Oberbank AG Happy with Results in 1HY 2019

- **Higher net interest income (+3.5%) despite sustained low interest rates**
- **Credit risk still extremely low at 2.26%**
- **Cost/income ratio improves again to 50.1%**
- **Common equity tier 1 capital ratio rises to 17.36%**
- **Expansion continues, new branches chiefly in Germany**

Linz/Salzburg/Vienna, 29 August 2019

in € m	HY1 2019	HY1 2018	+ / -
Net profit before tax	142.8	134.1	6.5%
Net profit after tax	118.4	114.0	3.9%
Cost/income ratio	50.08%	50.90%	-0.82 ppt

in € m	30/06/2019	30/06/2018	+ / -
Total assets	22,115.1	21,438.5	3.2%
Customer loans	16,399.1	15,586.1	5.2%
Primary deposits	14,074.2	13,740.7	2.4%
Tier 1 capital ratio	17.36%	16.26%	1.10% ppt

In the first half of 2019, Oberbank achieved very pleasing results and surpassed the prior year's record level again, considering the dimming growth prospects. Net profit before and after tax increased as well as loans and primary deposits. Tier 1 capital was strengthened again, and at a ratio of 17.36% Oberbank ranks among the top banks in its peer group. The increase in earnings surpassed the development of costs, thus the cost/income ratio decreased again. It was 50.08% at mid-year.

"We did not let ourselves be irritated in the conduct of business by the unrest among our shareholders," said CEO of Oberbank AG, Franz Gasselsberger, commenting on the development of the key financials: "We achieved higher volumes in customer loans and primary deposits, and continued our expansion mainly through new branches Germany. Our focus is to stay on the path to sustainable, profitable growth also in the future."

The reason for the sustained success of Oberbank is mainly higher lending volumes in all categories. Since mid-2018, we have granted a volume of EUR 5.1 billion in new loans; credit volume rose year on year by 5.2% to EUR 16.4 billion. This increase was possible because Oberbank is not constrained by bottlenecks in liquidity or capital.

Commercial loans were up by 4.7%, with the volume rising from EUR 12.4 billion to EUR 13.0 billion. A breakdown by our customers' sectors reveals a divergent trend: while demand for loans from the automotive sector decreased, it went up in the consumer goods, tourism and real estate sectors.

Retail loans have risen since mid-2018 by 7.4% to EUR 3.4 billion. Around 80% of lending volume was granted for home loans, the rest for consumer loans.

Trends of key performance indicators

Despite prevailing low interest rates, net interest income was up by 3.5% to EUR 171.1 million thanks to credit growth. Income on investments dropped by 45.9% to EUR 23.4 million. The steep increase in income from the partner banks failed to compensate the decline in voestalpine's contribution to income. As regards impairment charges, almost EUR 1 million were released and added to the result. Income in the services business rose moderately by 1.3% to EUR 80.2 million, making it the second most important source of operating income. Administrative expenses decreased by 1.5% to EUR 142.4 million. Overall, the positive development of operating income more than compensated the negative trend in income on investments. Operating income rose year on year by 1.8% to EUR 141.9 million, net profit before tax by 6.5% to EUR 142.8 million and net profit after tax by 3.9% to EUR 118.4 million.

The cost/income ratio as at half-year 2019 was 50.1% and the common equity tier 1 capital ratio was 17.36%. These two indicators are highly indicative of a bank's competitiveness.

Outlook

The management of Oberbank expects growth expectations to decline across a broad front in the second half of the year. Central banks have already tightened – or will tighten – monetary policy further. The negative interest rates will enormously burden banks and their balance sheets, while the interest rate cuts are not expected to result in any perceptible stimulus for the economy especially the manufacturing sector.

The management expects continued credit growth and also stable results from the services lines of business for Oberbank. Income on investments is expected to be much lower and credit risk should remain at the exceptionally low level. The excellent result for the first half-year cannot be projected to the full year 2019. A net profit for the year at almost the same level of 2018 would be a very pleasing result.