eligibility of collateral for recognition, and write-downs in the shipping portfolio. All in all, the core capital ratio improved substantially to 11.2 percent (prior year: 10.8 percent). The minimum core capital ratio of 8.5 percent set by Basel III for 2019 has already been met. The aggregate capital ratio was 14.3 percent, likewise up from the prior year's figure of 13.9 percent. Additionally, both the Bank's core capital ratio and its aggregate capital ratio are well above the regulatory requirements set by the Federal Financial Supervisory Authority, BaFin, for OLB under the Supervisory Review and Evaluation Process (SREP).

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By strengthening its equity, the Bank laid a sound foundation that will enable it to keep providing close support for future investments by our retail and corporate customers in the region. For that reason, OLB will propose to its shareholders at the Shareholders' Meeting on May 24, 2017, to strengthen the Bank's capital base further by allocating EUR 27.1 million to revenue reserves. On that basis, the Bank expects the core capital ratio to rise slightly, in spite of its projected further increase in total lendings.

Executive summary

In the 2016 fiscal year, OLB showed solid business performance amid an overall economic environment that is challenging to banks. Because of various nonrecurring effects, the Bank achieved a substantial positive earnings performance. Sustainable customer business and growth impetus in lending operations under the strategic "OLB 2019" program for the future made it possible to partially cushion the decline in net interest income, particularly in the deposit business, caused by the environment of low interest rates. As part of its asset/liability management, the Bank sold long-term financial assets in order to refinance its successful new lendings, and achieved large realization gains in the process. On the costs side, OLB achieved notable reductions in personnel expenses. The need for risk provisioning at the end of 2016 was well below conservative expectations. A number of nonrecurring effects also had a positive impact on earnings. In addition to a nonrecurring distribution from an equity interest in a credit card service provider, the Bank realized remeasurement gains for its contributed share of Visa Europe Ltd, as part of the takeover of the latter by Visa Inc., of the USA. There were also remeasurement gains from the statutory change in the measurement interest rate and other parameter adjustments for pension provisions. The Bank's capitalization was reinforced further; it had sufficient liquidity at all times. In an overall view, the earnings performance in the 2016 year was very good, thanks to nonrecurring effects. OLB increased its after-tax profit by 92.3 percent from the prior year, to EUR 35.2 million. The after-tax return on equity on the basis of the German Commercial Code rose to 5.5 percent (prior year: 3.0 percent). Consequently, the overall profit represents a substantial improvement from the prior year, and was above the expectation projected at the end of the first half of the year.

Report on Anticipated Developments, Opportunities and Risk

The report on the principal opportunities and risks for OLB's expected development has been incorporated into the following report of anticipated developments in business and in the Company's situation. Additional information about the risk management system, individual risks and the risk situation can be found in the Risk Report section of the Management Report.

Projected business performance for fiscal 2017 will be affected primarily by the following factors and the resulting opportunities and risks:

According to the leading German economic research institutes, the outlook for the German economy remains positive for 2017. Consumer spending will remain the cornerstone for demand. Both private and public investment in construction will probably remain high, given the environment of low interest rates, rising demand for residential space, a good job market, and less attractive alternative options for capital investments. Overall, the leading German economics institutes expect growth of 1.4 percent in 2017.

In view of the expected general economic environment, the Bank's planning basically assumes a favorable environment for the lending business. Uncertainties may arise from the national elections impending this year in various European Union countries; protectionist tendencies in the USA and the UK may also interfere somewhat with the export business. Risks from economic developments exist with regard to changes in relevant individual markets, which are affected not only by general economic factors but also by specific structural or sectorial problems. In addition to the shipping industry, this also applies to specific areas of agriculture, where factors such as low producer prices and the spread of epizootics, such as avian flu, may raise challenges for businesses. In renewable energy, because of the special geographical advantages in the Northwest, the Bank generally continues to foresee potential for the development and financing of wind power projects. However, the changing terms of government support that took effect in January 2017 under the amendment to the Renewable Energy Act is expected to have a depressive effect on new business.

Although long-term interest rates in Europe did increase in the fourth quarter of fiscal 2016 from the year's lows, they are still at very low levels by historical standards, and in the money-market business particularly, they remain in the negative zone. OLB's planning assumes that this interest rate level will not change appreciably. Consequently, net interest income will remain under pressure from the expiration of higher-interest preexisting loans. It will be only partially possible to compensate for this effect by replacing maturing refinancing on the liabilities side with low-interest funding. Given the Bank's current balance sheet structure, a significant decrease in interest rates would intensify the pressure on profits. By the same token, the Bank's net interest income would profit from a further rise in the yield curve.

Thanks to its solid deposit business, OLB is largely able to fund its own lending business out of customer deposits. This gives the Bank minimal vulnerability to disturbances in the money and capital markets that would make raising liquidity difficult or leave it vulnerable to high interest markups. OLB has a liquidity reserve that includes adequate safety buffers. These will enable it to bridge over potential market bottlenecks. Looking to 2017, therefore, the Bank expects no material risks from an unforeseen exacerbation of conditions in the money and capital markets. OLB expects to remain above the required legal minimum for the liquidity coverage ratio again in 2017. Structurally, banks will find it harder to attract liquid funds that remain available for the long term, particularly because of changes in the regulations for offsetting among insurers as an investor group. For that reason, OLB has launched a project to obtain a Pfandbrief bond license in 2017, and to release its first issue. If that effort is a success, it offers a prospective opportunity for the Bank to lastingly reduce its refinancing costs.

The regulatory environment for the banking business has become more and more exacting in recent years. After the impact during 2016, in particular, of the capital increases under the standardization of the regulators' Supervisory Review and Evaluation Process (SREP) and the increase in the bank levy, in coming years a stricter backing of credit risks with supervisory capital can also be expected (key word: "Basel IV"). Under the present status quo, OLB profits significantly from applying its own internal models to measure credit risks. A restriction on this application, or of the advantage from this application, entails the risk that the Bank might have substantially greater capitalization needs in later fiscal years. In the absence of a decision from the Basel Committee, the Bank has formed its plans for 2017 on the basis of the rules currently in effect. In light of its current capitalization and the planned continuation of its strategy of steadily reinforcing its capital base by reinvesting profits, the Bank believes it is well positioned to cope with possible intensifications of capital requirements.

In the course of normal business operations, and in its capacity as an employer, investor and taxpayer, OLB is exposed to the risk of proceedings in the courts and before regulatory bodies. The Bank has taken due account of specific risks presented by such proceedings by forming adequate provisions. In other cases, where the Bank is accused of breaching consulting duties and duties of due care in securities and lending transactions, the Bank's own legal review indicates that there is little risk of defeat in a litigated dispute. The same applies to an action brought in December 2016 by the Reconstruction Loan Corporation (KfW) for about EUR 14.6 million, relating to a breach of duties of due care by a broker engaged by OLB in specialized areas of the lending business. On the basis of an opinion from an outside law firm, the Bank believes the asserted claims are ill-founded, and furthermore are either time-barred or forfeited. Similar considerations apply for a dispute with another development bank within the same context, concerning a similar amount and involving the validity of default guarantees undertaken for customer credit commitments. However, the outcome of pending or threatened proceedings cannot be determined or predicted with absolute certainty. The Bank believes that even in the event of an unexpected outcome, such proceedings would have no serious consequences for the Bank's net assets and financial position, including its capitalization and liquidity.

In the Weser-Ems region, the Bank's traditional business territory, some 80 banking institutions have an area-wide network that is extrapolated to number more than 1,000 sales offices. OLB's main competitors are the savings banks, the credit unions, and in the business with corporate customers, private large banks and regional banks. Within its business territory, OLB holds one of the top three positions in market share in all three of its strategic business areas: Retail and Business Customers, Private Banking & Independent Professionals, and Corporate Customers. All in all, competition – in part because of the increasing importance of direct banks – is characterized by high intensity, an incipient streamlining of branch networks, and persistent pressure on margins. Some competitors are beginning to respond to the increasing pressure on earnings in the interest business by introducing custodian fees and increasing other charges. OLB too is reviewing a revision of its pricing models as a possible factor for increasing its operating income.

In September 2016, the Bank's Board of Managing Directors was informed by Allianz Deutschland AG and Allianz SE that Allianz was reviewing various strategic alternatives for partially or entirely reducing its equity interest in OLB, and in this context was in discussions with interested parties concerning a possible sale. Up to March 14, 2017, the date of preparation of the annual financial statements, the Bank had received no further information on this matter. The further opportunities and risks posed for the Bank's development in the event that OLB leaves the Allianz Group could not be fully assessed at the time this report was prepared.

OLB is actively addressing its challenging environment with its strategic "OLB 2019" program for the future. This growth initiative focuses especially on corporate and private banking customers. Here OLB foresees a possibility of setting itself well ahead of the competition with its personal advice, especially for complex products. A systematic use of specialists will enable these clients to benefit even more from OLB's services. Multi-layered advisory services will be offered irrespective of locations and business hours, to fit what customers want. OLB will also be accelerating its end-to-end digitization, and will increasingly be making products and various advisory services available online as well, besides expanding its accessibility by phone for customer service. The Bank will differentiate its products and services more sharply within its network of offices. All in all, the Bank's procedures will become less complex, so as to please present customers and impress new ones with simple, understandable products and fast processes oriented to their needs.

Given the growth course initiated with the strategic "OLB 2019" program for the future, in 2017 the Bank expects a substantial increase in total lendings, combined with refinancing that is still largely achieved through customer deposits. In the commission business, the expansion of asset management is still expected to drive a revival in the securities business. All in all, the Bank expects a slight increase in net interest income and net commission income.

The increasing digitization of business processes and the reduction of complexity will continue to reduce the Bank's staffing needs. Even though an increase in collectively bargained wages is firmly in place, OLB expects personnel expenses to decrease slightly. The office expense is also expected to decrease, thanks to ongoing, systematic cost management. Consequently, the expected development of income and expenses indicates a slight improvement in the planned cost–income ratio for 2017.

Planning for risk provisions is based on the assumption that defaults in the credit portfolio will remain at statistically expected levels. A buffer for charges will be established for special developments in individual markets, so that for 2017 as a whole, a slight increase in risk provisions has been planned in.

Following the positive effect from the legislative change in 2016 for the valuation of pension provisions, the interest expense for these provisions will again exert a substantial downward pressure on earnings, particularly because of the limitations on recognition for tax purposes.

Concerning the development of earnings from long-term financial assets, the Bank expects again that in 2017, thanks to successful new lending business, it will be able to reallocate existing positions in long-term securities to higher-interest customer lending business, and generate positive contributions to earnings from the associated realization gains. Because of the sale of shares in Concardis GmbH, of Frankfurt, that was signed in January 2017, the Bank will additionally receive a one-time addition of EUR 10.6 million to earnings from long-term financial assets.

OLB will propose to its shareholders at the Shareholders' Meeting on May 24, 2017, to strengthen the Bank's capital base further by allocating EUR 27.1 million to revenue reserves. On this basis, in spite of the expected growth in lendings, the Bank expects its capital ratio to rise slightly.

For fiscal 2017, with a slight increase in operating income and lower administrative expenses, OLB expects to make further progress in implementing its strategic "OLB 2019" program for the future. As a consequence of conservatively planned risk provisions and lower positive influences from non-recurring effects, the Bank expects a moderate decrease in pretax profits and in the return on equity in comparison to 2016.

Other Mandatory Disclosures

Branch offices
(At December 31, 2016)

OLB offers its clients capable advice and area-wide service at 155 branch offices (prior year: 164) and 46 self-service offices (prior year: 39) throughout Northwest Germany.

Relations with affiliated companies
(At December 31, 2016)

In accordance with Sec. 271 (2) of the German Commercial Code, the Bank is an affiliate of Allianz SE and is included in Allianz SE's consolidated financial statements.

Allianz Deutschland AG (AZ D) holds the majority of the capital of Oldenburgische Landesbank AG (OLB). In the report on the Bank's relationship with Allianz Deutschland AG and the affiliated entities of Allianz Deutschland AG, and with Allianz SE and the affiliated entities of Allianz SE, the Board of Managing Directors has declared, in accordance with Sec. 312 of the German Stock Corporation Act:

"Under the circumstances known to the Bank at the time when legal transactions were carried out or measures were taken or not taken, the Bank received fair and reasonable consideration in each individual transaction. The Bank did not suffer any disadvantage as a result of measures taken or not taken."

Compensation Report and Management Declaration per Sec. 289a of the German Commercial Code

The Compensation Report and the Management Declaration per Sec. 289a of the German Commercial Code are part of the management report, and can be found in the Corporate Governance Report. For simplicity's sake, they are not reproduced here.

Risk Report

Principles of Whole Bank risk management

Basic principles of risk control

Oldenburgische Landesbank strictly observes the principle that front-office and back-office operations must be kept entirely independent from risk monitoring. It therefore maintains a strict separation between the market units' active assumption of risk, together with their risk management, on one side, and risk monitoring, on the other. In the lending business and treasury operations, additionally, a separation between the front and back office is maintained at all levels below the Board of Managing Directors.

When new products are introduced, a predefined process (the procedure for introducing new products or for entering new markets – new products, new markets, or NPNM) ensures that all concerned functions of OLB are able to participate in the risk and earnings analysis before planned new business activities begin.

Before any major changes in the organization of the Bank's structure and procedures, or in its IT systems, the effects on the risk management system are analyzed in a defined procedure by the internal control system and risk units. This ensures that before any planned measure is introduced, it has been reviewed by the organizational units affected and any necessary adjustments to the risk management system have been prepared.

A number of panels support the Board of Managing Directors in preparing for decisions on risk management. The most important entity here is the Risk Committee.

The risk reporting system established within the Company ensures that the Board of Managing Directors is kept involved and informed about the risk management process.

Suitable employee qualification measures in the risk management process ensure that the employees have the necessary and appropriate knowledge and experience.

Risk culture

Through open communication about the Bank's risk tolerance, clear guidelines for management and conduct, a transparent organization of structures and procedures, risk-adjusted incentive and compensation systems, and an effective system of internal controls and sanctions, the Bank's management encourages a risk culture intended to result in appropriate conduct.

Risk strategy

The Bank's Managing Board adopts the risk strategy, reviews it at least once a year and discusses it with the Supervisory Board. The risk management system at Allianz SE (the parent of the financial group) establishes Group-wide standards. Allianz SE has set particular requirements especially for banks, which it provides to its banking subsidiaries as recommendations.

The risk strategy is based on the Bank's business strategy, and takes account of the results of the Bank's risk assessment, risk-bearing capacity, and organizational environment. The risk strategy is developed in a structured strategy process that ensures:

- that OLB's Business and Risk Strategy is consistent with its business plans,
- that OLB undertakes only risks that are subject to a control process, and in amounts that pose no threat to the Company's continuing existence,
- that claims by OLB's customers and creditors are secured,
- that OLB's risk-carrying capacity is assured at all times through a risk-sensitive limitation of the principal types of risks and the risks at the level of the Bank's lines of business,
- that the Bank's ability to meet payments is assured at all times and monitored by way of limits, and
- that the Bank has appropriate risk reporting and monitoring capabilities in place.

OLB views itself as a customer-oriented bank, doing business on a sustainable basis with a long-term perspective, applying a business model oriented to soundness and consistency. The Bank's risk management process supports the implementation of this strategy by managing risk exposure so as to ensure that the Company's net assets, financial position and results of operations remain sustainable.

From the viewpoint of business and risk strategy, an appropriate employee compensation system plays an especially important role, because in addition to other goals of human resource policy, it also ensures that employees counteract risk adequately. The structure of the system is therefore regularly reviewed by the Supervisory Board.

The decision about a strategic approach is made while taking due account of the opportunities associated with the risks, or in the case of operational risks, considering the costs associated with reducing or avoiding the risks.

Definition of types of risk

As part of the annual risk assessment process, OLB examines what risks are relevant to it, and whether all significant types of risk are subjected to an appropriate risk management process. Credit risk, market risk, liquidity risk and operational risk are defined as significant risks that, because of their amount and nature, are material to the Company's continuing existence. The results of the risk assessment are incorporated into the risk-carrying capacity process by way of the risk strategy.

Credit risk

Definition of credit risk

Credit risk is subdivided into default risk, migration risk, spread risk and country risk:

- *Default risk*
  Default risk is defined as the potential loss inherent in the default of a business partner – whether a counterparty or other partner to a contract, or an issuer of a security – in other words, the party's potential inability or unwillingness to meet contractual obligations.
- *Migration risk*
  Migration risk is defined as the potential change in the present value of a claim as a result of a deterioration in the creditworthiness of the counterparty or debtor.
- *Spread risk*
  Spread risk is defined as the potential change in present value as a consequence of changes in liquidity spreads and / or credit spreads in the market.
- *Country risk*
  Country risk, as a subcategory of credit risk, is defined as the incurrence of a cross-border risk, particularly a transfer and conversion risk – i. e., the risk that moratoriums and / or restrictions on payment traffic may make it impossible to repatriate payments of interest and / or principal in the local and / or foreign currency.

See Glossary, p. 130

Market risk

Definition of market risk

Market risk refers to the risk that the Bank may suffer losses because of unexpected changes in market prices, or in parameters that affect market prices.

It also includes the risk of changes in value that may occur if large positions can be bought or sold within a given time only at prices that are not consistent with the market.

Liquidity risk

Definition of liquidity risk

By liquidity risk, OLB first of all means the risk that it might be unable to meet its payment obligations at all times (risk of inability to meet payments).

The Bank also includes under liquidity risk the risk of increases in the price of raising funds to cover refinancing gaps as a result of market conditions that increase liquidity and loan markups on interest rates (liquidity cost risk).

Operational risk

Definition of operational risk

For OLB, operational risk means the risk of a direct or indirect loss as a result of shortcomings or failures of employees, systems or internal procedures, or because of external events. It also includes legal risk and the risk of changes in the law, the risk of miscellaneous criminal acts, model risk, reputation risk, and project risk.

- *Legal risk and risk of changes in the law*
  Legal risk refers to the risk that damage might be incurred because of a complete or partial non-compliance with the legal framework prescribed by statute, regulations and case law. Conduct risk, as a subcategory of legal risk, refers to violations of obligations of good conduct, especially towards customers (e.g., product sales practices, conflicts of interest, and incentive processes in sales channels, as well as market manipulation). The risk of changes in the law means the risk of a loss because of new laws or regulations, or adverse interpretations or applications of laws or regulations by the courts.
- *Risk of miscellaneous criminal acts*
  By risk of miscellaneous criminal acts, OLB understands the risks of criminal conduct and of corruption:
  - *Risk of criminal conduct*
    The Bank defines risk of criminal conduct as the risk of losses due to criminal activity by employees and / or external third parties.
  - *Corruption risk*
    In terms of law, corruption means the abuse of a position of trust in order to obtain a tangible or intangible advantage to which one is not legally entitled. Consequently, OLB defines corruption risk as the economic loss that the Bank may incur as a consequence of corruption.
- *Model risk*
  Model risk describes the potential for loss resulting from the incorrect prompting of management acts because of an improper application of a model, its unsuitability for the application, unsuitable or incorrect input parameters, or internal inconsistences in the model (the model is outdated or improperly formed). A (possible) model risk in the sense of an operational risk is inherent in all models that are used for decision-making in evaluating a product or financial figure, and that do not directly affect equity requirements or are used to review those requirements (Pillars 1 and 2 – quantification models).
- *Reputation risk*
  OLB defines reputation risk as the risk of a loss of the Bank's reputation among the general public, shareholders, (potential) clients, employees, business partners, and the supervisory authorities with regard to its capability, integrity and trustworthiness, because of adverse events that occur in the course of its business activities.
- *Project risk*
  The Bank understands project risk as the harm that may potentially be caused by delays, cost increases, or losses of quality in projects, or the failure of a project.

Risk-carrying capacity

The Bank applies two approaches in determining its risk-carrying capacity: a value-based approach and a period-based approach, the latter strictly as an incidental condition.

Value-based risk-carrying capacity (liquidation approach)

In its business strategy, OLB defines the liquidation approach as the leading approach for managing risk-carrying capacity. Here the key figure for assessing risk-carrying capacity is the surplus coverage ratio for risk capital needs. The Bank calculates this as the quotient between the existing risk coverage potential and risk capital needs for the risks incurred. Risk-carrying capacity is ensured as long as the coverage ratio is greater than 100 percent. To safeguard the Company's continuing existence and its leeway for action in business policy, OLB's risk strategy additionally defines a risk buffer that is above this minimum requirement. Risk capital needs are calculated using value-at-risk models, with a confidence level of 99.93 percent and a holding period of one year.

See Glossary, pp. 133, 130

In the liquidation approach, risk coverage potential is derived from balance sheet figures from the subgroup's financial statements under IFRSs prepared for internal management. Risk coverage potential makes no allowance for future profits.

Period-based risk-carrying capacity (going-concern approach)

In addition to the liquidation approach, strictly as a secondary condition, OLB also monitors period-based risk-carrying capacity, in order to ensure that it can always meet regulatory requirements for capitalization (the going-concern view). In the Bank's going-concern approach, period-based risk-carrying capacity exists as long as appropriately defined risk scenarios do not cause the Bank to fall short within the next year from the core capital ratio and aggregate capital ratio required under the Capital Requirements Regulation (CRR).

