

Results for financial year 2018:

Oberbank's earnings break new record ninth time in a row

- ▶ Steep rise in lending volumes, good credit risk situation
- ▶ Net profit after tax up 12.5%; cost/income ratio dips further to 48.92%
- ▶ Dividend proposal: hike from EUR 0.90 to EUR 1.10 per share
- ▶ Signs of harsher environment in 2019; expansion plans unchanged

Linz/Salzburg/Vienna, 25 March 2019

in €m	2018	2017	+ / - in %
Net profit before tax	270.5	238.9	13.2%
Net profit after tax	225.6	200.5	12.5%
Total assets	22,212.6	20,830.6	6.6%
Customer loans	15,883.0	14,760.3	7.6%
Primary deposits	14,244.0	13,394.7	6.3%
Cost/income ratio	48.92%	49.90%	-0.98% ppt
Tier 1 capital ratio	17.77%	17.03%	0.74% ppt
Number branches	170	161	9

After celebrating its 150th anniversary at the beginning of this year, Oberbank is now happy to announce record earnings for the ninth time in row for the financial year 2018. Franz Gasselsberger, CEO der Oberbank AG, commented on the past year: "After a strong first half-year, the economic climate deteriorated significantly from mid-year onwards. International trade conflicts, Brexit, Italy's debt as well as problems in the German automotive industry caused a slowing of the global economy. Overall though, 2018 has been the best financial year ever in the history of Oberbank".

Significant increases in customer loans and deposits boosted total assets to new all-time highs in the reporting year, pushing it up by 6.6% from EUR 20.8 billion to EUR 22.2 billion. Earnings at Oberbank also developed excellently: operating income rose by 10.8% from EUR 267.3 million to EUR 296.1 million. Net profit before tax improved over the preceding year from EUR 238.9 million to EUR 270.5 million or by 13.2%. Net profit after tax rose by 12.5% from EUR 200.5 million to EUR 225.6 million.

Shareholders will also participate in this solid earnings growth – to which all business areas of Oberbank contributed. The Management Board and the Supervisory Board

will propose higher dividends for shareholders at the next annual general meeting, raising them from EUR 0.90 cent to 1.10 per share. This is an increase of more than 20%.

Three success factors: interest income, primary deposits and services

A principal driver of earnings growth was the above average increase in lending volumes combined with the good credit risk situation of the bank. Despite the ECB's zero-interest policy, Oberbank increased net interest income by 9.5% from EUR 315.3 million to EUR 345.3 million on the back of the substantially higher lending volumes. At the same time, the NPL ratio, which is the ratio of non-performing loans to total lending volume, decreased year on year from 2.59% to 2.43%.

In the past ten years, lending volumes at the bank have risen every year by 5.5%, attaining an all-time high of EUR 15.9 billion in this reporting year. Commercial lending improved by 7.9% from EUR 11.7 billion in 2017 to EUR 12.6 billion in 2018. Also in lending to retail customers, the rate was up 6.6% from EUR 3.0 billion to EUR 3.3 billion, with residential construction loans being the largest contributor. Overall, a volume of EUR 4.4 billion in new loans were granted in the reporting period, with some 41% of loans with volumes of less than EUR 3 million.

However, not only lending growth, but also primary deposits and the service lines of business contributed to the success of Oberbank. Thus, primary funds including subordinated debt capital rose by 6.3% from EUR 13.4 billion to EUR 14.2 billion. The increase in income from services was 13.2% up from EUR 140.6 million to EUR 159.2 million, rising once again to an all-time high.

Slight increase in expenses, overall effective cost management

Even though expenses at Oberbank were up due to the expansion of the branch network, a rigorous cost policy is still being pursued. Thus, administrative expenses rose from EUR 266.2 million or by 6.5% to EUR 283.6 million. However, this moderate rise in expenses must be viewed in relation to the substantial increase in earnings that shows the cost/income ratio of Oberbank decreasing again from 49.90% to 48.92%. "This figure is remarkable when compared with the overall Austrian banking market, which posted a cost/income ratio of 68% according to OeNB's last report," said Gasselsberger.

On account of this pleasing development in earnings, Oberbank was able to allocated major amounts to capital and in this way further strengthen its already healthy capital

base on its own strength. Therefore, common equity tier 1 capital ratio improved by 0.96%-points from 16.50% to 17.46% and the total capital ratio from 19.64% to 20.19% or by 0.55%-points.

Steady course for investments and expansion

The year 2018 was also a year of fast expansion for Oberbank. Eleven newly opened branches raised the number of points of sale to a total of 170 by year-end. During the reporting period, one branch was opened in the Czech Republic and one in Hungary, two branches in Vienna and seven branches in Germany (mainly in the provinces of Saxony and Baden-Württemberg). The average weighted number of employees therefore went up from 2,050 to 2,101 in the reporting year. Nine new branches are planned for 2019 – all of them in Germany – and investments will again concentrate on the region of Baden-Württemberg.

Outlook for the financial year 2019

Signs that the economic upswing was starting to lose steam appeared already in 2018, and Gasselsberger expects a more difficult economic environment for the year 2019, but not a recession. “As a bank, we breathe with our customers’ industries and will not be able to fully avoid the effects of such trends.” In his opinion, lending growth and return on investments will weaken, while credit risk will increasingly start to normalize. Although Oberbank should achieve high levels of operating income again in 2019, Gasselsberger said that “from today’s perspective we do not expect to be able to top the results of the year 2018 once again.”