To examine risk-carrying capacity, here OLB uses a loss scenario in which the maximum period contribution to losses from an expected shortfall is calculated using a 95 percent confidence level (conditional value-at-risk model) and the stressed risk-weighted assets in a "Severe economic downturn" scenario. For a final assessment of period-based risk-carrying capacity, the stressed, risk-weighted assets are set in relation to the stressed core capital or to stressed liable equity, as the case may be, and the Bank examines whether the core capital ratio and aggregate capital ratio still comply with the regulatory minimums for the risk horizon under that risk scenario. The minimum capital ratio is defined as the capital ratio, including the SREP markup, before the capital conservation buffer (CCB) and stress buffer.

Organization of risk management and controlling

As part of its overall responsibility, and under the terms of Sec. 25c of the German Banking Act (KWG), OLB's Board of Managing Directors is responsible for defining the Bank's strategies and for establishing and maintaining an appropriate, consistent, up-to-date risk management system. It defines the principles for risk management and controlling, together with the organizational structure, and monitors their implementation.

The risk policy – as an embodiment of the requirements under the risk strategy – describes the principal aspects for organizing risk management. As part of that policy, below the Board of Managing Directors, the Risk Committee is established as the central body that monitors and manages the Bank's risk-carrying capacity. The Risk Committee includes the Chief Risk Officer, the Chief Financial and Operations Officer, the head of Credit Management, and the managers of the Risk Controlling, Large and Specialized Loans, and Finance / Controlling departments, along with the Group Treasury manager.

Subcommittees of the Risk Committee are the Risk Methods and Process Committee, the Operational Risk Committee, and the Credit Portfolio Committee, each of which is headed by the Chief Risk Officer. Changes in methods and risk parameters are assessed with expert knowledge by the Risk Methods and Process Committee. The Credit Portfolio Committee assesses proposed changes in the portfolio and their impact on the business model. The Operational Risk Committee is the corporate committee for managing operational risks within OLB. The full Board of Managing Directors makes the final decision on aspects strategically relevant to risk. Its decisions are bound by the rules of procedure issued by the Supervisory Board, which define the required conditions. Any decisions outside the authority of the full Board of Managing Directors are submitted for consultation to the Supervisory Board and decided by that board.

Risk management

The following bodies and organizational units are responsible for managing the principal types of risk:

Type of risk	Body / organizational unit
Credit risk	Risk Committee (Credit Portfolio Committee)
Market and liquidity risk	Risk Committee, Bank Management Committee
Operational risk	Risk Committee (Operational Risk Committee)

In keeping with the strategic focus and goals defined by the Board of Managing Directors in the Business and Risk Strategy, and within the bounds of their assigned areas of authority and limits, these units have the task of duly controlling risk on the basis of their analyses and assessments. This task also includes adequately designing organizational structures, processes and goal agreements; however, decisions on individual credit risks are the responsibility of various levels of the organization as defined in the current allocation of authority.

Risk monitoring

Risk monitoring is performed by the Risk Controlling department, and in the case of operational risks, additionally by the Compliance and Organization departments. These departments are organizationally independent components of OLB's risk management system. They are kept strictly separate both from each other and from the units in charge of initiating, entering into, assessing and approving transactions. The task of Risk Controlling is to fully and consistently analyze, measure and monitor risks. It provides the risk analyses and risk information that risk management needs for active management adequate to the risk at hand. The Compliance department is responsible for countering the risks that may result from noncompliance with legal rules and requirements. Here, Compliance must work to implement effective methods to ensure compliance with the relevant requirements of law, and to provide the associated monitoring. In terms of risk management, the Organization department is responsible for identifying operational risks throughout the Bank (with the exception of operational risks relating to the systems environment and reputation risks, which are respectively the responsibilities of IT and Corporate Communications). This department is also involved in controlling operational risks by participating in the Operational Risk Committee, and supports risk controlling in assessing and reporting on operational risks, in part by gathering and forwarding regular operational risk reports.

In addition, Internal Auditing performs an assessment of the adequacy of the risk management and controlling system from outside the process, by auditing the structure, functionality and efficacy of the entire risk process and the other processes associated with it.

Risk reporting

In risk reporting, Risk Controlling reports regularly to decision makers (the full Board of Managing Directors, Risk Committee, pertinent department managers) and the Supervisory Board, as well as the Risk Committee appointed by the Supervisory Board. The frequency of reporting depends on the significance of the risk and on regulatory requirements. Information that is significant for risk is immediately conveyed to management, the officers in charge, and to the Internal Auditing and Compliance departments, if applicable.

Filing external risk reports with Deutsche Bundesbank regarding the lending business is the task of the Finance / Controlling department.

Management and controlling of specific risks

Credit risk

Risk measurement

OLB uses a recognized credit risk model, the CreditMetrics™ simulation model, to measure economic credit risk. This model reflects default risk, migration risk and spread risk.

Based on the loss risks for each individual item, the model calculates a collective loss allocation for all items and thus assigns a value to the portfolio. The changes in value in the entire portfolio are then used to derive the key figures and limit values needed for risk management. A credit value at risk (99.93 percent / 1 year) is used to measure and control risk. This describes the difference between the value at risk (99.93 percent / 1 year) and the expected loss.

Credit risks are limited at both the whole-portfolio and partial-portfolio levels. Stress tests are performed regularly in addition. The scenarios considered there are regularly reviewed for currency and relevance.

Risk management in the customer lending business

Management of all credit risks in the customer lending business is based on an integrated concept of guidelines, structures of authority, and requirement systems consistent with the Bank's strategic focus and objectives.

The loan decision process is structured consistently with this concept. An organizational and disciplinary separation between front office and back office is ensured at all levels.

Various organizational rules have been adopted depending on the credit risk to be decided. The aim is for the structure and the distribution of duties to ensure that decision-making and processing for credit commitments are both adequate to risk and efficient, as a function of lot sizes, risk content, and complexity. Exposures that are part of business that OLB defines as not relevant to risk (equivalent to the homogeneous portfolio) are subject to simplified approval, decision-making and monitoring processes. Exposures that are part of business that the Bank categorizes as risk-relevant (equivalent to the nonhomogeneous portfolio) are approved and decided in shared authority between front and back office, on the basis of their specific risk content and in compliance with firmly defined rules.

Risk assessment and loan approval in non-risk-relevant business depend on the type of transaction and on who is in charge of providing customer support. Provided the credit ratings are adequate, loans for up to EUR 50 thousand to retail and business customers in the branch business, and for up to EUR 250 thousand in private construction financing, are decided by the front office; for new business in construction financing, the construction financing expert decides. Loan extensions to clients in the Private Banking & Independent Professionals and Corporate Customers areas, for amounts up to EUR 250 thousand, are decided by the front-office customer support officer in charge, provided that the credit ratings are adequate. Within the bounds of the front office's own authority (except where transactions in construction financing or consumer lending are concerned), the back office supports the front office in conducting credit checks and preparing a rating. For all other commitments, risk assessment and the credit decision are carried out in cooperation between the front and back office.

See Glossary, p. 132

In new business, the risk of insolvency is determined for each borrower, in the form of a credit rating category, on the basis of statistical creditworthiness procedures. The collateral furnished by the customer is appraised in parallel, either with the participation of the back office or by external appraisers, depending on the scope and complexity of the transaction. The loan volume, credit rating and collateral together provide an absolute measurement of the customer's credit risk.

During the life of the credit, all exposures are monitored at all times. For total exposures of more than EUR 250 thousand (not including private construction financing), and for exposures of more than EUR 50 thousand to single customers, credit ratings are updated individually every year. Exposures with corporate customers and independent professionals up to a total volume of EUR 250 thousand, or above EUR 50 thousand for individual customers, are subject to an individual rating process triggered by early detection factors for risk. Special rating rules apply to special financing and banks. All other exposures are subjected to an automated monthly portfolio rating.

In addition, all exposures are monitored by various automated and manual early detection procedures for risk; when needed, these procedures trigger a mandatory rating review together with predefined analytical and reporting processes.

The timing and scope of recurring appraisals of collateral depend on the nature of the collateral and the value attributed to it. Since real property plays such an important role as collateral for the Bank, a central real estate monitoring unit has been set up that tracks regional changes in prices in the real estate market, and triggers an individual review of the affected regional real estate figures when material changes occur.

The qualitative and quantitative requirements for approving and monitoring exposures are coupled to the risk involved in each case. Depending on volume and credit rating, spheres of authority are defined so that credit decisions are always made at a level adequate to the risk involved.

Appropriate systems of requirements have been established to keep the risk of the credit portfolio as a whole within reasonable bounds. For example, there are guidelines for the acceptance and appraisal of collateral. Limits at the level of the individual borrower or for particular types of financing mean that when needed, for example, appropriate consortium partners may be included. Risk-dependent prices, in conjunction with risk-adjusted measurement of sales units' earnings, create incentives to engage in new business only where there is adequate creditworthiness and appropriate collateral.

To ensure an adequate assessment of risk over the long term, an emphasis is placed on high-quality processes. Here extensive initial and continuing training for employees plays a crucial role, as does a regular review of processes. Moreover, follow-up analyses and validations make it possible to judge how meaningful the results of a credit assessment and collateral appraisal actually are, and permit projections about the future risk picture.

In addition, Risk Controlling reviews the evolution of credit risks as a whole each quarter. It performs structural analyses of the portfolio (rating, collateral, size classes, economic sectors, new business, etc.), and investigates the impact on expected loss and on both economic and regulatory equity requirements. The results are incorporated into the quarterly risk report to the Risk Committee, the full Board of Managing Directors, and the Supervisory Board.

See Glossary, pp. 132, 130

The quarterly risk reporting also includes an examination of potential risk concentrations in credit risk. This includes analyses on the basis of individual exposures, sectors, or other defined partial portfolios. In addition, at least once a year, risk concentration is reviewed as part of the risk assessment, so as to detect any additional needs in connection with updating the risk strategy.

To avert risk concentrations, single-exposure and partial-portfolio limits are also defined above and beyond areas of authority. Monitoring these limits is the task of the Risk Controlling department.

Trading business

OLB has access to all major capital markets. Although the Bank does no trading on its own account, it does conduct transactions – especially in its business with customers – that are classified for regulatory purposes as "small trading book business." Small trading book business (according to Art. 94 of the CRR) is trading portfolio business that is always less than 5 percent of total assets and EUR 15 million.

See Glossary, p. 133

Risk measurement

To limit credit risk from trading transactions, for derivatives the Bank applies the market valuation method supplemented with regulatory add-ons. Regulatory risk weighting uses the advanced IRB approach under the CRR.

Additionally, the Bank has integrated credit risks from trading transactions into its internal credit portfolio model, making it possible to model all credit risks in the form of a value-at-risk approach. Here value at risk is defined as the potential loss that will not be exceeded with a defined probability (confidence level) over a given period. The result for value at risk with a 99.93 percent confidence level and a one-year holding period represents the risk position for credit risks in the analysis of risk-carrying capacity.

See Glossary, p. 133

Risk management

The Bank conducts trading transactions in the non-trading portfolio when they are intended to safeguard the Bank's long-term liquidity and to control the risk of changes in interest rates within the defined limits. In this way, they serve to safeguard the Bank's long-term survival and earnings stability. The principal lines of business included in the non-trading portfolio are money trading and trading in or issuing bonds. They are complemented by derivative transactions to mitigate risk. The portfolio is completed by investments in two special funds that invest primarily in bonds and stocks, which diversify risk.

See Glossary, p. 133

Interest-rate risks in the non-trading portfolio are managed at OLB by the "passive" method, in which the aim is essentially to fully immunize the portfolio against interest rate changes rather than managing it "actively" as a function of projected changes. The risk position essentially derives from developments in new lending business, the holdings of highly liquid bond securities in necessary liquidity reserves, and the refinancing structure. Investments for the Bank's liquidity reserve may be made only within a specifically defined range of product types.

OLB counters issuer and counterparty default risks in the trading business with banks, and in securities investments, by limiting its dealings fundamentally to trading partners who have first-class credit ratings and to central-bank counterparties, as well as by maintaining a firmly established system of limits and pursuing a broadly diversified portfolio. The strategic orientation is defined in the Bank's risk strategy.

In terms of the approval process, credit risks from the trading business are treated analogously to the commercial lending business.

Market risk

Risk measurement

OLB is exposed to market risks in its customer business and in trading. Significant factors here include:

- changes in interest rates and yield curves,
- the price of stocks,
- changes in currency exchange rates, and
- fluctuations (volatility) in these parameters.

See Glossary, p. 133

The risk from the non-trading portfolio derives primarily from changes in interest rates. It also includes, to a limited degree, stock risks and foreign currency risks from the special funds. An open foreign-currency position is now possible only for very minor technical amounts. The limit for open foreign-currency positions is set at EUR 500 thousand.

Risk positions are monitored by Risk Controlling, which reports the evolution of risks and results for the liquidity reserve daily, and for the value at risk of the non-trading portfolio monthly.

All risk positions are measured as the sum of all relevant individual transactions, including applicable measures to limit risk (net presentation).

Market risks are quantified and limited at the Whole Bank level, primarily using value-at-risk models.

The value-at-risk model for the non-trading portfolio is based on a historical simulation that incorporates changes in interest rates and stocks, equally weighted over time since 1988. To quantify the interest rate risk, the method calculates how the present value of the interest rate book would change if the historically observed changes in interest rates were to occur.

Under EBA Guideline 2015/08, changes in net present value are additionally calculated using ad-hoc shifts of the yield curve in different directions and to different extents as stress scenarios.

For variable-rate products, a fictive maturity scenario is estimated in the interest rate book cash flow, on the basis of the products' historical interest-rate adjustment behavior. Special repayment rights in the lending business are also incorporated into the risk measurement as a model cash flow.

Foreign exchange risk is calculated on the basis of the standard method for market price risks under the CRR.

For risks from holdings in foreign cash and precious metals, the limit is EUR 2 million.

Risk management

The Bank Management Committee and the Risk Committee are responsible for managing market risk. Positioning in the non-trading portfolio is deliberated and decided by the Bank Management Committee. Market risks are monitored by the Risk Controlling department, and limits are adopted by the full Board of Managing Directors, taking due account of recommendations from the Risk Committee.

Value at risk for market risks (99.93 percent / 1 year) serves to limit risk, and is further allocated between stocks and the interest rate book, taking diversification into account.

To assess market risk, in addition to statistical risk assessment using value-at-risk models, the Bank applies both regulatory and economic stress tests.

Liquidity risk

Risk measurement

Short-term liquidity risks are measured and controlled on the basis of liquidity development summaries, made available daily, with a forward horizon of the next 30 days (with an eye to the risk of inability to meet payments). In addition to deterministic cash inflows and outflows, the method also applies assumptions on the further development of variable business. Assessments of future liquidity cash flow are performed using both normal market conditions and stress scenarios. The content of the scenarios is essentially the same as that for the medium and long-term views.

Medium and long-term liquidity risks are measured and controlled on the basis of monthly assessments that analyze future liquidity cash flow with a forward horizon of the next ten years. The liquidity cash flow here is the net figure for all future incoming and outgoing payments up to the given date. The analysis takes account of business performance both under normal market conditions and under stress scenarios.

In the “Normal case,” growth assumptions for the portfolios of lendings and deposits are made for the first year on the basis of planned values or values derived from experience, as the case may be. After that period, generally a constant business volume is assumed. This scenario represents the liquidity situation under normal business conditions.

The “Recession” scenario describes the consequences of an economic recession. On the assumption of increasing loan defaults, larger drawdowns on credit lines, and declining savings ratios, cash outflows would take place over the medium term. The assumption of additional higher measurement discounts on securities in the liquidity reserve furthermore incorporates components of a market crisis into the scenario.

The “Downgrade” scenario assumes a deterioration in the Bank’s credit rating. It posits a short-term cash outflow for time deposits, demand deposits and savings deposits, as well as OLB bonds. This scenario thus incorporates elements of a bank run.

The “Combined” scenario combines the assumptions of the “Recession” and “Downgrade” scenarios.

Additionally, the examination of liquidity risk also includes risk concentration analyses. These furthermore incorporate imponderable factors from the cash outflows for the top 10 deposit customers.

Compliance with the regulatory liquidity figure is an integral part of risk measurement. In addition to monitoring the current liquidity coefficient under the Liquidity Regulation, OLB also reviews the liquidity coverage ratio (LCR) under the Delegated Regulation. The LCR calls for maintaining a liquidity buffer that will at least cover net outpayments for 30 days under market-wide and idiosyncratic stress conditions. The items constituting the LCR under the CRR have had to be reported monthly as of March 31, 2014, and have been supplemented by the ratio under the Delegated Regulation as of October 1, 2015. The first reporting under the Delegated Regulation was issued as of September 30, 2106; there has been no further reporting under the CRR since then. This approach is supplemented with a liquidity buffer for a one-week and a one-month period. All of these steps are intended to safeguard short-term ability to meet payments, especially by maintaining an adequate liquidity reserve.

In assessing liquidity cost risk, funding matrices over the next ten years from the liquidity-risk stress scenarios are analyzed. If liquidity falls short of liquidity risk limits during this period under one scenario, the shortfall between the actual liquidity and the needed liquidity is remedied by a simulation of liquid refinancing transactions at current interest rates with possible liquidity spreads and maintaining a uniform credit rating. The liquidity cost risk is calculated with a value orientation as a liquidity value at risk with a 99.93 percent confidence level.

There is no separate quantification of market liquidity risk. In combination with the evolution of individual credit spread risks, this risk class for the securities segment is reflected in counterparty risk. For OLB's refinancing, this risk is reflected together with liquidity cost risk. In addition to quantification, Oldenburgische Landesbank AG's ability to refinance is also monitored qualitatively. Oldenburgische Landesbank AG has access to all capital market segments in Germany. In 2016, it applied to the Federal Financial Supervisory Authority (BaFin) for a license to issue Pfandbrief bonds. Most of Oldenburgische Landesbank AG's refinancing is provided out of its own customer deposits. There are no concentrations, and no dependencies on specific markets or counterparties. Market liquidity risk has been significantly reduced by the Bank's admission to the Bundesbank's loan tender procedure in 2015, and to the anonymous, secured Eurex Repo GC Pooling Market.

Risk management

Short-term liquidity risks are limited on the basis of the regulatory ratios under the Liquidity Regulation and of the liquidity coverage ratio. For the regulatory ratio under the Liquidity Regulation, receivables and liabilities are assigned to maturity ranges. According to regulatory requirements, the ratio of cash funds to liabilities in the first maturity range (daily or up to one month) cannot be less than 1. To ensure that this requirement is met at all times, an internal limit is defined, and appropriate risk-reducing measures are taken when it is reached. The Risk Committee is regularly informed of the evolution of this key ratio. These considerations are supplemented with a liquidity buffer that must be maintained, derived from weekly and monthly liquidity outflows from customer transactions. The limits for liquidity risk are based on "cumulative relative liquidity surpluses" as the key indicator. This represents the liquidity cash flow relative to total liabilities for defined maturity ranges. Limits have been defined for the "Recession," "Downgrade," "Top 10 depositors," and "Combined" stress scenarios. If liquidity falls below the limit, risk-reducing measures are initiated.

The liquidity coverage ratio is a liquidity risk coefficient for a specified stress scenario in 30 days. The liquidity coverage ratio has been calculated under the Delegated Regulation since October 2015. It is subject to regulatory limits that are supplemented with internal early warning thresholds

Liquidity risk is controlled by the Bank Management Committee and the Risk Committee. If needed, Treasury can draw at any time on the securities held in the liquidity reserve, or cover additional liquidity needs through sales, pledges for Bundesbank refinancing facilities, or forward sales under repo agreements. Long-term liquidity needs are covered not only through customer business, but by taking out refinancing loans or placing borrower's note loans.

See Glossary, p. 132

Operational risk

Risk measurement

OLB uses uniform, coordinated instruments to identify, measure and monitor operational risks.

Since 2003, relevant losses attributable to operational risks have been collected in a structured, systematic way in an internal database. The history from those losses serves as a foundation for a focused, detailed analysis and remediation of causes.

Scenario analyses, in the form of a risk assessment, are performed at the Bank to calculate the risk potential from operational risks. Here experts, product officers and process officers evaluate critical scenarios for their potential loss level and frequency. Based on the results of the scenario analyses, the economic need for capital is determined for the calculation of risk-carrying capacity.

The operational risk stress test includes an assessment of the impact of a hypothetical failure of key controlling measures in the Bank's payment traffic process, based on expert estimates.

Risk indicators are recorded to continuously monitor for negative changes in the operational risk profile.

The regulatory capital requirements for operational risk are determined using the standard approach.

Risk management

Management of operational risks is essentially based on the scenario analyses, on analyses of losses actually incurred, and on the risk indicators for operational risks. Depending on the importance of the recognized risk fields, it may be necessary to take steps to limit risks, taking cost–benefit considerations into account. Such steps include optimizing processes and keeping employees adequately informed (including through continuing training and by using up-to-date communication methods), as well as taking out insurance against major losses (for example, a fire at headquarters) and establishing an appropriate backup system for computer data.

Risk situation

Value-based risk-carrying capacity (liquidation approach)

The following risk positions are used in determining OLB's risk-carrying capacity:

EUR m	12/31/2016	12/31/2015
Credit risk	341.3	327.7
Market risk	112.6	102.0
Liquidity cost risk	—	0.0
Operational risk	18.4	19.7
Whole Bank risk	**472.3**	**449.4**

The available risk coverage potential was able to cover 159 percent of Whole Bank risk as of December 2016 (prior year: 174 percent). As of the same date, allocated limits were covered 133 percent (prior year: 127 percent) by risk coverage potential. The coverage ratio is expected to remain stable in fiscal 2017.

The periodic comparison of Whole Bank risk with risk coverage potential showed that OLB had risk-carrying capacity throughout the year with a confidence level of 99.93 percent.

The liquidity risk is controlled and monitored at the Bank by a proprietary risk management process that ensures that the Bank has adequate liquid assets to guarantee that it can meet payments at all times, even in adverse market situations that are nevertheless conceivable. For that reason, and because available risk coverage is not suitable to ensure the ability to meet payments in the value-based risk-carrying capacity approach, liquidity risk in the sense of the ability to meet payments is not included here.

Credit risk

The increase in credit risk is the consequence of the Bank's growing lending business in a stable economic environment, combined with an ongoing improvement in the credit rating structure.

Market risk in the non-trading portfolio

As part of the allocation of the available Whole Bank risk capital, and in keeping with the Bank's business policy focus, the limit for market risks in the non-trading portfolio and the utilization of that limit were continuously planned over the course of the year.

Operational risk

Operational risk is determined on a value-at-risk basis from a scenario analysis. The scenario analysis is updated annually, or as circumstances require. At the end of December 2016, there was a moderately lower risk amount in comparison to 2015. No update occasioned by circumstances was needed during the year.

Liquidity cost risk

Liquidity cost risk for the entire year of 2016 was EUR 0.0 million. At no time did the Bank fall below the liquidity risk limit.

Whole Bank risk

The Whole Bank risk results from adding together the risk positions for credit risk, market risk, liquidity cost risk and operational risk. This approach to calculating risk makes no allowance for risk-mitigating effects of diversification between risk types. Under this assumption, the Whole Bank risk as of December 31, 2016, came to EUR 472.3 million (prior year: EUR 449.4 million).

Period-based risk-carrying capacity (going-concern approach)

The Bank maintained the regulatory minimum capitalization at all times in 2016 in the “Severe economic downturn” scenario.

Credit risk

Customer credit is extended predominantly to retail customers and medium-sized corporate customers. The business with retail customers concentrates on construction financing and consumer credit. Business with corporate customers is mainly in financing for operating equipment, other capital investments and real estate.

Credit ratings

Credit rating	Explanation
1–2	Undoubted ability to meet payment obligation
3–4	Extensive ability to meet payment obligation
5–6	Ability to meet payment obligation even in difficult economic phases
7–8	Ability to meet payment obligation with minor limitations
9–10	Ability to meet payment obligation with limitations
11–12	Impaired ability to meet payment obligation
13–14	Increased or severe vulnerability to delinquency
15–16	Borrower is delinquent under the CRR or is considered to have defaulted

The chart below shows the distribution of credit ratings for receivables from customers as of December 31, 2016.

See chart, p. 076 left

The credit rating structure of receivables from customers indicates that the major part of the portfolio, at 80.1 percent, is in average to very good categories (1–8). Only 3.4 percent are in critical credit ratings (13–16).

All in all, about 61 percent of receivables from customers are secured with collateral. Most of this collateral, at 76 percent, is liens on residential and commercial property, followed by cash collateral such as deposit accounts, home loan and savings agreements, life insurance policies, etc., at 10 percent. About 14 percent is other collateral, primarily assignments as security.

Risk concentrations

The distribution of the credit portfolio by sector is characterized by the clientele resident in the Bank's business region. An additional focal point is the lending business for renewable energy projects, particularly financing for wind power and biogas installations.

Financing for oceangoing vessels

Financing for oceangoing vessels again represented a large share of risk provisions in 2016. This is once again the consequence of the surplus of ship tonnage and the associated stagnation of charter rates. However, the charge for the shipping portfolio continues to decrease, because almost all of the ship exposures entailing risk have been restructured or sold at market prices.

Collateral

Apart from concentration on individual borrowers, risk concentration may also arise from a focus on individual providers of security. However, since collateral and security derives from the broadly diversified customer lending portfolio, at present the Bank does not foresee any relevant risk concentrations there.

Where concentration arises because of the nature or item of collateral, suitable measures were taken to monitor value:

Collateral	Monitoring
Real estate	Monitoring of real estate market for regional fluctuations in market price
Inland-waterway and oceangoing ships	Semiannual market value appraisal

Quotas of proceeds from collateral are monitored continuously. Any changes observed are taken into account in calculating credit risk.

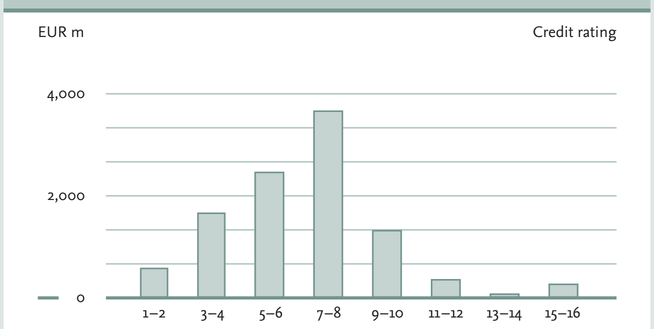
Banks

On the whole, the credit risk on receivables from banks and bonds issued by banks is low. Almost the entire volume has investment grade ratings (1–6), and 99.8 percent of the receivables are in the 1–4 range.

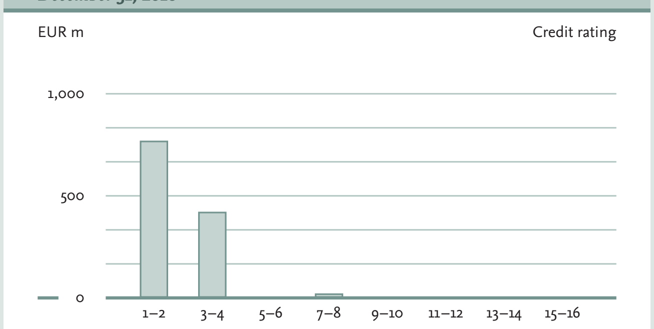
See chart, below right

The chart below shows the distribution of credit ratings for receivables from banks and bank bonds at December 31, 2016.

Credit rating categories of receivables from customers as of December 31, 2016



Credit rating categories of receivables from banks and bank bonds as of December 31, 2016



Country risk

Country risks, as a specific type of credit risk, do not play a material role for the Bank.

Market risk

Trading business

Trading to generate short-term gains was discontinued as of the end of 2012; any new positions were allocated to the non-trading portfolio.

Non-trading portfolio

Value at risk for the non-trading portfolio (99.93 percent / 1 year) in 2016:

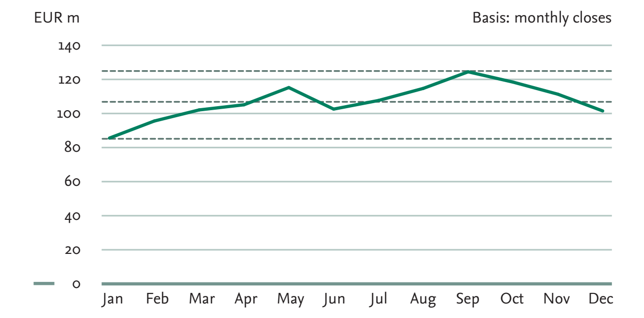
EUR m	VaR
Minimum	104.0
Mean	113.9
Maximum	119.4

On average, the market price risks for the non-trading portfolio (VaR model 99.93 percent / 1 year) for 2016 stayed above the prior-year level. The average value at risk, at EUR 113.9 million, was above the 2015 figure of EUR 107.7 million. The limit of EUR 125 million was never exceeded during the year. The utilization of limits in market price risks is intentional in passive interest rate book management.

Market risk in the non-trading portfolio is assessed and limited on a value basis through historical changes in interest rates and stock prices. The growing lending business was the driver behind risk.

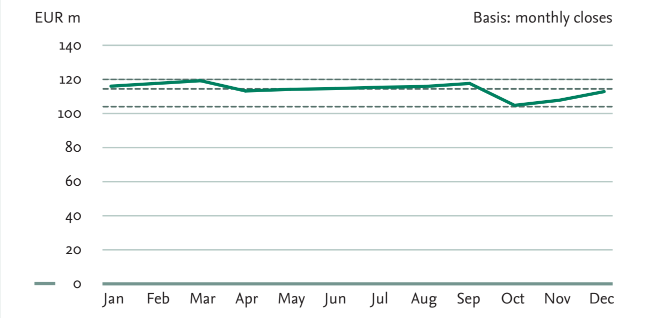
The Bank examined whether outstanding interest claims and interest liabilities in the entire non-trading portfolio yield a surplus of liabilities that would have to be taken into account by forming a provision under Sec. 340a in conjunction with Sec. 249 (1) Sentence 1 of the Commercial Code, in compliance with opinion IDW RS BFA 3 of August 30, 2012, from the Institute of Public Auditors in Germany, and applying the net present value approach. Here the net present value of the non-trading portfolio was compared with the carrying amounts, after deducting proportionate costs for risk and administration. On the basis of this calculation, there was no need at the reporting date to form a provision for a surplus of liabilities from the business in interest-rate-based financial instruments in the non-trading portfolio.

VaR for non-trading portfolio, 2015 (99.93 percent / 1 year)



Minimum, maximum, mean   VaR 2015

VaR for non-trading portfolio, 2016 (99.93 percent / 1 year)



Minimum, maximum, mean   VaR 2016

The Basel II coefficient for 2016 never exceeded 19.99 percent.

Foreign currency is converted in accordance with Sec. 340h of the Commercial Code in conjunction with Sec. 256a of the Code, also taking into account opinion IDW RS BFA 4 from the Institute of Public Auditors in Germany. Assets and liabilities denominated in foreign currency, as well as cash transactions not yet settled at the reporting date, are converted at the ECB's reference exchange rate for the reporting date. Assets, liabilities and pending transactions are subject to particular coverage depending on the currency involved. Procedural precautions ensure that open currency positions never exceed the equivalent of EUR 500 thousand on any day. Income and expenses resulting from the conversion of specially covered transactions are recognized in profit or loss in accordance with Sec. 340h of the Commercial Code. Peak amounts from open foreign currency positions that do not net one another out are recognized in accordance with the general accounting policies.

Operational risk

As part of the annual risk assessment, risk scenarios specific to the Bank are developed by the Risk Controlling department. After consultation, the relevant scenarios are discussed at workshops with experts from the specialized departments, who assess them for the potential level and frequency of losses.

The VaR was found to be in the 99.93 percent quantile in a Monte Carlo simulation. If changes occur under scenarios during the year, the corresponding scenarios are reassessed. Since October 2016, a moderately lower risk amount of EUR 18.4 million has been calculated than for the period from January to September 2016 (EUR 21.8 million). The risk amount calculated for the prior year was EUR 19.7 million. This change results from the lower valuation of certain scenarios in the risk assessment, and from a model adjustment.

Examples of relevant scenarios:

Scenario	Specialized department in charge
Failure of business-critical IT	Information Technology
Advisor liability	Product Management
Change in legislation and case law	Legal
Model risk in determining market price risk	Risk Controlling
Payment traffic fraud by outsiders	Compliance

Liquidity risk
Changes in key regulatory ratio

	2016	2015
Minimum	1.16	1.25
Mean	1.31	1.38
Maximum	1.46	1.58

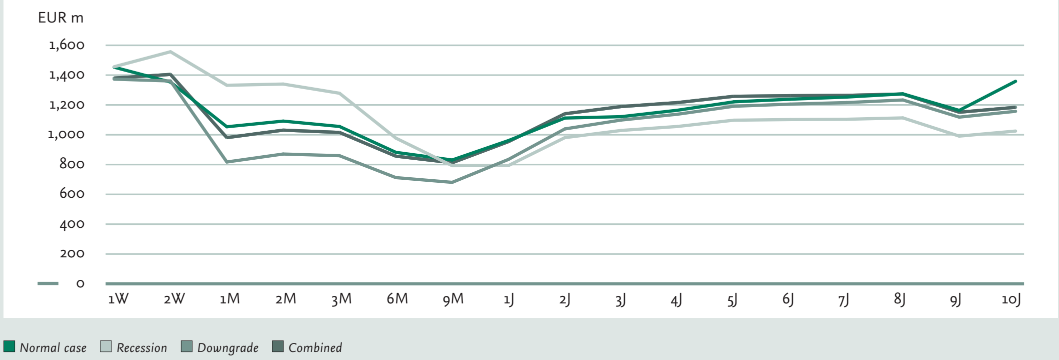
Although the key liquidity ratio for the past fiscal year was slightly below the prior-year level, for the entire year the figure remained well above the minimum of 1 required under the Liquidity Regulation. On average, the key ratio was 31 percent above the required minimum. At December 31, 2016, the key ratio was 1.24.

In addition to monitoring the current liquidity coefficient under the Liquidity Regulation, the Bank also reviews the liquidity coverage ratio (LCR) under the CRR. The items constituting the LCR under the CRR must be reported monthly as of March 31, 2014, and the coefficient under the Delegated Regulation joined them as a requirement as of October 1, 2015. The following table shows the monthly results for the LCR for 2015 and 2016. Until August 2016, the calculation followed the rules from Basel of January 2013. As of September, the calculation was converted to the requirements of the Delegated Regulation of October 2014.

LCR	2016	2015
Minimum	101 %	116 %
Mean	121 %	155 %
Maximum	153 %	215 %

The minimum value of 70 percent for the LCR was maintained throughout the year. On average, the figure was 51 percentage points above the required minimum of 70 percent. At December 31, 2016, the figure was 118 percent.

10-year liquidity cash flows



The liquidity cash flow signals a substantial liquidity surplus for the next ten years under all scenarios.

Liquidity cash flows at December 31, 2016

See chart, p. 079

The above chart shows the liquidity cash flows for a ten-year period. Here it is assumed that the liquidity reserve, as soon as it is available, will be used to generate liquidity.

Internal controlling of financial reporting (Disclosures under Sec. 289 (5) of the Commercial Code (HGB) and explanations)

Governing principles

The Bank's financial reporting is subject to the requirements of the Allianz Group's standardized "Internal Controls over Financial Reporting" (ICOFR) principles.

In those principles, approaches were developed to identify and mitigate the risk of material errors in the annual financial statements. The ICOFR internal controlling system is founded on the rules of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and is regularly reviewed and updated by the Bank. Additionally, this approach includes the following five interrelated components:

The controlling environment, risk assessment, controlling measures, information and communication, and monitoring. These five components are covered by an "Entity Level Control Assessment Process" (ELCA), the "IT General Controls" (ITGC), and controls at the process level. The ELCA rules prescribe such controls as a compliance program and a committee governance structure, while the ITGC rules define controls for such aspects as access authorizations management and project and change management.

Reporting processes

The accounting process essentially includes the corporate Finance / Controlling department (with its Financial Reporting, Financial Accounting, Controlling and Reporting / Regulatory Affairs groups) and the corporate Risk Controlling and Information Technology departments. The Financial Accounting group is in charge of organizing and overseeing accounting. The Financial Reporting group is in charge of organizing and overseeing the preparation of financial statements, with the support of the Financial Accounting group. The Controlling and Reporting / Regulatory Affairs groups support the reporting process with quality assurance work, especially at the interfaces between internal and external reporting.

Approach by the internal controlling system

Determine scope	Determining material processes to be covered by the internal controlling system
Identify risks	Identifying risk scenarios that can result in a material misstatement
Implement controls	Implementing suitable key controls to detect or prevent errors or fraud that may result from the risk scenarios
Check efficacy	Reviewing design and operative efficacy of key controls

The Risk Controlling department particularly provides data for the measurement of transactions that are recognized at present value in the accounting process. The Information Technology department provides the infrastructure for the systems participating in the accounting process. The systems employed are protected by appropriate IT safeguards against unauthorized access. Standard software is used for these systems wherever possible.

The approach can be summarized as follows:

The bank adopts a risk-based approach. At the beginning of each ICOFR year, it reviews the ICOFR-relevant processes for completeness. For this purpose, the procedures in the specialized departments are analyzed with an eye to potential ICOFR-relevant risks. In addition to this annual process, during the year the ICOFR coordination organization reviews the results of audits by Internal Auditing and other outside auditors for ICOFR-relevant topics and findings.

The risks that can lead to material financial misstatements are then identified. All possible relevant causes are taken into account, especially human processing errors, fraud, system weaknesses, external factors, etc. After the risks have been identified and analyzed, their potential effects and probabilities are assessed.

In the financial reporting process, preventive and detective key controls are performed to reduce the probability and effects of financial misstatements. If a potential risk does indeed materialize, steps are taken to reduce the impact of the misstatements. Because financial reporting depends heavily on information technology systems, IT controls are also performed.

Controls must be both designed appropriately and implemented effectively. For that reason, components of the internal controlling system – such as processes, associated key controls and their execution – are required to be thoroughly documented. Additionally, the controlling system undergoes an annual assessment to ensure that it remains effective and to continuously improve its efficacy. Internal Auditing makes sure that the quality of the Bank's internal controlling system (ICS) is regularly reviewed, thus ensuring that the ICS remains appropriate and effective.

It should be pointed out, however, that even appropriate, properly functioning systems cannot offer an absolute assurance that risks will be identified and managed.

Oldenburg, March 14, 2017
Oldenburgische Landesbank AG

The Board of Managing Directors

Patrick Tessmann
Chairman

Dr. Thomas Bretzger

Karin Katerbau

Hilger Koenig

ANNUAL FINANCIAL STATEMENTS

Balance Sheet of Oldenburgische Landesbank AG for the year ended December 31, 2016

Assets EUR	**12/31/2016**	**12/31/2015**
1. Cash reserve	**333,020,759.67**	**181,730,153.25**
a) Cash on hand	99,896,801.38	129,297,862.49
b) Balances with central banks	233,123,958.29	52,432,290.76
of which: with Deutsche Bundesbank	233,123,958.29	52,432,290.76
c) Credits with postal checking offices	—	—
2. Debt instruments from public entities and notes approved for refinancing with central banks	—	—
a) Treasury notes, non-interest-bearing treasury warrants and similar debt instruments from public entities	—	—
b) Bills	—	—
3. Receivables from banks	**201,917,274.42**	**149,423,684.47**
a) Demand deposits	142,505,748.71	103,576,815.34
b) Other receivables	59,411,525.71	45,846,869.13
4. Receivables from customers	**10,533,352,591.54**	**10,163,142,978.58**
a) of which: secured with land liens	5,491,623,951.76	5,311,411,791.36
of which: public-sector loans	77,804,656.83	87,400,781.87
5. Bonds and other fixed-income securities	**2,380,921,565.65**	**2,599,920,302.10**
a) Money market paper	—	—
aa) from public issuers	—	—
of which: acceptable as collateral by Deutsche Bundesbank	—	—
ab) from other issuers	—	—
of which: acceptable as collateral by Deutsche Bundesbank	—	—
b) Other bonds	2,380,921,565.65	2,599,920,302.10
ba) from public issuers	1,339,763,996.29	1,432,730,952.34
of which: acceptable as collateral by Deutsche Bundesbank	1,339,763,996.29	1,432,730,952.34
bb) from other issuers	1,041,157,569.36	1,167,189,349.76
of which: acceptable as collateral by Deutsche Bundesbank	1,041,157,569.36	1,167,189,349.76
c) Own debt instruments	—	—
Nominal amount	—	—
6. Stocks and other non-fixed-income securities	**188,705,774.86**	**191,115,318.76**
6a. Trading portfolio	**8,313,229.78**	**22,087,685.74**
7. Long-term equity investments	**458,843.54**	**461,616.66**
of which: in banking institutions	122,939.58	122,939.58
of which: in financial services institutions	22,251.54	—
8. Shares in affiliated companies	**52,000.00**	**52,000.00**
of which: in banking institutions	—	—
of which: in financial services institutions	—	—
9. Trust assets	**2,529,783.47**	**3,161,951.80**
of which: trust loans	810,081.42	987,099.55
10. Compensation receivables from government entities, including debt instruments from the exchange of those receivables	**0.00**	**0.00**
11. Intangible fixed assets	**8,676,175.03**	**9,800,882.59**
a) Internally generated industrial rights and similar rights and assets	—	—
b) Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	8,676,175.03	9,800,882.59
c) Goodwill	—	—
d) Prepayments	—	—
12. Tangible fixed assets	**77,863,368.26**	**80,595,117.20**
13. Capital called but not yet paid	—	—
14. Other assets	**366,864,575.44**	**344,052,689.01**
15. Prepaid expenses	**5,349,465.94**	**7,088,172.35**
16. Deferred tax assets	—	—
17. Excess of plan assets over pension benefit liabilities	—	—
18. Deficit not covered by equity	—	—
Total assets	**14,108,025,407.60**	**13,752,632,552.51**

Equity and liabilities EUR	12/31/2016	12/31/2015
1. Liabilities to banks	**4,174,775,927.16**	**4,540,539,457.67**
a) Demand deposits	14,803,657.51	65,109,920.66
b) with agreed maturity or notice period	4,159,972,269.65	4,475,429,537.01
2. Liabilities to customers	**8,210,164,801.85**	**7,366,547,490.45**
a) Savings deposits	1,552,488,575.96	1,868,618,900.81
aa) with agreed withdrawal notice of three months	1,370,815,427.08	1,701,313,898.65
ab) with agreed withdrawal notice of more than three months	181,673,148.88	167,305,002.16
b) Other liabilities	6,657,676,225.89	5,497,928,589.64
ba) Demand deposits	5,435,632,490.02	4,615,731,043.07
bb) with agreed maturity or notice period	1,222,043,735.87	882,197,546.57
3. Securitized liabilities	**549,960,618.26**	**696,239,236.02**
a) Bonds issued	549,960,618.26	696,239,236.02
b) Other securitized liabilities	—	—
of which: money market paper	—	—
of which: own acceptances and promissory notes in circulation	—	—
3a. Trading portfolio	—	—
4. Trust liabilities	**2,529,783.47**	**3,161,951.80**
of which: trust loans	810,081.42	**987,099.55**
5. Other liabilities	**10,335,261.03**	**9,067,863.55**
6. Deferred income	**44,649,615.85**	**38,159,725.42**
6a. Deferred tax liabilities	—	—
7. Provisions	**195,763,568.21**	**207,390,315.04**
a) Provisions for pensions and similar obligations	137,968,974.82	144,264,917.36
b) Provisions for taxes	7,312,325.93	3,489,224.50
c) Other provisions	50,482,267.46	59,636,173.18
9. Subordinated debt	**257,708,404.69**	**258,799,980.50**
10. Profit participation rights outstanding	—	—
of which: due within two years	—	—
11. Funding for general bank risks	**12,788,791.87**	**12,782,297.03**
of which: special item per Sec. 340e(4) of the Commercial Code (HGB)	6,494.84	—
12. Equity	**649,348,635.21**	**619,944,235.03**
a) Called capital	60,468,571.80	60,468,571.80
Subscribed capital	60,468,571.80	60,468,571.80
less: outstanding deposits not called	—	—
b) Capital reserves	208,306,686.77	208,306,686.77
c) Revenue reserves	345,354,690.71	332,402,151.58
ca) Legal reserve	171,066.50	171,066.50
cb) Reserve for shares in a parent or majority investor	—	—
cc) Reserves provided for by the Articles of Incorporation	—	—
cd) Other revenue reserves	345,183,624.21	332,231,085.08
d) Net retained profits / net accumulated losses	35,218,685.93	18,766,824.88
Total equity and liabilities	**14,108,025,407.60**	**13,752,632,552.51**

Off-balance-sheet items EUR	12/31/2016	12/31/2015
1. Contingent liabilities	**356,447,025.81**	**293,902,628.00**
a) Contingent liabilities from rediscounted bills of exchange	—	—
b) Obligations under suretyships and guarantees	356,447,025.81	293,902,628.00
c) Liability from collateral furnished for third-party liabilities	—	—
2. Other obligations	**767,668,563.77**	**639,725,862.26**
a) Repurchase obligations from nongenuine sale and repurchase agreements	—	—
b) Placement and underwriting commitments	—	—
c) Committed credit facilities	767,668,563.77	639,725,862.26

Income Statement of Oldenburgische Landesbank AG for the period January 1 – December 31, 2016

EUR	2016	2015
1. Interest income from	**389,084,454.17**	**431,808,977.50**
a) Credit and money market transactions	361,179,715.52	393,397,190.87
less: negative interest from credit and money market transactions	– 3,032,654.92	– 246,316.09
b) Fixed-income securities and book-entry securities	27,904,738.65	38,411,786.63
less: negative interest from fixed-income securities and book-entry securities	—	—
2. Interest expenses	**164,577,854.74**	**201,582,640.87**
less: positive interest	– 5,961,797.05	– 2,042,379.72
3. Current income from	**5,004,297.00**	**15,173,542.02**
a) Stocks and other non-fixed-income securities	179,932.58	4,663,510.42
b) Long-term equity investments	4,824,364.42	10,407,031.60
c) Shares of affiliated companies	—	103,000.00
4. Income from profit pooling, profit transfer or partial profit transfer agreements	**426,182.04**	**243,452.22**
5. Commission income	**90,615,808.32**	**97,849,152.81**
6. Commission expense	**22,707,701.99**	**29,093,334.27**
7. Net operating trading income or expense	**58,453.58**	**– 201,545.28**
of which: allocation or reversal of special item per Sec. 340g of the Commercial Code (HGB)	– 6,494.84	—
8. Other operating income	**15,968,386.37**	**18,875,270.30**
10. General administrative expenses	**211,396,319.47**	**214,751,382.25**
a) Personnel expenses	135,744,183.31	140,277,453.46
aa) Wages and salaries	111,402,791.50	114,145,716.46
ab) Social security, pension provisions and other employee benefit costs	24,341,391.81	26,131,737.00
of which: for pension provisions	5,024,069.62	6,415,074.47
b) Other administrative expenses	75,652,136.16	74,473,928.79
11. Amortization and write-downs of intangible fixed assets and write-downs of tangible fixed assets	**14,861,331.66**	**14,775,706.04**
12. Other operating expenses	**12,825,723.16**	**28,008,769.58**
13. Write-downs of receivables and certain securities and allocations to provisions in the credit business	**39,387,572.17**	**31,281,415.69**
14. Income from additions to receivables and certain securities and from the reversal of provisions in the credit business	—	—
15. Write-downs of long-term equity investments, shares in affiliated companies and securities treated as long-term financial assets	—	**876,585.97**
16. Income from additions to long-term equity investments, shares in affiliated companies and securities treated as long-term financial assets	**21,584,871.11**	—
17. Expenses for assumption of losses	—	**248.67**
19. Result from ordinary activities	**56,985,949.40**	**43,378,766.23**
20. Extraordinary income	**45,752.12**	**3,362,304.49**
21. Extraordinary expenses	**2,722,766.24**	**12,431,255.95**
22. Extraordinary result	**– 2,677,014.12**	**– 9,068,951.46**
23. Taxes on income	**18,207,721.53**	**15,207,343.20**
24. Other taxes not included under Item 12	**882,527.82**	**848,168.62**
25. Income from assumption of losses	—	—
26. Profits transferred under profit pooling or a profit transfer or partial profit transfer agreement	—	—
27. Net income / net loss for the fiscal year	**35,218,685.93**	**18,254,302.95**
28. Retained profits / accumulated losses brought forward	—	**512,521.93**
29. Withdrawals from capital reserves	—	—
30. Withdrawals from revenue reserves	—	—
a) from legal reserve	—	—
b) from reserves for shares in a parent or majority investor	—	—
c) from reserves provided for by the Articles of Incorporation	—	—
d) from other revenue reserves	—	—
31. Withdrawals from profit participation capital	—	—
32. Allocations to revenue reserves	—	—
a) to the legal reserve	—	—
b) to reserves for shares in a parent or majority investor	—	—
c) to reserves provided for by the Articles of Incorporation	—	—
d) to other revenue reserves	—	—
33. Replenishment of profit participation capital	—	—
34. Net retained profits / net accumulated losses	**35,218,685.93**	**18,766,824.88**

Statement of Changes in Equity of Oldenburgische Landesbank AG for the period January 1 – December 31, 2016

EUR	1/1/2016	Net income for the fiscal year	Change in special item per Sec. 340e(4) Comm. Code (HGB)	Retained profits brought forward	Dividend distribution	Allocations to revenue reserves	12/31/2016
Funding for general bank risks	**12,782,297.03**	—	**6,494.84**	—	—	—	**12,788,791.87**
Subscribed capital	60,468,571.80	—	—	—	—	—	60,468,571.80
Capital reserves	208,306,686.77	—	—	—	—	—	208,306,686.77
Legal reserve	171,066.50	—	—	—	—	—	171,066.50
Other revenue reserves	332,231,085.08	—	—	—	—	12,952,539.13	345,183,624.21
Net retained profits	18,766,824.88	35,218,685.93	—	—	–5,814,285.75	–12,952,539.13	35,218,685.93
Equity	**619,944,235.03**	**35,218,685.93**	—	—	**–5,814,285.75**	—	**649,348,635.21**
Total	**632,726,532.06**	**35,218,685.93**	**6,494.84**	—	**–5,814,285.75**	—	**662,137,427.08**

Cash Flow Statement of Oldenburgische Landesbank AG for the period January 1 – December 31, 2016

EUR	2016
1. Profit for the period (net income / net loss for the fiscal year)	35,218,685.93
2. Depreciation (+), amortization (+) and write-downs (+) / reversals (–) of write-downs of fixed assets	56,757,185.13
3. Increase (+) / decrease (–) in provisions	– 34,657,809.38
4. Other noncash expenses (+) / income (–)	14,783,527.58
5. Gain (–) / loss (+) on disposal of fixed assets	– 78,222.25
6. Other adjustments (net – / +)	– 15,354,866.91
7. Increase (–) / decrease (+) in receivables from banks	– 52,642,888.42
8. Increase (–) / decrease (+) in receivables from customers	– 409,918,425.83
9. Increase (–) / decrease (+) in securities (other than long-term financial assets)	– 17,823,064.37
10. Increase (–) / decrease (+) in other assets from operating activities	– 15,459,222.10
11. Increase (+) / decrease (–) in liabilities to banks	– 362,956,472.17
12. Increase (+) / decrease (–) in liabilities to customers	844,341,270.93
13. Increase (+) / decrease (–) in securitized liabilities	– 145,000,000.00
14. Increase (–) / decrease (+) in other liabilities from operating activities	6,412,619.58
15. Interest expense (+) / interest income (–)	– 229,510,896.43
16. Expenses for (+) / income from (–) extraordinary items	2,677,014.12
17. Income tax expense (+) / income (–)	18,207,721.53
18. Interest and dividend payments received (+)	371,689,707.91
19. Interest paid (–)	– 125,163,269.57
20. Extraordinary cash receipts (+)	—
21. Extraordinary cash payments (–)	– 189,855.05
22. Income tax paid (– / +)	– 18,859,301.70
23. Cash flows from operating activities (total of lines 1 to 22)	**– 77,526,561.47**
24. Proceeds from disposal of long-term financial assets (+)	245,548,838.59
25. Payments to acquire long-term financial assets (–)	2,773.12
26. Proceeds from disposal of tangible fixed assets (+)	2,954,242.60
27. Payments to acquire tangible fixed assets (–)	– 11,916,016.35
28. Proceeds from disposal of intangible fixed assets (+)	—
29. Payments to acquire intangible fixed assets (–)	– 1,964,879.16
30. Proceeds from disposals of entities included in the basis of consolidation (+)	—
31. Payments to acquire entities included in the basis of consolidation (–)	—
32. Change in cash funds from other investing activities (net + / –)	—
33. Cash receipts from extraordinary items (+)	—
34. Cash payments for extraordinary items (–)	—
35. Cash flows from investing activities (total of lines 24 to 34)	**234,624,958.80**
36. Proceeds from capital contributions by shareholders of the parent entity (+)	—
37. Proceeds from capital contributions by minority shareholders (+)	—
38. Cash payments to shareholders of the parent entity from the redemption of shares (–)	—
39. Cash payments to minority shareholders from the redemption of shares (–)	—
40. Cash receipts from extraordinary items (+)	—
41. Cash payments for extraordinary items (–)	—
42. Dividends paid to shareholders of the parent entity (–)	– 5,244,485.75
43. Dividends paid to minority shareholders (–)	– 569,800.00
44. Change in cash funds from other capital (net + / –)	6,494.84
45. Cash flows from financing activities (total of lines 36 to 44)	**– 5,807,790.91**
46. Net change in cash funds (total of lines 23, 35, 45)	**151,290,606.42**
47. Effect on cash funds of exchange rate movements and remeasurements (+ / –)	—
48. Effect on cash funds of changes in the basis of consolidation (+ / –)	—
49. Cash funds at beginning of period (+)	**181,730,153.25**
50. Cash funds at end of period (total of lines 46 to 49)	**333,020,759.67**

Notes to the Annual Financial Statements of Oldenburgische Landesbank AG for the 2016 Fiscal Year

I. General Information

Rules governing financial reporting

Oldenburgische Landesbank AG, headquartered in Oldenburg and entered under number HRB 3003 in the Commercial Register of Oldenburg Local Court (Oldb), has prepared its annual financial statements in accordance with the German Commercial Code (HGB) in conjunction with the German Accounting Regulation for Banks and Financial Services Institutions (RechKredV) and in compliance with the terms of the German Stock Corporation Act (AktG).

Explanation of accounting policies (disclosures per Sec. 284 (2) No. 1 of the Commercial Code)

Cash reserves are recognized at their nominal value; holdings in foreign currency are measured using the European Central Bank's reference exchange rates applicable at year's end.

Receivables are generally recognized at their nominal value, applying the relevant write-downs where needed. Any difference between the amount paid and the nominal value – if it has the nature of interest – is allocated to prepaid expenses or deferred income, as the case may be, and reversed pro rata temporis in profit or loss. Non-interest-bearing receivables are recognized at their present value.

The total figure for *risk provisions* is composed of the risk provision for receivables, which is deducted from assets, and the risk provision for contingent liabilities, which is recognized among the liabilities, under provisions. Acute default risks in the credit business are allowed for by recognizing write-downs and provisions. Risk provisions are measured in the same way as under International Financial Reporting Standards (IFRSs). In taking that measurement, OLB distinguishes between the standardized loan business, in which risk is distributed almost uniformly (homogeneous portfolio), the customized loan business, which has an individualized risk exposure, and the associated forms of provisioning: the PLLP (Portfolio Loan Loss Provision), SLLP (Specific Loan Loss Provision) und GLLP (General Loan Loss Provision). There is also a fund for general bank risks in accordance with Sec. 340g of the Commercial Code. No interest is accrued for loans covered by an SLLP.

Written-down loans are measured individually no later than the expiration of defined maturities, and are covered by a Specific Loan Loss Provision (SLLP). The length of the maturities depends in particular on the collateral and the Bank's experience. This does not affect the validity or prosecution of the Bank's legal claims.

Risk provisions are generally deducted from the associated item in the balance sheet. If the risk provision pertains to off-balance-sheet credit operations (contingent liabilities, loan commitments), the risk provision is recognized among provisions.

As soon as a receivable becomes uncollectible, it is derecognized by taking a charge against any associated specific loan loss provision that has been established, or else by taking a charge directly against the income statement. A receivable is derecognized if it has been terminated and is uncollectible, and

- no receipts can be expected from a current insolvency proceeding and an opinion from the insolvency administrator to this effect is in hand
- there is an affidavit in lieu of oath (submission of a list of assets) from the borrower
- a bailiff has performed enforcement without results, and nothing more can be collected
- the debtor is listed in a debtors' register of the German state concerned
- consumer insolvency proceedings have been initiated.

Amounts received for written-off receivables are recognized in profit or loss under the item for "Write-downs of receivables and certain securities and allocations to provisions in the credit business."

The income statement exercises the *option under Sec. 340f (3) of the Commercial Code,* and the net figure from expenses and income is recognized in the item for "Write-downs of receivables and certain securities and allocations to provisions in the credit business" or "Income from additions to receivables and certain securities and from the reversal of provisions in the credit business."

Negative interest from credit and money market transactions is recognized in Item 1.a in the income statement, "Interest income from credit and money market transactions."

Negative interest from fixed-income securities and book-entry securities is recognized in Item 1.b in the income statement, "Interest income from fixed-income securities and book-entry securities."

Positive interest for deposits received from the banking business is recognized in Item 2 of the income statement, "Interest expense."

Most of securities held in the Bank's own portfolio are maintained in the *liquidity portfolio.* This securities portfolio is measured by the strict lower of cost or market principle, at either its cost or the lower market price or fair value, allowing for the requirement to reinstate original values.

At the reporting date, the *portfolio of long-term investments* contained only marketable bonds and other fixed-income securities, for an amount of EUR 428.7 million. These holdings of bonds and other fixed-income securities that are to be held for the long term are recognized using the moderate lower of cost or market principle. That means that the securities concerned are measured at cost less any presumed lasting impairment. At the reporting date, fixed assets included securities that had a fair value below their carrying amount. Because the impairment was expected to be only temporary, no write-downs were recognized.

Procedures have been established to ensure that lasting impairments of value induced by credit ratings can be distinguished from temporary changes in trading price induced by interest rates.

The Bank's internal criteria for including financial instruments in the *trading portfolio* did not change during the year.

Financial instruments in the trading portfolio are recognized at fair value less a risk discount. These financial instruments are measured applying the measurement provisions under Sec. 340e of the Commercial Code. The applied *risk discount* comprises the allowance amount for market price risks in the trading portfolio in accordance with the Solvency Regulation, as noted in the risk report ("Value at risk discount"), which is based on a 99 percent confidence level with a ten-day holding period and an observation period of 250 trading days (weighted).

The Bank examined whether *outstanding interest claims and interest obligations in the non-trading portfolio as a whole* yield a surplus of liabilities that would have to be taken into account by forming a provision under Sec. 340a in conjunction with Sec. 249 (1) Sentence 1 of the Commercial Code, in compliance with opinion IDW RS BFA 3 of August 30, 2012, from the Institute of Public Auditors in Germany, and applying the net present value approach. Here the net present value of the non-trading portfolio was compared with the carrying amounts, after deducting proportionate costs for risk and administration. On the basis of this calculation, there was no need at the reporting date to form a provision for a surplus of liabilities from the business in interest-rate-based financial instruments in the non-trading portfolio.

For the *fair valuation* of non-derivative financial instruments in the trading portfolio, the applicable exchange or market price at the reporting date is generally applied. These non-derivative financial instruments are largely the Bank's own debt instruments. Own debt instruments that have been redeemed are measured at prices resulting from an internal model, using the DCF method and allowing for the risk-free interest rates observable in the market and OLB's credit spreads derived from market observations and observable on the basis of expert estimates.

Own debt instruments intended for retirement are recognized at face value among "Other assets."

Derivatives in the non-trading portfolio are included in the loss-free measurement of interest-rate-related transactions in the non-trading portfolio, in accordance with opinion IDW RS BFA 3 of the Institute of Public Auditors in Germany.

Other equity investments and investments in associates are measured at cost. They are written down to a lower fair value in the event of a presumably lasting impairment.

Items among *tangible* and *intangible fixed assets* that have a limited useful life are depreciated or amortized, as the case may be, in accordance with the available tax options. Low-value assets that cost EUR 150 or less are written off in the year of acquisition. Low-value assets with costs of more than EUR 150 but not more than EUR 1,000 are gathered in a summary item as provided in Sec. 6(2a) of the German Income Tax Act (EStG), and depreciated or amortized, as the case may be, on a straight-line basis over five years. Unscheduled write-downs are applied in the event of a lasting impairment.

Recoveries of value are recognized up to the original cost if the reasons for an impairment no longer apply.

Liabilities are measured at their performance amount. Discounts are recognized in prepaid expenses and written down in the income statement on a pro-rated basis.

Provisions are recognized at the necessary fulfillment amount as determined by a prudent commercial assessment; if they have a term of more than one year, they are discounted at the average market interest rate from the past seven fiscal years that corresponds to their maturity, as published by the German Bundesbank in accordance with the German Provision Discounting Regulation (Rückstellungsabzinsungsverordnung). A different discount rate is applied to pension provisions.

Effects from changes in the discount rate and time effects from the discounting of provisions are netted under other operating expenses or other operating income, as applicable.

The pension provisions are calculated using actuarial principles. The conversion expense resulting from the legal requirements amended by the German Accounting Law Modernization Act (BilMoG) is spread over 15 years. In fiscal 2016, essentially one-fifteenth of this amount was recognized as an extraordinary expense. The provisions for employee job anniversaries, phased retirement and early retirement benefits are likewise calculated using actuarial principles and recognized in full among the liabilities. The discount rate applies the simplification rule available under Sec. 253(2) Sentence 2 of the Commercial Code (time remaining to maturity 15 years).

If the amounts of pensions and similar obligations are determined solely on the basis of the fair value of securities, the provisions for this purpose are measured at the fair value of those securities, provided that value exceeds a guaranteed minimum.

Contingent liabilities and other liabilities are recognized off the balance sheet at their nominal amount less provisions recognized in the balance sheet.

Explanations of changes in accounting policies (disclosures per Sec. 265(1) Sentence 2 of the Commercial Code)

Beginning with fiscal 2016, the Bank's Board of Managing Directors has decided to forgo the voluntary preparation of consolidated financial statements in accordance with international accounting standards. For that reason, the annual financial statements have been prepared in accordance with the legal requirements described above. Now that external reporting follows the German Commercial Code only, changes in presentation and recognition result which will be detailed further here.

Choice of vertical presentation format

The German Accounting Regulation for Banks and Financial Services Institutions (RechKredV) provides that an income statement in the financial statements may be presented either in the horizontal (account) format or the vertical format. In the past, the Bank has always used the horizontal presentation format. However, the organizational arrangement in the vertical format permits a more meaningful presentation of various items of profit and loss whose contents belong together, with reference to income and the corresponding expenses. For example, interest income and interest expenses, as well as commission income and commission expenses, are presented vertically below one another in this format, instead of on two different pages of the account. The vertical presentation format does not alter the figures from the prior year.

Recognition of amounts from the reversal of provisions

With its original focus on international accounting, the Bank – paralleling the relationship of national to international accounting – formerly recognized reversals of provisions in the item of the income statement where those provisions were originally formed. For certain material matters, the present financial statements recognize the reversal under "Other operating income." This particularly applies to provisions relating to personnel. This change does not affect reversals of provisions relating to interest (e. g., for interest rates graduated across the duration of an investment), reversals of risk provisions (e. g., for provisions for granted guarantee lines), and reversals for extraordinary items (e. g., in the net result from restructuring). Corresponding prior-year figures have been restated for better comparability and transparency. These can be found in the following table. They did not result in any changes in the net profit for the fiscal year.

Income statement of Oldenburgische Landesbank AG EUR	2015		
	Restated	Original	Adjustment
5. Commission income	**97,849,152.81**	**98,179,469.61**	**– 330,316.80**
8. Other operating income	**18,875,270.30**	**13,180,246.47**	**5,695,023.83**
10. General administrative expenses			
a) Personnel expenses			
aa) Wages and salaries	114,145,716.46	108,967,826.01	5,177,890.45
ab) Social security, pension provisions and other employee benefit costs	26,131,737.00	26,018,051.42	113,685.58
b) Other administrative expenses	74,473,928.79	74,400,797.79	73,131.00

Under ESMA Guideline 05/10/2015| ESMA//2015/1415de, financial performance indicators must be explained that are not defined or specified in the framework reporting concept to be applied. In its presentation of the income statement in the financial statements, the Bank is bound to the format provided under the Regulation on Financial Reporting for Banking Institutions (RechKredV). The presentation of the income statement in the management report furthermore uses additional reporting figures, performance indicators and partial results to enhance the transparency and comprehensibility of the reporting. These are derived as follows from the items in the income statement form under the German Accounting Regulation for Banks and Financial Services Institutions (RechKredV):

Definitions of terms for the income statement presentation in the management report (disclosures in accordance with the guidelines of the European Securities and Markets Authority [ESMA] for Alternative Performance Measures [APM])

"Net interest income" (per Items 1–2+3+4 of the RechKredV)

1. Interest income from
   a) Credit and money market transactions
   b) Fixed-income securities and book-entry securities
2. Interest expenses
3. Current income from
   a) Stocks and other non-fixed-income securities
   b) Long-term equity investments
   c) Shares in affiliated companies
4. Income from profit pooling, profit transfer or partial profit transfer agreements

"Net commission income" (per Items 5–6 of the RechKredV)

5. Commission income
6. Commission expense

"Net operating trading income or expense" (per Item 7 of the RechKredV)

7. Net operating trading income or expense

"Operating income" (subtotal)

"Net interest income" + "Net commission income" + "Net operating trading income or expense"

"Personnel expenses" (per Item 10.a of the RechKredV)

10. General administrative expenses
    a) Personnel expenses

"Other administrative expenses" (per Item 10.b of the RechKredV)

10. General administrative expenses
    b) Other administrative expenses

"Write-downs of tangible fixed assets" (per Item 11 of the RechKredV)

11. Amortization and write-downs of intangible fixed assets and write-downs of tangible fixed assets

"General administrative expenses" (subtotal)

"Personnel expenses" + "Other administrative expenses" + "Write-downs of tangible fixed assets"

"Net other operating income (+) and expenses (–)" (per Items 8–12 of the RechKredV)

8. Other operating income
12. Other operating expenses

"Operating result before risk provisions" (subtotal)

"Operating income" – "General administrative expenses" + "Net other operating income (+) and expenses (–)"

"Risk provisions for the credit business" (per Items 13–14 of the RechKredV, of which pertaining to the credit business, without netting per Sec. 340f of the HGB)

13. Write-downs of receivables and certain securities and allocations to provisions in the credit business
14. Income from additions to receivables and certain securities and from the reversal of provisions in the credit business

"Gain (+)/loss (–) on securities in the liquidity reserve" (per Items 13–14 of the RechKredV, of which pertaining to the liquidity reserve, without netting per Sec. 340f of the HGB)

13. Write-downs of receivables and certain securities and allocations to provisions in the credit business
14. Income from additions to receivables and certain securities and from the reversal of provisions in the credit business

"Expenses for the credit business and liquidity reserve" (subtotal)
"Risk provisions for the credit business" – "Gain (+)/loss (–) on securities in the liquidity reserve"

"Net operating result" (subtotal)
"Operating result before risk provisions" – "Expenses for the credit business and liquidity reserve"

"Other result" (per Items 16–15+25–17–26 of the RechKredV)

15. Write-downs of long-term equity investments, shares in affiliated companies and securities treated as long-term financial assets
16. Income from additions to long-term equity investments, shares in affiliated companies and securities treated as long-term financial assets
17. Expenses for assumption of losses
25. Income from assumption of losses
26. Profits transferred under profit pooling or a profit transfer or partial profit transfer agreement

"Extraordinary result" (per Item 22 of the RechKredV)
22. Extraordinary result

"Profit before taxes" (subtotal)
"Net operating result" + "Other result" + "Extraordinary result"

"Taxes" (per Items 23+24 of the RechKredV)

23. Taxes on income
24. Other taxes not included under Item 12

"Net income for the fiscal year" (per Item 27 of the RechKredV)
27. Net income/net loss for the fiscal year

"Cost–income ratio" or "CIR" (ratio stated in percent)
"General administrative expenses" / "Operating income"

"Earnings per share"
"Net income for the fiscal year" / (23,257,143 no-par shares – average holdings of treasury stock)

"Return on equity"
"Net profit for the fiscal year" / average equity per Item 12, "Equity and Liabilities," of the RechKredV

II. Explanations of Specific Disclosures under the RechKredV

In accordance with Sec. 284 of the Commercial Code (HGB), the notes to the financial statements are to include the disclosures that are required for the individual items of the balance sheet or income statement; they must be presented in the order in which the individual items appear in the balance sheet and income statement. It is not always meaningful or possible to provide an allocation to individual items in the balance sheet or income statement if the disclosures are removed from their context as a result. This is the case, for example, for disclosures that must be provided in compliance with specific legal requirements under a lex specialis (e.g., the German Bank Reporting Regulation, the "RechKredV"). These disclosure obligations are presented by way of a preface here:

Disclosures on the breakdown of maturities of balance sheet items by time remaining to maturity in accordance with Sec. 9 RechKredV

Under Sec. 340a(2) Sentences 1 and 2 of the Commercial Code, banking institutions are not to apply Secs. 267, 268(4) Sentence 1, and 268(5) Sentences 1 and 2; instead the breakdown of maturities of balance sheet items is to be organized by time remaining to maturity in accordance with Sec. 9 of the RechKredV.

EUR	12/31/2016	12/31/2015
Receivables from banks	**201,917,274.42**	**149,423,684.47**
b) Other receivables	59,411,525.71	45,846,869.13
of which: with a remaining time to maturity of three months or less	58,343,490.10	45,652,730.97
of which: with a remaining time to maturity of more than three months to one year	564,702.29	194,138.16
of which: with a remaining time to maturity of more than one year to five years	503,333.32	—
of which: with a remaining time to maturity of more than five years	—	—
Receivables from customers	**10,533,352,591.54**	**10,163,142,978.58**
of which: with indefinite maturities	576,797,731.81	650,865,887.12
of which: with a remaining time to maturity of three months or less	538,780,176.03	509,948,315.65
of which: with a remaining time to maturity of more than three months to one year	739,218,913.62	660,326,361.05
of which: with a remaining time to maturity of more than one year to five years	2,737,836,433.23	2,700,061,560.87
of which: with a remaining time to maturity of more than five years	5,940,719,336.85	5,641,940,853.89
Bonds and other fixed-income securities	**2,380,921,565.65**	**2,599,920,302.10**
of which: maturing in fiscal 2017 (2016)	476,849,026.93	409,245,159.64
Liabilities to banks	**4,174,775,927.16**	**4,540,539,457.67**
b) with agreed maturity or notice period	4,159,972,269.65	4,475,429,537.01
of which: with a remaining time to maturity of three months or less	1,024,004,317.90	1,220,388,974.39
of which: with a remaining time to maturity of more than three amonths to one year	845,038,461.45	898,353,011.86
of which: with a remaining time to maturity of more than one year to five years	991,374,210.15	1,025,754,877.50
of which: with a remaining time to maturity of more than five years	1,299,555,280.15	1,330,932,673.26
Liabilities to customers	**8,210,164,801.85**	**7,366,547,490.45**
a) Savings deposits	1,552,488,575.96	1,868,618,900.81
ab) with agreed withdrawal notice of more than three months	181,673,148.88	167,305,002.16
of which: with a remaining time to maturity of three months or less	5,962,494.73	8,158,249.48
of which: with a remaining time to maturity of more than three months to one year	143,510,308.01	138,123,405.09
of which: with a remaining time to maturity of more than one year to five years	32,200,346.14	21,023,347.59
of which: with a remaining time to maturity of more than five years	—	—
b) Other liabilities	6,657,676,225.89	5,497,928,589.64
bb) with an agreed maturity or notice period	1,222,043,735.87	882,197,546.57
of which: with a remaining time to maturity of three months or less	311,217,305.84	155,986,305.93
of which: with a remaining time to maturity of more than three months to one year	129,193,864.90	43,710,974.76
of which: with a remaining time to maturity of more than one year to five years	380,832,565.13	293,803,089.37
of which: with a remaining time to maturity of more than five years	400,800,000.00	388,697,176.51
Securitized liabilities	**549,960,618.26**	**696,239,236.02**
a) Bonds issued	549,960,618.26	696,239,236.02
of which: maturing in fiscal 2017 (2016)	48,532,118.26	95,792,779.68
b) Other securitized liabilities	—	—
of which: with a remaining time to maturity of three months or less	—	—
of which: with a remaining time to maturity of more than three months to one year	—	—
of which: with a remaining time to maturity of more than one year to five years	—	—
of which: with a remaining time to maturity of more than five years	—	—

Disclosures on amounts in foreign currency per Sec. 35(1) No. 6 RechKredV

Disclosure of total amount of all assets and liabilities denominated in foreign currencies:

Amounts in foreign currency EUR	**12/31/2016**	**12/31/2015**
Assets	99,530,911.53	102,712,311.91
Liabilities	128,902,837.44	127,037,850.70

Disclosures on receivables from and liabilities to associates per Sec. 3 Sentence 1 Nos. 1 and 2 in conjunction with Sentence 2 RechKredV

Breakdown by balance sheet item EUR	**12/31/2016**	**12/31/2015**
Receivables from banks	—	—
Receivables from customers	95,696.81	150,000.00
Trust assets	—	—
Stocks and other non-fixed-income securities	188,605,773.86	191,015,318.76
Other assets	21,435,953.14	22,707,546.80
Total receivables	**210,137,423.81**	**213,872,865.56**
Liabilities to banks	—	—
Liabilities to customers	25,778,660.72	36,743,108.44
Trust liabilities	40,000.00	40,000.00
Provisions and other liabilities	294,837.64	256,955.56
Total liabilities	**26,113,498.36**	**37,040,064.00**

There were no guarantee lines for associated entities.

Receivables from other long-term investees and investors, which are recognized as “Receivables from customers,” came to EUR 0.6 million (prior year: EUR 0.6 million). Liabilities to other long-term investees and investors, recognized as “Liabilities to customers,” came to EUR 0.5 million (prior year: EUR 1.2 million).

Disclosures on securities and long-term financial investments per Sec. 35(1) No. 1 RechKredV

The following balance sheet items include marketable securities:

			12/31/2016
EUR	**Total**	**Quoted in a market**	**Not quoted in a market**
Bonds and other fixed-income securities	2,380,921,565.65	2,380,921,565.65	—
Stocks and other non-fixed-income securities	188,705,774.86	—	188,705,774.86
Trading portfolio	8,313,229.78	12,195.93	8,301,033.85
Long-term equity investments	458,843.54	—	458,843.54
Shares in affiliated companies	52,000.00	—	52,000.00
Other assets	327,446,465.64	—	327,446,465.64

The item for “Stocks and other non-fixed-income securities not quoted in a market” pertains to the Bank’s two special funds, AGI-Fonds Ammerland and AGI-Fonds Weser-Ems.

Disclosures on changes in assets per Sec. 34 (3) of the RechKredV in conjunction with Sec. 268 (2) of the HGB

EUR	Long-term securities	Long-term equity investments	Shares in affiliated companies	Land and buildings	Business and office equipment	Intangible assets
Historical acquisition costs	663,963,549.75	563,874.04	52,000.00	143,394,734.70	112,624,954.13	37,806,809.87
Historical write-ups	—	—	—	—	—	—
Historical write-downs	—	102,257.38	—	95,247,300.44	80,177,271.19	28,005,927.28
Carrying amount at 1/1/2016	**663,963,549.75**	**461,616.66**	**52,000.00**	**48,147,434.26**	**32,447,682.94**	**9,800,882.59**
Additions measured at cost	30,325.57	—	—	650.52	9,140,632.48	1,964,879.16
Disposals measured at cost	235,312,867.61	—	—	—	3,032,464.85	—
Write-ups included in disposals for the year	—	—	—	—	—	—
Write-downs included in disposals for the year	—	—	—	—	2,931,177.85	—
Additions through reclassification	—	—	—	—	—	—
Disposals through reclassification	—	2,773.12	—	—	—	—
Changes in portfolio during the year	**−235,282,542.04**	**−2,773.12**	**—**	**650.52**	**9,039,345.48**	**1,964,879.16**
Write-ups during the year	—	—	—	—	—	—
Write-downs during the year (scheduled)	—	—	—	3,104,115.00	8,556,606.49	3,089,586.72
Write-downs during the year (unscheduled)	—	—	—	—	111,023.45	—
Changes in measurement during the year	**—**	**—**	**—**	**−3,104,115.00**	**−8,667,629.94**	**−3,089,586.72**
Carrying amount at 12/31/2016	**428,681,007.71**	**458,843.54**	**52,000.00**	**45,043,969.78**	**32,819,398.48**	**8,676,175.03**
Write-downs at 1/1/2016	**—**	**102,257.38**	**—**	**95,247,300.44**	**80,177,271.19**	**28,005,927.28**
Write-downs during the year (scheduled)	—	—	—	3,104,115.00	8,556,606.49	3,089,586.72
Write-downs during the year (unscheduled)	—	—	—	—	111,023.45	—
Write-downs included in disposals for the year	—	—	—	—	2,931,177.85	—
Reclassification of write-downs	—	—	—	—	—	—
Changes in write-downs	**—**	**—**	**—**	**3,104,115.00**	**5,736,452.09**	**3,089,586.72**
Write-downs at 12/31/2016	**—**	**102,257.38**	**—**	**98,351,415.44**	**85,913,723.28**	**31,095,514.00**

99.5 percent of land and buildings (equivalent to a corresponding value of EUR 44.8 million) are used for our own activities. There were no write-downs on leased property.

Disclosures on portfolio allocation of long-term securities per Sec. 35(1) No. 2 of the RechKredV
Long-term securities are maintained in separate portfolios. An interest-rate-induced measurement yielded a fair value of EUR 455.5 million at December 31, 2016. At the reporting date, long-term assets included one security with a fair value of EUR 300, which was below its carrying amount. Procedures have been established to ensure that lasting impairments of value induced by credit ratings can be distinguished from temporary changes in trading price induced by interest rates. Because the impairment was expected to be only temporary, no write-downs were recognized.

Disclosures on security furnished for own liabilities per Sec. 35(5) of the RechKredV

Security furnished EUR	12/31/2016	12/31/2015
Liabilities to banks	3,890,360,112.99	4,214,293,919.88
Liabilities to customers	—	—
Total amount of security furnished	**3,890,360,112.99**	**4,214,293,919.88**

The security furnished largely consists of securities transferred in repo transactions and receivables from customers under refinancing transactions with development banks. At December 31, 2016, there were no liabilities to the Bundesbank under open-market transactions.

III. Notes to the Balance Sheet – Assets

Assets
5. Bonds and other fixed-income securities

EUR	12/31/2016	12/31/2015
Money market paper		
from public issuers	—	—
from other issuers	—	—
Other bonds		
from public issuers	1,339,763,996.29	1,432,730,952.34
from other issuers	1,041,157,569.36	1,167,189,349.76
Own debt instruments	—	—
Bonds and other fixed-income securities	**2,380,921,565.65**	**2,599,920,302.10**

Disclosures per Sec. 35(1) No. 2 of the RechKredV in conjunction with Sec. 285 No. 18 of the HGB a), b)
Items in the liquidity reserve are measured using the strict lower of cost or market principle. Long-term securities were measured using the moderate lower of cost or market principle.

At the reporting date, marketable securities in this item in an amount of EUR 10.0 million were not measured at the lower of cost or market. The fair value of these securities was EUR 10.0 million. One write-down of EUR 300 was omitted, because the Bank assumed this was an interest-rate-induced change in fair value that will very likely reverse by the maturity date.

Disclosures per Sec. 9 (3) No. 2 of the RechKredV

Bonds and other fixed-income securities include paper with a value of EUR 476.9 million that matures in fiscal 2017.

Disclosures per Sec. 340b (4) Sentence 4 of the HGB on assets sold under repurchase agreements

At the reporting date, the Bank had pledged securities with a nominal value of EUR 660.0 million with XEMAC, the securities management system of Clearstream Banking AG, of Frankfurt. To secure own-account trading on the Eurex exchange, securities with a nominal value of EUR 17.0 million were deposited with BNP Paribas S.A. As part of the loan presentation procedure, loan receivables worth EUR 70.2 million were deposited with the Bundesbank.

At the reporting date, there were repurchase obligations of EUR 1,221.6 million (carrying amount: EUR 1,170.1 million) for assets sold under repurchase agreements.

Disclosures per Sec. 35 (1) No. 2 of the RechKredV in conjunction with Sec. 285 No. 18 of the HGB a), b)

Assets 6. Stocks and other non-fixed-income securities

At the reporting date, all marketable securities in this item were measured at the lower of cost or market.

Disclosures per Sec. 285 No. 26 of the HGB on shares of domestic investment funds within the meaning of Sec. 1 (6) of the German Investment Code (KAGB)

The shares of domestic investment funds comprise a special fund, which in turn had invested in public funds that pursue an "absolute return" strategy (AllianzGI Fund Weser Ems). There is additionally a special fund that emphasizes stocks (AllianzGI Fund Ammerland).

EUR	12/31/2016			2016
	Balance sheet value	Market value	Difference of carrying amount from market	Distribution
AllianzGI Fund Weser-Ems	93,040,823.35	93,040,823.35	—	—
AllianzGI Fund Ammerland	95,564,950.51	95,564,950.51	—	3,026.41

The distribution consisted of offsettable investment income taxes. Shares can be redeemed daily. No write-downs were omitted.

Breakdown per Sec. 35 (1) No. 1a of the RechKredV

Assets 6a. Trading portfolio (asset value)

6a. Trading portfolio (asset value) EUR	12/31/2016	12/31/2015
Stocks and other non-fixed-income securities	21,108.24	17,165.87
Own debt instruments	8,292,121.54	22,075,372.92
Risk discount	—	–4,853.05
Total	**8,313,229.78**	**22,087,685.74**

The asset item for the trading portfolio primarily contains redeemed own debt instruments.

The securities in the trading portfolio are measured using an internal model (less a credit spread for OLB).

Out of this item, EUR 8.0 million will mature in 2017.

Breakdown per Sec. 6 (1) Sentence 2 of the RechKredV

Assets
9. Trust assets

Breakdown by balance sheet item EUR	12/31/2016	12/31/2015
Receivables from customers	2,529,783.47	3,161,951.80
Trust assets total	**2,529,783.47**	**3,161,951.80**

Assets
14. Other assets

Disclosures per Sec. 35 (1) No. 4 of the RechKredV

During the year, redeemed own debt instruments intended for retirement with a market value of EUR 49.6 million (prior year: EUR 101.8 million) were reallocated to “Other assets.” The total value came to EUR 327.4 million (prior year: EUR 277.8 million).

This item also includes tax refund entitlements of EUR 11.1 million from the Tax Office, and claims of EUR 2.2 million against municipal governments (prior-year total: EUR 18.3 million), as well as receivables for premium refunds from accident insurance companies in the amount of EUR 17.8 million (prior year: EUR 16.5 million). An item of EUR 2.1 million (prior year: EUR 1.3 million) was recognized for outsourced plan assets under a Contractual Trust Agreement (CTA) for phased retirement obligations, and was netted against the covering amount under the item for “Other provisions.” At the reporting date, the item for “Other assets” included receivables of EUR 0.8 million (prior year: EUR 0.8 million) due under the Group Equity Incentive Plan (GEI) . Various receivables for provisions were also recognized.

Assets
15. Prepaid expenses

Disclosures per Sec. 250 (3) of the HGB

The item for prepaid expenses includes discounts on liabilities in the amount of EUR 3.2 million, pursuant to Sec. 250 (3) of the Commercial Code (HGB) in conjunction with Sec. 268 (6) of that code.

IV. Notes to the Balance Sheet – Equity & Liabilities

Equity & Liabilities
3. Securitized liabilities

Disclosures per Sec. 9 (3) No. 2 of the RechKredV

Issued bonds include paper with a value of EUR 48.6 million that will mature in fiscal 2017.

Breakdown per Sec. 6 (1) Sentence 2 of the RechKredV

Equity & Liabilities
4. Trust liabilities

Breakdown by balance sheet item EUR	12/31/2016	12/31/2015
Liabilities to banks	2,106,314.74	2,605,861.14
Liabilities to customers	423,468.73	556,090.66
Total trust liabilities	**2,529,783.47**	**3,161,951.80**

Equity & Liabilities
5. Other liabilities

Disclosures per Sec. 35 (1) No. 4 of the RechKredV

This item mainly pertains to withholding tax on payroll still to be transferred for December 2016, in the amount of EUR 1.6 million, withheld investment income tax of EUR 1.8 million still to be transferred, and value-added tax of EUR 0.7 million still to be transferred.

Equity & Liabilities
6. Deferred income

Disclosures per Sec. 340e(2) of the HGB

Deferred income includes EUR 4.4 million in discount amounts and processing fees for receivables in accordance with Sec. 340e(2) of the Commercial Code (HGB).

Equity & Liabilities
7. Provisions

Statement of changes in provisions

EUR	01/01/2016	Used	Reversed	Additions	Notional interest rate	Conversions	12/31/2016
a) Provisions for pensions and similar obligations	**144,264,917.36**	**6,165,782.78**	**4,151,644.13**	**4,011,017.32**	**3,721,413.49**	**–3,710,946.44**	**137,968,974.82**
b) Provisions for taxes	**3,489,224.50**	**507,107.99**	**—**	**4,330,209.42**	**—**	**—**	**7,312,325.93**
c) Other provisions	**59,636,173.18**	**23,469,603.84**	**8,955,178.69**	**22,653,301.88**	**1,421,943.26**	**–804,368.33**	**50,482,267.46**
Uncertain liabilities	44,630,866.53	20,296,276.99	4,551,180.47	14,826,083.67	1,158,645.37	–804,368.33	34,963,769.78
Provisions for credit business	5,454,494.49	—	1,252,499.03	1,684,462.54	96,143.73	—	5,982,601.73
Other	9,550,812.16	3,173,326.85	3,151,499.19	6,142,755.67	167,154.16	—	9,535,895.95
Total	**207,390,315.04**	**30,142,494.61**	**13,106,822.82**	**30,994,528.62**	**5,143,356.75**	**–4,515,314.77**	**195,763,568.21**

Disclosures per Sec. 285 Nos. 24 and 25 of the HGB and Art. 67(2) of the Introductory Act to the Commercial Code (EGHGB) on provisions for pensions and similar obligations

Oldenburgische Landesbank AG has made pension commitments for which it forms pension provisions. The fulfillment amount is calculated on the basis of the projected unit credit method, or, where applicable, as the net present value of an acquired entitlement to benefits. If commitments linked to securities are involved, the fair value of the offset asset items is used.

%	12/31/2016
Discount rate (10-year average)	4.01
Discount rate (7-year average)	3.23
Pension trend	1.50
Salary trend	2.50
Salary trend (incl. average career trend)	3.25

In 2016, the “Act Implementing the Mortgage Credit Directive and Amending Provisions of the Commercial Code” went into effect. Among other provisions, it includes an amendment of Sec. 253 of the Commercial Code concerning the measurement of pension obligations. Accordingly, the interest rate for calculating pension obligations is to be the ten-year average, instead of the seven-year average as before, and any positive difference that results from measuring post-employment obligations with the ten-year average instead of the seven-year average rate is subject to a block on distribution (Sec. 253(6) Sentence 2 HGB).

As an exception from this rule, for some pension commitments the guaranteed interest rate on the pension commitment of 2.75 percent p.a. and a guaranteed pension rise of 1.0 percent p.a. are used as a basis.

The above changes apply only for the measurement of pension obligations, but not for the measurement of other personnel obligations such as phased retirement, job anniversary benefits, or early retirement benefits.

Here the simplification option under Sec. 253 (2) Sentence 2 of the Commercial Code (time remaining to maturity 15 years) is still exercised for the discount rate, using an interest rate projected as of the reporting date as a basis, just as in the prior year.

The biometric basis for calculation is the current Heubeck Guideline Tables, RT2005G, with adjustments to conditions specific to the Company for mortality, disability and staff turnover.

The applied retirement age is the age limit provided by contract, or, as the case may be, the limit that results from the German Statutory Pension Insurance Retirement Age Adjustment Act of 2007.

A portion of the Bank's pension commitments is hedged under a Contractual Trust Arrangement (Methusalem Trust e. V.). This trust asset represents nettable covering assets, which are fair-valued on the basis of asset value or market value, as applicable.

EUR	12/31/2016
Cost of offset assets	35,444,514.47
Fair value of offset assets	35,666,046.90
Fulfillment amount of offset liabilities	193,469,152.45
Unrecognized provision amount per Art. 67 (2) Introductory Act to the Commercial Code (EGHGB)	19,834,130.76

Further explanations of the recognition of pensions and similar obligations can be found in these Notes under "Disclosures on other financial obligations."

Disclosures on pension commitments and similar obligations to former members of the Board of Managing Directors and other managing directors, or their survivors

Pension commitments and similar obligations to former members of the Board of Managing Directors and other managing directors, or their survivors, are as follows:

EUR	12/31/2016	12/31/2015
Cost of offset assets	888,932.22	796,384.00
Fair value of offset assets	888,932.22	796,384.00
Fulfillment amount of offset liabilities	15,542,269.76	16,421,069.00
Unrecognized provision amount per Art. 67 (2) Introductory Act to the Commercial Code (EGHGB)	1,705,028.26	2,367,868.00
Pension provision	12,948,309.28	13,256,817.00

Offset assets are fair-valued on the basis of the asset value of the associated reinsurance policies.

Disclosures on provisions for taxes

The provisions for taxes are intended to cover risks from on-site tax audits still in progress and for tax payments under assessment notices not yet received.

Disclosures on other provisions

The “Other provisions” of EUR 50.5 million include provisions for severance payments, early retirement obligations, restructuring measures, interest bonuses on savings deposits, and provisions for the credit business and for legal risks.

The Company has obligations under phased-retirement agreements that are recognized under the “Other provisions.” A portion of these obligations is hedged under a Contractual Trust Arrangement (Methusalem Trust e. V.). The assets set aside with Methusalem Trust e. V. for phased-retirement hedging represent nettable covering assets, which are fair-valued on the basis of asset value or market value, as applicable.

These obligations are essentially measured analogously to pension commitments, on the basis of the same calculation assumptions.

EUR	12/31/2016
Cost of offset assets	4,029,570.23
Fair value of offset assets	4,244,947.97
Fulfillment amount of offset liabilities	8,278,135.71

Disclosures per Sec. 35(3) of the RechKredV

Equity & Liabilities
9. Subordinated debt

Borrowings representing more than 10 percent of the total pertain to the following items:

OLB bearer bonds

Amount (EUR)	Nominal interest rate (%)	Maturity (year)	Issue currency
43,000,000.00	4.00	2017	EUR

Subordinated debt has a total nominal value of EUR 250.8 million.

EUR	12/31/2016	12/31/2015
Subordinated debt instruments	108,000,000.00	108,000,000.00
Subordinated borrower’s note loans	141,500,000.00	143,500,000.00
Subordinated customer deposits	1,287,500.00	—
Total (nominal)	**250,787,500.00**	**251,500,000.00**

The following applies to all borrowings:
There is no possibility of an early repayment obligation. In the event of insolvency or liquidation, subordinated debt can be repaid only after all non-subordinated creditors have been satisfied. Such debt serves to reinforce liable equity capital as provided under the Banking Act.

The total interest expense for subordinated debt during the year was EUR 10.5 million.

Equity & Liabilities
11. Fund for general bank risks

Equity & Liabilities
12. Equity

The Bank's equity and reserves under Sec. 340g of the Commercial Code (HGB) changed as follows:

EUR	12/31/2016	12/31/2015	Additions	Reversed
Subscribed capital (share capital)	**60,468,571.80**	**60,468,571.80**	—	—
Capital reserves	208,306,686.77	208,306,686.77	—	—
Total revenue reserves	345,354,690.71	332,402,151.58	12,952,539.13	—
a) Legal reserve	171,066.50	171,066.50	—	—
b) Reserve for own shares	—	—	—	—
c) Other revenue reserves	345,183,624.21	332,231,085.08	12,952,539.13	—
Total reserves	**553,661,377.48**	**540,708,838.35**	**12,952,539.13**	—
Fund for general bank risks per Sec. 340g HGB	**12,788,791.87**	**12,782,297.03**	**6,494.84**	—
of which: reserves per Sec. 340e HGB	6,494.84	—	6,494.84	—
Total equity and reserves per Sec. 340g HGB	**626,918,741.15**	**613,959,707.18**	**12,959,033.97**	—

The subscribed capital is divided into 23,257,143 no-par bearer shares.

Disclosures per Sec. 285 No. 34 of the HGB on the resolution for allocation of profits for fiscal 2015
The income statement for 2015 showed net retained profits of EUR 18.3 million. When combined with the balance carried forward, this yielded net retained profits of EUR 18.8 million. On May 11, 2016, the Shareholders' Meeting decided to utilize a total of EUR 5.8 million to pay a dividend of EUR 0.25 per no-par share. The remainder of EUR 13.0 million was allocated to the other revenue reserves.

Disclosures per Sec. 340e (4) Sentence 2 No. 1 of the HGB
Each fiscal year, an amount of at least 10 percent of the net operating trading income is to be allocated to the special item "Fund for general bank risks" under Sec. 340g, and is to be recognized separately under that item. This item may be reversed to settle net operating trading expenses. A total of EUR 6,494.84 for the year was allocated to this special item.

Disclosures per Sec. 285 No. 14 of the HGB
At the reporting date, Allianz Deutschland AG held a majority interest in Oldenburgische Landesbank AG.

Allianz SE, of Munich, prepares consolidated financial statements that include the annual financial statements of Oldenburgische Landesbank AG. The consolidated financial statements of Allianz SE are published in the electronic version of the German Federal Gazette, the Bundesanzeiger.

Disclosures on number of shares under Sec. 160 (1) No. 3 of the Stock Corporation Act (AktG)
The Company's share capital comes to EUR 60,468,571.80. It is divided into 23,257,143 no-par shares, each of which is included in the share capital at a notional value of EUR 2.60 per no-par share.

Disclosures on authorized capital per Sec. 160 (1) No. 4 of the AktG
The Board of Managing Directors is authorized to increase the Company's share capital on one or more occasions on or before May 30, 2017, subject to the consent of the Supervisory Board, by issuing new no-par shares in return for cash contributions, for a total of not more than EUR 15,000,000. The shareholders are to be given preemptive rights; however, the Board of Managing Directors is authorized to exclude fractional amounts from the shareholders' preemptive rights, subject to the consent of the Supervisory Board. The Board of Managing Directors is furthermore authorized to decide the further content of stock rights and the terms of the stock issue, subject to the consent of the Supervisory Board. This authorization was not exercised during the year.

Disclosures on treasury shares per Sec. 160(1) No. 2 of the AktG

There is no authorization for the Bank to acquire its own shares.

At December 31, 2016, it held no treasury shares in its portfolio. There were no additions or withdrawals in 2016.

As of the end of the year, 6,251 own shares with a notional value of EUR 16 thousand had been pledged. This represents 0.03 percent of the Bank's share capital.

Disclosures on the bar on distribution per Secs. 268(8) and 253(6) of the HGB

Under Sec. 268(8) of the Commercial Code (HGB), the following amounts are barred from distribution:

Amount barred from distribution EUR	12/31/2016
Income from fair valuation above cost of assets covering **phased retirement**	215,377.74
Income from fair valuation above cost of assets covering **pension plans**	221,993.43
Total	**437,371.17**

Under Sec. 253(6) of the HGB, the following amounts are barred from distribution:

Amount barred from distribution EUR	12/31/2016
Positive difference from calculation of provision for pension obligations under Sec. 253(6) HGB	19,941,128.96
Total	**19,941,128.96**

V. Notes to the Balance Sheet – Off-Balance-Sheet Items

Disclosures per Secs. 35(4) and 34(2) of the RechKredV

Off-Balance-Sheet Item 1. Contingent liabilities

EUR	12/31/2016	12/31/2015
Obligations under suretyships and guarantees	**356,447,025.81**	**293,902,628.00**
Credit suretyships	12,508,663.87	9,636,084.92
Other suretyships and guarantees	335,169,989.83	276,513,649.25
Documentary credits	8,768,372.11	7,752,893.83
including: credit openings	8,258,872.11	6,544,893.83
including: credit confirmations	509,500.00	1,208,000.00
Liability from furnishing collateral for third-party liabilities	—	—

Where there are risks that recourse might be taken against the Bank as a consequence of underlying customer relationships, these risks were covered by forming provisions. In every case, the probability that a claim would be asserted was estimated at less than 50 percent. The liabilities are monitored and ranked on a credit-related basis.

Off-Balance-Sheet Item 2. Other liabilities

Disclosures per Secs. 35 (6) and 34 (2) No. 4 of the RechKredV

EUR	12/31/2016	12/31/2015
Current account lines, short-term	141,817,922.71	101,630,071.61
Current account lines, long-term	392,299,677.05	326,130,675.15
Guarantee lines	100,193,549.86	117,653,010.18
Mortgage loans / public-sector loans	133,357,414.15	94,312,105.32
Committed credit facilities	**767,668,563.77**	**639,725,862.26**

For committed credit facilities, the indicated volumes represent amounts not yet utilized.

VI. Notes to the Income Statement

Income Statement 1. Interest income

Income Statement 2. Interest expenses

Income Statement 3. Operating income

Income Statement 4. Income from profit pooling, profit transfer or partial profit transfer agreements

EUR	2016	2015
Interest income	**389,084,454.17**	**431,808,977.50**
from credit and money market transactions	361,179,715.52	393,397,190.87
of which: negative interest (–) from credit and money market transactions	–3,032,654.92	–246,316.09
from fixed-income securities and book-entry securities	27,904,738.65	38,411,786.63
of which: negative interest (–) from fixed-income securities and book-entry securities	—	—
Interest expenses	**164,577,854.74**	**201,582,640.87**
of which: positive interest (–)	–5,961,797.05	–2,042,379.72
Operating income	**5,004,297.00**	**15,173,542.02**
from stocks and other non-fixed-income securities	179,932.58	4,663,510.42
from long-term equity investments	4,824,364.42	10,407,031.60
from shares in affiliated companies	—	103,000.00
Income from profit pooling, profit transfer or partial profit transfer agreements	**426,182.04**	**243,452.22**
Net interest income	**229,937,078.47**	**245,643,330.87**

During fiscal 2015, OLB received a nonrecurring distribution of EUR 10.3 million from a long-term equity interest in a card service provider. In May 2016, the Bank received a further, final nonrecurring distribution of EUR 4.8 million, which was recognized in current income from long-term equity investments.

Interest income from credit and money-market transactions includes EUR 1.4 million in out-of-period interest income for interest received late, largely as a result of loan workouts.

Income Statement 5. Commission income

EUR	2016	2015
Securities business	10,431,014.95	11,923,852.90
Asset management	11,892,623.17	11,387,354.45
Payment traffic	22,155,893.72	23,402,669.24
Foreign business	4,063,869.02	4,042,660.67
Insurance, home loan and savings, real estate business	13,690,849.82	13,120,436.75
Credit card business	1,736,816.42	1,843,862.62
Trustee and other fiduciary activities	15,240.57	17,711.23
Other	3,921,798.66	3,017,270.68
Net commission income	**67,908,106.33**	**68,755,818.54**

As a consequence of an intra-Group reorganization, the Bank stopped providing the regulatory liability umbrella for the sale of Allianz Global Investors products by independent Allianz agents as of July 1, 2016. The Bank received a nonrecurring payment of EUR 1.2 million in connection with the termination of that activity.

The Bank received commission income of EUR 0.2 million from the home loan and savings business and EUR 1.1 million from the insurance business, under target achievement agreements with product providers. This commission income is attributable to previous fiscal years.

Income Statement 8. Other operating income

Other operating income is made up of items that cannot be allocated to other items in the income statement.

The other operating income includes interest effects from the change in times remaining to maturity and from changes in the interest rate for measuring the net present value of provisions, as follows:

	2016	
EUR	Pensions and similar obligations	Other obligations
Income from fair valuation of offset assets	—	—
Notional interest income on fulfillment amount of offset liabilities	—	26,290.08
Effect from change in discount rate for fulfillment amount	—	–15,132.18
Net total of offset income (+) and expenses (–)	**—**	**11,157.90**

The other operating income also includes EUR 11.8 million in income from the reversal of provisions and EUR 0.3 million in input tax adjustments which are attributable to prior fiscal years.

Income Statement 10. General administrative expenses

Income Statement 11. Amortization and write-downs of intangible fixed assets and tangible fixed assets

EUR	2016	2015
Personnel expenses	135,744,183.31	140,277,453.46
Other administrative expenses	75,652,136.16	74,473,928.79
Write-downs of tangible fixed assets	14,861,331.66	14,775,706.04
Administrative expenses	**226,257,651.13**	**229,527,088.29**

The “Other administrative expenses” include out-of-period expenses of EUR 0.7 million.

Income Statement 12. Other operating expenses

Other operating expenses are made up of items that cannot be allocated to other items in the income statement. These expenses for fiscal 2016 pertain in particular to payments of EUR 4.5 million under legal obligations and an allocation of EUR 2.4 million for a risk discount on derivatives because of counterparty risks ("credit value adjustment").

Other operating expenses also include the interest effects from the change in remaining times to maturity and from changes in the discount rate for the net present valuation of provisions, as follows:

EUR	2016	
	Pensions and similar obligations	Other obligations
Income from fair valuation of offset assets	–1,022,915.00	—
Notional interest income on fulfillment amount of offset liabilities	7,560,993.00	709,908.21
Effect from change in discount rate for fulfillment amount	–2,816,665.00	499,727.42
Net total of offset income (–) and expenses (+)	**3,721,413.00**	**1,209,635.63**

The "Other operating expenses" for the year also include EUR 0.6 million in expenses for foreign currency translation (prior year: income of EUR 0.2 million). Sec. 277(5) of the Commercial Code (HGB) permits income and expenses for *foreign currency translation* to be disclosed separately in the Notes to the financial statements.

Foreign currency is converted in accordance with Sec. 340h of the HGB in conjunction with Sec. 256a of the HGB, also taking into account opinion IDW RS BFA 4 of the Institute of Public Auditors in Germany. Assets and liabilities denominated in foreign currency, as well as cash transactions not yet settled at the reporting date, are converted at the ECB's reference exchange rate for the reporting date. Assets, liabilities and pending transactions are subject to particular coverage depending on the currency involved. Procedural precautions ensure that open currency positions are closed each day. Income and expenses resulting from the conversion of specially covered transactions are recognized in profit or loss in accordance with Sec. 340h of the HGB. Peak amounts from open foreign currency positions that do not net one another out are recognized using the general accounting policies.

Income Statement 16. Income from additions to long-term equity investments, shares in affiliated companies and securities treated as long-term financial assets

According to Sec. 340c(2) Sentence 2 of the Commercial Code (HGB), this item must include not only income from additions, but also income from transactions with such asset items.

In expectation of growth in new credit business, OLB took advantage of the strategic positioning it had developed in long-term financial assets to realize trading gains by selling existing positions in long-term securities and replacing them with higher-yield customer lending business. This approach generated substantial trading gains.

Additionally, OLB profited from Visa Inc., USA's, takeover of Visa Europe Ltd, which was completed in the first half of 2016. In the course of that transaction, the Bank realized a gain of about EUR 3.0 million for its contributed share of Visa Europe.

Although the new version of Sec. 277 of the Commercial Code, which has been in effect since July 23, 2015, no longer provides for components of profit or loss to be allocated to the "Extraordinary result," the vertical presentation format under the governing reporting regulation for banks, the RechKredV, is still based on this allocation.

Income Statement
22. Extraordinary result

The scheduled allocation of the difference from the valuation of pension obligations under the first application of the Accounting Law Modernization Act (BilMoG) yielded an extraordinary expense of EUR 2.5 million (prior year: EUR 2.5 million).

The tax expense for the year was EUR 18.2 million. Of this total tax expense, EUR 9.6 million was for corporate income tax and EUR 8.6 million was for local business income tax ("trade tax"). A total of EUR 2.3 million was attributable to previous fiscal years.

Income Statement
23. Taxes on income

Disclosures on deferred taxes

Deferred taxes, which on balance yield a net refund, were not recognized, exercising the option under Sec. 274(1) Sentence 2 of the Commercial Code.

The most extensive differences between the measurement approach under the Commercial Code and the approach for tax purposes arise among the following balance sheet items that yield deferred tax amounts.

	12/31/2016		
EUR	Deferred tax assets	Deferred tax liabilities	Net
Receivables from customers	644,140.92	—	644,140.92
Shares in affiliated companies	2,679,003.73	—	2,679,003.73
Other assets	4,786,368.85	—	4,786,368.85
Pension provisions	15,753,044.22	—	15,753,044.22
Other provisions	1,601,498.71	—	1,601,498.71
Total balance sheet item	**25,464,056.43**	—	**25,464,056.43**

Deferred tax items are measured at a tax rate of 31.000 percent. This tax rate is composed of the current corporate income tax rate of 15.825 percent (including reunification surtax, or "solidarity surcharge," of 5.500 percent), as well as the local business income tax rate of 15.175 percent that applies to the Allianz Group.

VII. Other Disclosures

Disclosures on transactions in derivatives per Sec. 285 Nos. 19 and 3 of the HGB and Sec. 36 of the RechKredV

Derivative transactions – presentation of volumes

EUR	Nominal value 12/31/2016	Nominal value 12/31/2015	Positive market value 12/31/2016	Negative market value 12/31/2016
Caps	25,667,618.56	23,076,603.58	36,869.26	–36,869.26
Swaps (customer business)	498,405,609.51	294,414,117.39	11,994,485.60	–7,610,520.30
Swaps (non-trading portfolio management)	1,818,000,000.00	1,531,000,000.00	38,853,198.96	–101,063,786.78
Interest rate risks (OTC contracts)	**2,342,073,228.07**	**1,848,490,720.97**	**50,884,553.82**	**–108,711,176.34**
Currency options (long)	—	6,887,881.58	—	—
Currency options (short)	—	6,887,881.58	—	—
FX swaps and currency forwards	190,258,483.58	208,511,662.23	3,720,717.07	–3,043,952.28
Foreign currency risks (OTC contracts)	**190,258,483.58**	**222,287,425.39**	**3,720,717.07**	**–3,043,952.28**

Derivative transactions – counterparty breakdown

EUR	Nominal value 12/31/2016	Nominal value 12/31/2015	Positive market value 12/31/2016	Negative market value 12/31/2016
OECD banks	2,203,905,021.45	1,819,944,907.81	43,558,771.43	–108,792,029.74
Other counterparties	328,426,690.20	250,833,238.55	11,046,499.46	–2,963,098.88
Total derivatives	**2,532,331,711.65**	**2,070,778,146.36**	**54,605,270.89**	**–111,755,128.62**

Derivative transactions – by time remaining to maturity (nominal values in EUR)

Time remaining to maturity	Interest rate risk 12/31/2016	Interest rate risk 12/31/2015	Foreign currency risk 12/31/2016	Foreign currency risk 12/31/2016
Three months or less	52,516,397.22	28,604,059.11	134,615,597.42	127,993,243.36
Over 3 months to 1 year	243,461,600.00	132,393,811.41	55,098,611.42	92,445,381.00
Over 1 year to 5 years	669,443,647.68	730,959,936.70	544,274.74	1,848,801.03
Over 5 years	1,376,651,583.17	956,532,913.75	—	—
Total derivatives	**2,342,073,228.07**	**1,848,490,720.97**	**190,258,483.58**	**222,287,425.39**

At December 31, 2016, there were no derivatives in the trading portfolio.

Derivative transactions are used largely to hedge fluctuations in interest rates, foreign exchange rates or stock prices. The increase in the nominal volume of the item for interest rate risks (OTC contracts) to EUR 2,342.1 million results largely from entering into new interest rate swaps as a part of hedge accounting in order to reduce interest rate risk in the non-trading portfolio. In addition, it was possible to increase the derivative business with corporate customers by taking focused approaches to customers and offering individual consulting.

The calculation of a possible surplus of obligations under interest-rate-related transactions in the non-trading portfolio includes interest rate swaps for management of the non-trading portfolio, for a total of EUR 1,818.0 million. The negative fair value of these interest rate swaps at the reporting date was EUR –101.1 million; the positive value was EUR +38.9 million. Additionally, interest rate contracts resulting from the customer business are included for a total of EUR 498.4 million; their positive fair values totaled EUR +12.0 million and their negative fair values totaled EUR –7.6 million. The market values of these interest rate swaps are not shown in the balance sheet.

Derivatives are used in customer transactions in intermediate trading (squaring of risks from customer derivative transactions) and in connection with asset-liability management.

If no market price is quoted (OTC derivatives), the estimation methods established in the financial markets (including present valuing and option pricing models) are applied. The market value of a derivative here is equivalent to the total of all future cash flows discounted to the measurement date (present value or dirty closeout value), as automatically calculated by the Bank's PRIME trading system. The above tables show the nominal values and the positive and negative market values of the derivative transactions in the portfolio at the reporting date. The nominal values generally serve only as a reference figure for the calculation of the mutually agreed settlement payments, and thus do not represent receivables and / or payables in the balance sheet sense.

Disclosures on other financial obligations per Sec. 285 Nos. 3 and 3a of the HGB

EUR	12 / 31 / 2016	12 / 31 / 2015
Obligations under rental and lease agreements	110,855,902.30	105,466,000.00
Obligations for maintenance of information technology	4,644,000.00	5,934,000.00
Obligations under commenced capital spending projects	1,906,000.00	1,160,000.00
Total	**117,405,902.30**	**112,560,000.00**
of which: liabilities to affiliated companies	8,908,000.00	8,352,000.00

The obligations measured at nominal value include maturities up to 2031, primarily under long-term leases.

Call commitments and joint liability

Amounts of EUR 1.7 million were paid under the bank levy and contributions of EUR 1.1 million were paid into the Compensation Scheme of German Private Banks (EdB) as an irrevocable payment commitment.

Liabilities for pension benefits and similar commitments

The Bank has liabilities under its pension benefits plan. The Bank's pension benefits plan for employees who joined the Company on or before December 31, 2014, is based as a rule on their membership in a retirement fund, Allianz Versorgungskasse VVaG (AVK), which is subject to oversight by the Federal Financial Supervisory Authority (BaFin) as a legally independent and regulated pension fund. AVK's benefits are financed under the single-premium system through endowments by the sponsoring companies to the fund via salary deductions.

Oldenburgische Landesbank AG is required to bear a proportionate share of AVK's administrative expenses, and to provide additional contributions as required by the fund's legal basis. Additionally, the sponsoring companies pay into Allianz Pensionsverein e. V. (APV), a congruently reinsured corporate group support fund, for employees who joined the Company on or before December 31, 2014. Both the AVK and the APV were closed to new entrants as of January 1, 2015. The Company's pension benefits plan was reorganized for persons joining the Company on or after January 1, 2015. For these employees, Oldenburgische Landesbank AG makes a monthly contribution to a direct insurance plan with Allianz Lebensversicherungs-AG that is financed through deductions from employee paychecks. There is also a monthly employer contribution provided as a direct grant.

Through a collateral promise, Allianz SE has assumed joint and several liability for pension commitments to some OLB employees. OLB will reimburse costs; Allianz SE has assumed responsibility for fulfillment. Consequently, these pension obligations are recognized in financial reporting by Allianz SE, not OLB.

OLB's joint and several liability under these pension commitments, as well as the entitlement to recourse against Allianz SE for these liabilities, comes to EUR 0.7 million.

EUR	12/31/2016
Fulfillment amount of offset liabilities	666,837.33
Unrecognized provision amount per Art. 67(2) of the Introductory Act to the Commercial Code (EGHGB)	—
Joint and several liability, or entitlement to recourse against Allianz SE	666,837.33

Bank's liabilities for compensation payment commitments to BVV for Bank employees

The Bank is a member of two insurance associations, BVV Versicherungsverein des Bankgewerbes a. G. and BVV Versorgungskasse des Bankgewerbes e. V. (together, "BVV") that are tasked under their charters with providing benefits for the employees insured with BVV and their survivors, in connection with retirement, disability or death. The Bank has not had any new entrants to BVV since January 1, 2015. On June 24, 2016, the members' meeting of BVV adopted a change to the charter that entailed benefit reductions for members who joined BVV before January 1, 2005. The Bank has promised to compensate for these reductions by paying an additional amount to BVV beginning January 1, 2017. The amount of the additional contribution is limited for each employee to the amount needed to achieve the same pension level for that employee that would have resulted without the additional contribution using the increases and annuitization factors that were in effect until December 31, 2016. The compensatory contribution for the 2017 year is estimated at about EUR 1.3 million. This is a voluntary commitment explicitly limited to the charter amendment of June 24, 2016, and does not establish any legal entitlement to future benefits in comparable situations.

Further required disclosures

Disclosures on management and brokerage services per Sec. 35(1) No. 5 of the RechKredV

The following management and brokerage services provided for third parties account for a significant portion of the Bank's business:

- Securities deposit management
- Asset management
- Brokerage of insurance and home loan and savings transactions
- Management of trust loans

Disclosures on employees per Sec. 285 No. 7 of the HGB

On average for the year, the Bank had 2,197 employees (prior year: 2,263). The staff breakdown is as follows:

Average for year	Men	Women	2016 Total
Full-time employees	919	579	1,498
Part-time employees	54	645	699
Total	**973**	**1,224**	**2,197**

At December 31, 2016, the workforce numbered 2,153 employees (prior year: 2,236). Oldenburgische Landesbank AG also had 170 trainees, temporary workers and interns.

Disclosures on corporate governance per Sec. 285 No. 16 of the HGB in conjunction with Sec. 161 of the AktG

The Declaration of Compliance with the Recommendations of the Government Commission on the German Corporate Governance Code was issued in December 2016 by the Board of Managing Directors and the Supervisory Board as required under Sec. 161 of the German Stock Corporation Act (AktG), and is kept permanently available to shareholders on the Internet, in the Investor Relations area of the Web site at www.olb.de (URL: https://www.olb.de/OLB/Investor-Relations/IR/Corporate-Governance).

Disclosures of compensation paid to members of governing bodies per Sec. 285 Nos. 9a and b of the HGB, and disclosures on credit granted to members of governing bodies per Sec. 34(2) No. 2 of the RechKredV

Credit granted to members of the Supervisory Board was as follows as of December 31, 2016: Approved credit lines totaled EUR 290.3 thousand (prior year: EUR 290.3 thousand), EUR 21.9 thousand of which (prior year: EUR 18.1 thousand) had been used as of December 31, 2016. The interest rates charged were between 3.48 percent and 7.92 percent p.a. The interest rates and credit terms are on an arm's length basis. At the reporting date, EUR 4.1 thousand (prior year: EUR 5.5 thousand) in credit card lines had been utilized, out of total limits of EUR 109.3 thousand (prior year: EUR 109. thousand). There were furthermore loan commitments of EUR 3,781.4 thousand (prior year: EUR 3,372.3 thousand), of which EUR 3,781.4 thousand (prior year: EUR 3,372.3 thousand) had been drawn as of December 31, 2016. The interest rates are between 0.81 percent and 4.98 percent p.a. The interest rates and loan terms are on an arm's length basis.

Credit granted to members of the Board of Managing Directors was as follows as of December 31, 2016: Approved credit lines totaled EUR 90.4 thousand (prior year: EUR 90.4 thousand), EUR 6.8 thousand of which (prior year: EUR 18.3 thousand) had been used as of December 31, 2016. The interest rate charged was 4.42 percent p.a. The interest rates and credit terms are on an arm's length basis. At the reporting date, EUR 4.6 thousand (prior year: EUR 7.7 thousand) in credit card lines had been utilized, out of total limits of EUR 60.2 thousand (prior year: EUR 60.2 thousand). There were furthermore loan commitments of EUR 341.6 thousand (prior year: EUR 446.1 thousand), of which EUR 341.6 thousand (prior year: EUR 366.1 thousand) had been drawn as of December 31, 2016. The interest rates are between 1.42 percent and 1.67 percent p.a. The interest rates and loan terms are on an arm's length basis.

The total compensation paid to the Board of Managing Directors under Sec. 285 No. 9 of the Commercial Code (HGB) for fiscal 2016 came to EUR 3.1 million (prior year: EUR 2.8 million). This figure includes Restricted Stock Units (RSUs) with a fair value totaling EUR 0.5 million (prior year: EUR 0.5 million). As of December 31, 2016, the number of share-based rights held by the active members of the Board of Managing Directors totaled 26,041 RSUs. The total compensation for fiscal 2016 additionally included a transaction bonus of EUR 0.5 million that will be paid by Allianz Deutschland AG, and that therefore does not constitute an expense for Oldenburgische Landesbank AG.

A total of EUR 0.5 million (prior year: EUR 0.6 million) was spent to increase pension provisions for active members of the Board of Managing Directors. As of December 31, 2016, the pension provisions for members of the Board of Managing Directors who were in service at that time came to EUR 2.0 million (prior year: EUR 1.5 million). A total of EUR 1.3 million was paid to former members of the Board of Managing Directors or their survivors. The discounted performance amount of pension obligations for this group of persons came to EUR 15.5 million (prior year: EUR 16.4 million).

Total compensation paid to the Supervisory Board under Sec. 285 No. 9 of the Commercial Code for fiscal 2016, including meeting honoraria, came to EUR 1.0 million (prior year: EUR 0.9 million). The statutory value-added tax applicable to total compensation and meeting honoraria came to EUR 0.2 million and was reimbursed.

In addition, in 2015 Carl-Ulfert Stegmann received EUR 2 thousand (prior year: EUR 1 thousand) plus value-added tax as compensation for his membership on the Advisory Board of Oldenburgische Landesbank AG. Dr. Petra Pohlmann received compensation in the amount of EUR 40 thousand (prior year: EUR 40 thousand) and meeting honoraria of EUR 0.9 thousand (prior year: EUR 0.6 thousand), each plus value-added tax, from Allianz Versicherungs-AG for her activity on this Company's Supervisory Board.

The total individual compensation of the Board of Managing Directors and the Supervisory Board is presented in the management report.

Disclosures on equity interests held per Sec. 285 No. 11 of the HGB

Below is a summary, in compliance with Sec. 285 No. 11 of the Commercial Code (HGB), of the equity interests of 20 percent or more held by OLB AG:

Name and registered office of the company	Share of capital held (in %)	Equity (EUR)	Profit for 2016 period[1] (EUR)	Profit for 2015 period[1] (EUR)
OLB-Service GmbH, Oldenburg	100	26,000.00	—	—
OLB-Immobiliendienst-GmbH, Oldenburg	100	26,000.00	—	—

1 Profit for period after transfer of profit and loss

There are profit-and-loss transfer agreements applied with the two listed subsidiaries.

OLB furthermore holds the following equity interests of less than 20 percent:

Name and registered office of the company	Share of capital held (in %)	Equity (EUR)	Profit for 2016 period[3] (EUR)	Profit for 2015 period (EUR)
Bürgschaftsbank Bremen GmbH, Bremen	2.51	3,300,000.00	n/a	370,598.76
Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung, Hanover	2.78	3,004,040.00	n/a	1,182,170.81
EURO Kartensysteme GmbH, Frankfurt am Main[1]	1.51	2,609,000.00	n/a	65,637.36
Parkhaus am Waffenplatz Gesellschaft mit beschränkter Haftung, Oldenburg	3.43	874,800.00	n/a	501,524.54
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH, Hanover	5.50	930,900.00	n/a	759,300.11
TGO Besitz GmbH & Co. KG, Oldenburg	8.91	1,147,850.29	n/a	24,214.09
Paydirekt Beteiligungsgesellschaft privater Banken mbH	2.02	104,082.00	n/a	4,971.30
Fiducia Mailing Services eG, Karlsruhe	0.06	81,750.00	n/a	—
Wirtschaftsförderung Wesermarsch GmbH, Brake	2.50	51,129.19	n/a	52,908.62
MFP Munich Film Partners GmbH & Co. I. Produktions KG i. L., Grünwald[2]	0.19	120,051,333.70	n/a	141,761,729.88
Society for Worldwide Interbank Financial Telecommunication S. C. R. L. (S. W. I. F. T.), La Hulpe	0.01	13,767,125.00	n/a	19,498,000.00

1 Truncated fiscal year, October 31 – December 31, 2015

2 Truncated fiscal year, June 30 – December 31, 2015; net profit for the period includes other operating income from a nonrecurring payment from licensees; closing distribution has taken place

3 n/a = not applicable, because final earnings for period have not been reported yet

Disclosure on fees paid to the independent auditors per Sec. 285 No. 17 of the HGB

EUR	2016	2015[1]
Audit of financial statements	835,425.79	1,284,046.32
Other confirmation and valuation services	18,341.94	465,146.29
Total	**853,767.73**	**1,749,192.61**

1 Because audit-related services have been reclassified as services for the audit of financial statements, figures have been restated retroactively for better comparability with the prior year.

Disclosures of Additional Offices Held by Members of Governing Bodies per Sec. 285 No. 10 of the HGB

Supervisory Board

The members of the Supervisory Board held the positions listed below (as of December 31, 2016):

Rainer Schwarz
Chairman
Member of the Supervisory Board, Oldenburgische Landesbank AG, Munich

Uwe Schröder
Vice-Chair
Banker, Oldenburgische Landesbank AG, Oldenburg; Chairman of the Corporate Employee Council

Prof. Dr. Werner Brinker
Honorary Professor, Carl von Ossietzky University, Oldenburg; member of the Supervisory Board of Oldenburgische Landesbank AG, Rastede
Memberships in comparable supervisory bodies:
- Enovos International S.A., Luxembourg
- Enovos Luxembourg S.A., Luxembourg
- Jacobs University, Bremen

Prof. Dr. Andreas Georgi
Honorary Professor, Ludwig Maximilian University, Munich;
member of various supervisory boards, Starnberg
Positions on other legally required supervisory boards of German companies:
- Asea Brown Boveri AG, Mannheim
- Rheinmetall AG, Düsseldorf

Memberships in comparable supervisory bodies:
- Felix Schoeller Holding GmbH & Co. KG, Osnabrück (Vice-Chair)

Svenja-Marie Gnida
Head of High-Net-Worth Client Support, Oldenburgische Landesbank AG, Osnabrück

Dr. Peter Hemeling
Senior Legal Counsel, Allianz SE, Munich

Stefan Lübbe
Director and member of the management for corporate customers and private banking, Oldenburger Münsterland, Oldenburgische Landesbank AG, Vechta

Prof. Dr. Petra Pohlmann
Professor at Westfälische Wilhelms-Universität
Positions on other legally required supervisory boards of German companies:
- Allianz Versicherungs-AG, Munich

Horst Reglin
Union Secretary, Vereinte Dienstleistungsgewerkschaft, Oldenburg
Positions on other legally required supervisory boards of German companies:
- Öffentliche Lebensversicherungsanstalt, Oldenburg
- Oldenburgische Landesbrandkasse, Oldenburg

Carl-Ulfert Stegmann
Sole Director, AG Reederei Norden-Frisia, Norderney
Memberships in comparable supervisory bodies:
- Wyker Dampfschiffsreederei Föhr-Amrum GmbH, Wyk on Föhr

Gabriele Timpe
Customer Support, Oldenburgische Landesbank AG, Lähden

Christine de Vries
Project Manager, Oldenburgische Landesbank AG, Oldenburg

Board of Managing Directors

The members of the Board of Managing Directors held the positions listed below (as of December 31, 2016):

Patrick Tessmann
Chairman of the Board of Managing Directors, Oldenburgische Landesbank AG

Dr. Thomas Bretzger
Member of the Board of Managing Directors, Oldenburgische Landesbank AG

Karin Katerbau
Member of the Board of Managing Directors, Oldenburgische Landesbank AG

Hilger Koenig
Member of the Board of Managing Directors, Oldenburgische Landesbank AG
Memberships in comparable supervisory bodies:
- OLB-Immobiliendienst-GmbH, Oldenburg (Chairman)

Disclosures per Sec. 285 No. 33 of the HGB on events of particular significance after the end of the fiscal year that are not reflected in either the income statement or the balance sheet

On January 13, 2017, OLB sold its stake in Concardis GmbH, of Frankfurt. The transaction was signed as part of a joint transaction between the shareholders of Eagle Eschborn GmbH, a joint venture of Advent International and Bain Capital Private Equity, headquartered in Frankfurt am Main. The sale is still subject to approval by the appropriate authorities. The Bank expects net proceeds of EUR 10.5 million from the sale in 2017.

Disclosures per Sec. 285 No. 34 of the HGB on the proposal for allocation of profits for fiscal 2016

The income statement for 2016 shows net retained profits of EUR 35.2 million. The Board of Managing Directors and the Supervisory Board propose allocating a total of EUR 8.1 million to pay a dividend of EUR 0.25 and a nonrecurring dividend of EUR 0.10 per no-par share. The remainder of EUR 27.1 million will be proposed for allocation to other revenue reserves.

Oldenburg, March 14, 2017
Oldenburgische Landesbank AG

The Board of Managing Directors

Patrick Tessmann
Chairman

Dr. Thomas Bretzger

Karin Katerbau

Hilger Koenig

Management's Statement of Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the Company's net assets, financial position, and results of operations, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the Company's expected development.

Oldenburg, March 14, 2017
Oldenburgische Landesbank AG

The Board of Managing Directors

Patrick Tessmann
Chairman

Dr. Thomas Bretzger

Karin Katerbau

Hilger Koenig

Notes to the Annual Financial Statements per Sec. 26a of the KWG, Disclosure by Banks

Notes to the Annual Financial Statements per Sec. 26a of the German Banking Act (KWG), Disclosure by Banks

CRR banks are required to furnish the following disclosures, on a consolidated basis, broken down by Member States of the European Union and third countries where the banks have branches, in notes appended to the annual financial statements within the meaning of Sec. 26a(1) Sentence 2, which must be audited by independent auditors as provided in Sec. 340k of the Commercial Code, and must be published:

Names of companies, nature of activities and geographical location of branches

The Company's name is: Oldenburgische Landesbank Aktiengesellschaft. According to its Articles of Incorporation, the purpose of the Company is to conduct banking and financial transactions of all kinds, with the exception of the investment business, as well as those transactions and services that may promote the sale of banking and financial products. The Company's registered office and all its branch offices are located in the Federal Republic of Germany.

Revenue

"Revenue" within the meaning of Sec. 26a(1) Sentence 2 of the Banking Act (KWG) comprises net interest income, net commission income, net operating trading income or expense, and other operating income, in accordance with the annual financial statements of Oldenburgische Landesbank AG prepared under the Commercial Code and the definitions of terms for income statements in the management report in accordance with the Guidelines of the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs):

EUR	2016	2015
Net interest income	229,937,078.47	245,643,330.87
Net commission income	67,908,106.33	68,755,818.54
Net operating trading income or expense	58,453.58	–201,545.28
Operating income / revenue	**297,903,638.38**	**314,197,604.13**

Number of recipients of wages and salaries in full-time equivalents

On average for the year, OLB had 2,197 employees (prior year: 2,263). This corresponds to a capacity of 1,758 full-time equivalents (prior year: 1,835).

Profit or loss before taxes

As "profit before taxes," the net income for the year recognized in the annual financial statements of Oldenburgische Landesbank AG is presented, with taxes on profit or loss added back (taxes on income and other taxes, unless recognized under Item 12):

EUR	2016	2015
Net income for the fiscal year	35,218,685.93	18,254,302.95
+ Taxes on profit or loss	19,090,249.35	16,055,511.82
Profit before taxes	**54,308,935.28**	**34,309,814.77**

Taxes on profit or loss

As "T axes on profit," the taxes on income and the other taxes (unless recognized under Item 12) recognized in the annual financial statements of Oldenburgische Landesbank AG are presented:

EUR	2016	2015
Taxes on income	18,207,721.53	15,207,343.20
Other taxes not included under Item 12	882,527.82	848,168.62
Taxes on profit or loss	**19,090,249.35**	**16,055,511.82**

Government assistance received

During the year, as in the prior year, Oldenburgische Landesbank Aktiengesellschaft received no government assistance.

Ratio of net profit to total assets (return on capital)

In their annual reports, CRR banks are to disclose their return on capital, calculated as the ratio of net profit to total assets:

The Bank defines the net income for the year in the annual financial statements as its net profit. The Bank defines the total of assets or of equity and liabilities in the annual financial statements as its total assets:

EUR	2016	2015
Net profit / net income for year	35,218,685.93	18,254,302.95
Total assets / total of assets or of equity and liabilities	14,108,025,407.60	13,752,632,552.51
Ratio of net profit to total assets (return on capital)	**0.25 %**	**0.13 %**

Independent Auditors' Opinion

We have audited the annual financial statements – comprising the balance sheet, income statement, notes to the financial statements, cash flow statement and statement of changes in equity – as well as the accounting records – together with management's report on the situation of Oldenburgische Landesbank Aktiengesellschaft, of Oldenburg, for the period from January 1 through December 31, 2016. The accounting and the preparation of the annual financial statements and the management report in accordance with the requirements of German commercial law are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the accounting records, and on the management report, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with the applicable financial reporting framework, and in management's report on the situation of the Company, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company, and expectations as to possible misstatements, are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the accounting records, the annual financial statements and the management's report on the situation of the Company are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's legal representatives, as well as evaluating the overall presentation of the annual financial statements and management's report on the situation of the Company. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the requirements of law, and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with the applicable financial reporting framework. Management's report on the situation of the Company is consistent with the annual financial statements, complies with the law, as a whole provides a suitable view of the Company's position, and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 15, 2017
KPMG AG
Wirtschaftsprüfungsgesellschaft

König	Brückner
Certified public auditor	Certified public auditor

ADDITIONAL INFORMATION

Advisory Board

Hans-Dieter Kettwig – Chairman
Chairman of the Executive Board, Aloys-Wobben-Stiftung, Aurich

Dr. Maria Apel – Vice-Chair
General partner of Pöppelmann GmbH & Co. GmbH, Lohne

Manfred Adrian
Publisher, Wilhelmshavener Zeitung, Wilhelmshaven

Robert Allmers
Publisher of Jeverschen Wochenblatt, Jever

Prof. Dr. Heinz-W. Appelhoff
Independent income, Rastede

Christian Basse
Managing Partner, SKN Druck und Verlag GmbH & Co. KG, Norden

Harald Beenen
Managing Director, H. Beenen Vermögensverwaltung GmbH & Co. KG, Aurich

Dr. Jan Bernd Berentzen
Managing Shareholder, Berentzen Mally Marketing plus Services GmbH, Greven

Clemens van den Berg
Shareholder, van den Berg GmbH & Co. KG, Lingen

Dr. Franz J. Bönkhoff
Partner, Wirtschaftsprüfer- und Steuerberaterkanzlei Dr. Bönkhoff & Partner, Oldenburg

Dr. Bernhard Brons
Board of Management, Reederei Aktien-Gesellschaft "EMS," Emden

Bernd Bröring
Managing Director, H. Bröring GmbH und Co. KG, Dinklage

Heinz Buse
Owner and Managing Director, Heinz Buse Corporate Group, Leer

Philip Freiherr von dem Bussche
Farmer, Bad Essen

Dr. Markus Connemann
Managing Director, Hammerlit GmbH, Leer

Claas E. Daun
Chairman of the Board of Management, Daun & Cie. AG, Rastede

Stefan Delkeskamp
Managing Director, Delkeskamp Verpackungswerke GmbH, Nortrup

Dr. Olaf Holzkämper
Member of the Executive Board, CEWE Stiftung & Co. KGaA, Oldenburg

Isabel Hüppe
Attorney-at-law, Grossenkneten-Huntlosen

Tido Graf zu Inn- und Knyphausen
Independent businessman in agriculture and forestry, renewable energies, tourism and golf, Lütetsburg

Prof. Dr. Dr. h. c. Hans Kaminski
Institute Director and Managing Director, Institut für Ökonomische Bildung, Oldenburg

Michael Koch
Board of Management, O. K. Leasing AG, Osnabrück

Reinhard Köser
Publisher, Nordwest-Zeitung, Oldenburg

Dr. Dieter Köster
Chairman of the Supervisory Board, Köster Holding AG, Osnabrück

Angela Krüger-Steinhoff
Managing Director, Steinhoff Familienholding GmbH, Westerstede

Dr. Andreas Kühnl
Managing Director, H. Kemper GmbH & Co. KG, Nortrup

Friedrich-Wilhelm Freiherr von Landsberg-Velen
Managing Partner, Ferienzentrum Schloss Dankern GmbH, Haren

Hermann Lanfer
Managing Shareholder, Lanfer Logistik GmbH, Meppen

Johannes van der Linde
Managing Partner, LUDWIG FREYTAG GmbH & Co. Kommanditgesellschaft, Oldenburg

Dirk Lütvogt
Managing Partner, Friedrich Lütvogt GmbH & Co. KG, Wagenfeld

Bernd Meerpohl
CEO, Big Dutchman AG, Vechta

Bernard Meyer
Managing Director, MEYER WERFT GmbH & Co, KG, Papenburg

Eske Nannen
Managing Director, Kunsthalle Emden Stiftung Henri und Eske Nannen und Schenkung Otto van de Loo, Emden

Holger Neumann
Managing Director, Pallas Group, Diepholz

Fritz-Dieter Nordmann
Managing Shareholder, Nordmann corporate group, Wildeshausen

Peter Pickel
Managing Partner, August Pickel GmbH & Co. KG, Oldenburg

Christian Rauffus
Owner, shareholder and Chairman of the Supervisory Board, Rügenwalder Mühle Carl Müller GmbH & Co. KG, Bad Zwischenahn

Klaus Rücker
Managing Shareholder, Rücker Group, Aurich / Wismar

Dr. Heiko Sanders
Tax advisor and corporate consultant, Wiesmoor

Ralf Schu
Managing Director, Papier- u. Kartonfabrik Varel GmbH & Co. KG, Varel

Dirk Schulte Strathaus
Publisher, Delmenhorster Kreisblatt, Delmenhorst

Dr. Carl-Ulfert Stegmann
Vice-Chairman of the Supervisory Board, AG Reederei Norden-Frisia, Norderney

Carl-Ulfert Stegmann
Sole Director, AG Reederei Norden-Frisia, Norderney

Felix Thalmann
Chairman of the Management, BÜFA GmbH & Co. KG, Oldenburg

Franz Thiele jun.
Managing Director, Thiele & Freese GmbH & Co. KG, Emden

Harald Vogelsang
Managing Director, Hugo Vogelsang Maschinenbau GmbH, Essen Oldb.

Manfred Wendt
Speaker for the Management, Johann Bunte Bauunternehmung GmbH & Co. KG, Papenburg

Doris Wesjohann
Member of the Board of Management, PHW Group, Visbek

Roland Zerhusen
Managing Director, ZERHUSEN Kartonagen GmbH, Damme

As of March 23, 2017

We mourn the passing of:

The following active employees

Markus Abeln
d. February 27, 2016

And of the following retirees

Inge Binnewies
d. January 12, 2016

Friedrich Geersen
d. January 23, 2016

Heino Kuck
d. January 26, 2016

Gudrun Förster
d. February 4, 2016

August Seghorn
d. February 29, 2016

Annelie Jünger
d. March 5, 2016

Hubert Oldehus
d. March 22, 2016

Susanna Beyrer
d. March 24, 2016

Bernard Meyer
d. April 19, 2016

Marianne Gaida
d. April 27, 2016

Renate Zidella
d. April 29, 2016

Georg Geike
d. April 30, 2016

Margot Rösler
d. May 6, 2016

Johanne Kunstreich
d. May 9, 2016

Joseph Heiker
d. June 4, 2016

Heinrich Heckmann
d. July 9, 2016

Heinz Martin
d. July 17, 2016

Josef Marschall
d. August 2, 2016

Erika Stegemann
d. August 9, 2016

Johann Harms
d. August 18, 2016

Elfriede Steckel
d. September 1, 2016

Franz Hödebeck
d. October 25, 2016

Hans Schwichtenberg
d. November 9, 2016

Steffen Surmeyer
d. November 23, 2016

Friederike Stünkel
d. November 23, 2016

Heinz Maas
d. November 28, 2016

Charlotte Lüschen
d. December 1, 2016

Rainer Eicker
d. December 27, 2016

Gerda Wellman
d. January 5, 2017

Werner Hellwig
d. January 22, 2017

Christel Finke
d. February 2, 2017

Edith Besecke
d. February 17, 2017

Hermann Wiedau
d. March 2, 2017

As of March 10, 2017

Glossary

A B

Allianz Equity Incentive (AEI) An instrument by which an Allianz company establishes a long-term bond with executives by issuing company stock to them and thus strengthening their identification with the company, or bringing their interests into line with its own.

Allianz Sustained Performance Plan (ASSP) All elements of performance-based compensation are governed by a simplified, uniform goal agreement form, and are described in a model that applies throughout the Allianz Group: the Allianz Sustained Performance Plan (ASPP). The goal agreement form establishes both the goals for each year and the three-year medium-term goals.

Available for sale Refers to financial assets available for sale.

Basel II/III New regulatory standards set by the Basel Committee on Banking Supervision.

C

CDAX (Composite DAX) Banks Also CDAX-Banken. A stock index calculated and published by Deutsche Börse AG. It includes a number of German bank stocks that are listed for trading in the official segment of the market.

Confidence level A way of expressing the probability that a potential loss will not exceed an upper limit defined by the value at risk.

Cox–Rubinstein binomial model Strictly speaking, the Cox–Ross–Rubinstein (1979) model or binomial model. A model for pricing options consistently with the market, based on a binary structure that reflects the decrease or increase in a stock's trading price per unit of time.

Credit spread The credit spread refers to the risk premium that the issuer must pay to the buyer of a bond at risk of default. It may take the form of markdowns on the bond's price, or premiums on yield, whose amount is determined by the issuer's credit standing.

Current service cost A current expense that derives from employee pension entitlements, and that is distributed linearly according to actuarial assumptions across the periods in which the employee performs work. Used as a basis for calculating a present value for a given period, such as a fiscal year.

D E

Delta The delta of an option indicates how the option's price responds to changes in the price of the "underlying" (the underlying security or price).

Discount A discount is the amount by which the issue price of a security, such as a stock, falls below its par value. Discount is also the term for an amount deducted from the nominal amount of a loan before it is disbursed.

Dow Jones EURO STOXX Price Index A stock index of the 50 largest, most important stocks in the European Monetary Union. The index has been maintained in Zurich since February 26, 1998.

Expected loss Expected loss refers to the loss expected on a risk position within a given holding time.

F G

Fair value The amount obtainable from the trading of a financial instrument in a bargained transaction between knowledgeable, independent parties.

Future A forward agreement that is standardized in quantity, quality and settlement date, under which a commodity traded on the money market, capital market, precious metals market or foreign exchange market must be delivered or accepted at a fixed price at a specified future date.

Gamma The gamma of an option indicates how the option's delta responds to changes in the price of the "underlying" (the underlying security or price).

General Loan Loss Provision (GLLP) See Risk provisions.

Gross domestic product (GDP) All economic output of a country within a given period.

Group Equity Incentive Plan (GEI) This Allianz program for share-based compensation applied only until 2010, and was replaced by the new share-based Allianz Equity Incentive program (see p. 130 of this Glossary).

Guarantee Includes suretyships and guaranties.

H

Hedge accounting OLB uses hedge accounting as part of its risk strategy, to limit exposure to interest rate risks. For this purpose, hedged items (such as loans or securities) are compared to hedging transactions (such as interest rate swaps).

Under international accounting standards, the hedged item and the hedging transaction are to be measured using different approaches. To reflect these valuation differences in an economically more accurate way in the income statement, OLB uses the separately applicable rules of IAS 39 for hedge accounting. These require the hedged item and the hedging transaction to be combined into a single measurement unit, which is measured at fair value through profit or loss in such a way that changes in value compensate for one another.

OLB uses only the fair-value hedge accounting method.

Hedging Safeguarding asset items against exposure to the risk of fluctuations in stock prices, interest rates, and foreign exchange rates. By taking a contrary position in the forward market (using futures and options), hedging attempts to compensate for losses of value in a cash position (purchase of securities, currencies, merchandise). Hedging strategies using futures or options are subject to a wide variety of imponderables; the efficiency of the entire position must be monitored constantly.

I

IAS / IFRS In 1973, the International Accounting Standards Committee (IASC) was founded as a private association of national associations of accountants and auditors to advance the international comparability of accounting. In 2000, the EU decided to cooperate with the IASC in further developing accounting regulations. After the IASC was restructured in 2001, it was renamed the IASB (International Accounting Standards Board). All International Accounting Standards (IASs) adopted to that date by the IASC remained in effect for the time being, and are being gradually amended or replaced with new standards by the IASB. These new accounting standards developed by the IASB are the International Financial Reporting Standards (IFRSs). In order for these standards to take effect, the European Union adopts them in what is known as an "endorsement" process. Ratification by the various national legislatures is not necessary, since the EU Directives apply directly to all accession countries of the European Union.

Impairment An unscheduled reduction in the recognized value of assets, such as goodwill, loan receivables, securities, or property, plant and equipment, due to a presumably permanent loss of value of the associated items.

N

Non-trading portfolio Sometimes called the “bank book” or “non-trading book”; the portfolio of all banking transactions not attributable to the trading portfolio – in other words, transactions that cannot be traded.

Non-trading-portfolio institution A banking institution can qualify as a non-trading-portfolio institution if it does not exceed extremely low regulatory limits in connection with its own trading transactions.

No-par share A share of company stock without a par value. Dividing the nominal share capital by the total number of no-par shares issued yields a notional par value, which must come to at least one euro according to the No-Par Shares Act.

O P

Option The right to buy (in a call option) or sell (in a put option) a commodity such as securities or currency to or from another party, at a fixed price, within a certain period or at a certain date.

Over the counter (OTC) Pertaining to financial instruments (derivatives): not traded in a standardized manner, on a stock exchange, but directly between market participants (over the counter).

Portfolio Loan Loss Provision (PLLP) See Risk provisions.

Projected unit credit method An actuarial method of determining the present value of expectancies in order to determine the value of pension provisions.

R

Rating A standardized method for independent agencies to evaluate the creditworthiness of companies (issuer rating) and the bonds and money-market paper they issue (issue rating). The procedures used by banks to determine borrowers’ creditworthiness are also called rating methods.

Repo agreements In a repurchase agreement (“repo”), the Group sells securities and at the same time agrees to buy them back at an agreed-upon price at a certain date. The Group retains the risks and rewards associated with the securities for the entire duration of the arrangement. Accordingly, the securities continue to be recognized in the Group’s balance sheet as trading assets or financial assets. The value of the legal sale is included in the balance sheet item for amounts due to banks or amounts due to customers, as the case may be, and is recognized as a liability from a repurchase agreement.

Restricted Stock Units (RSUs) Virtual shares that are issued, for example under a Group Equity Incentive Plan, as share-based payments from the company to its employees. As a rule, RSUs are exercised after certain goals set by the company are met, or after the expiration of a vesting period. They may also be exercised in the form of an equivalent amount in cash, or other equivalents.

R

Reverse repo agreements In a reverse repurchase agreement ("reverse repo"), the Group buys securities and at the same time agrees to sell them back at an agreed-upon price at a certain date. The other party to the contract retains the risks and rewards associated with the securities as a consequence of changes in interest rates or defaults, for the life of the transaction. Accordingly, the securities are not recognized as trading assets or financial assets in the Group's balance sheet. The value of the legal purchase is included in the balance sheet item for loans and advances to banks or loans and advances to customers, as the case may be, and as a receivable from reverse repo transactions.

Risk controlling Ongoing measurement and monitoring of risk, including the development of methods and the associated system for risk analysis and reporting, by a neutral, independent unit.

Risk management Operating management of business in specific portfolios from the viewpoint of risk and return.

Risk provisions Recognizable risks of default are taken into account by forming specific loan loss provisions and other provisions. Specific Loan Loss Provisions (SLLPs) are determined taking all expected discounted future cash flows into account. For counterparty risks on lending transactions that may have already arisen at the reporting date, but that have not been identified yet, portfolio loan loss provisions are formed, whose amount depends on the empirical calculation of historical probabilities of default and loss ratios on loan portfolios that are not otherwise covered by provisions. Portfolio Loan Loss Provisions (PLLPs) are formed for the homogeneous credit portfolio. General Loan Loss Provisions (GLLPs) are formed for the nonhomogeneous portfolio.

S

Specific Loan Loss Provision (SLLP)
See Risk provisions.

Stock Appreciation Rights (SARs) Virtual options that are granted, for example under a Group Equity Incentive plan, as share-based payments from the company to its employees. The exercise of the options is directly linked to the company's results, usually the price of its stock. Options may be exercised in the form of cash payments, stock or other equivalents.

Swap The general term for an exchange of property, rights, etc., especially for exchanges of cash flows in the same currency (interest rate swap) or in different currencies (currency swap).

T V

Trading portfolio A banking regulatory term for positions in financial instruments, bonds and negotiable receivables that are held by banking institutions for the purpose of short-term resale, taking advantage of fluctuations in prices and interest rates.

"True and fair view" principle Under Sec. 264(2) of the German Commercial Code (HGB), accounting information, such as in an annual report, must provide a "true and fair view" of the actual condition of the company's net assets, financial position and results of operations.

Value at risk (VaR) Value at risk is defined as the potential loss on a risk position that will not be exceeded with a defined probability (confidence level) under normal market conditions, for a given holding period.

Vega The vega of an option indicates how the option price responds to changes in volatility (the range of fluctuation in the value of the "underlying").

Volatility A measure of the past (historical) or expected (implicit) range of fluctuation of the value of stocks, currencies and interest rates. If a stock's price fluctuates widely, the stock has a high volatility. For investors, this means an opportunity for fast, large trading gains – but also a risk of losses that can be just as fast.

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