

25 August 2017: Mid-year Press Conference of Oberbank AG

► **Total assets surpass EUR 20 billion for first time!**

The substantial increases in loans to customers and customer deposits raised total assets of Oberbank by EUR 1.3 billion or 7.1% to EUR 20,046.4 million. Therefore, Oberbank continued growing faster than the overall market in Austria explained CEO Franz Gasselsberger.

► **Double-digit increase in earnings before and after tax**

Oberbank clearly improved results in the half-year 2017: profit before tax rose by +17.5% to EUR 123.1 million and profit after tax by +15.6% to EUR 101.6 million.

Excellent net interest income despite ECB zero-interest policy

Operating net interest income rose by 2.5% to EUR 156.7 million due to the much higher lending volume, while income from equity investments was up by EUR 28.9% to EUR 29.5 million. Total net interest income increased by 6.0% to EUR 186.1 million.

Continued good credit risk situation

Despite a cautious policy regarding impairment charges, there more provisions to be released than newly created. Therefore, impairment charges for losses on loans and advances resulted in a profit of EUR +2.0 million compared to EUR 17.2 million in expenditure in the first half-year 2016.

Service business much better, commissions up by +7.0%

Net commission income rose by 7.0% to EUR 69.0 million. Commissions from payment transfer services increased by 5.7% to EUR 24.7 million; commissions from the securities business were up by 10.9% to EUR 22.0 million, commissions from the lending business rose 3.4% to EUR 13.2 million.

Rigorous cost policy, excellent cost-to-income ratio

General administrative expenses were lower year on year by 3.1% in 1HY 2017 at EUR 127.1 million (staff costs were unchanged at EUR 77.1 million, other administrative expenses EUR 43.9 million/ -8.6%; depreciation and amortisation EUR 6.1 m/ -2.5%). The outcome is a particularly pleasing cost-to-income ratio of 51.2%.

Franz Gasselsberger stated several reasons for the continued success

Unbroken strong growth in credit volume

Credit volume has increased steeply since mid-2016 by 6.9% to EUR 14.3 billion. Therefore, Oberbank's credit volume developed much better than the overall Austrian market and the euro area.

Commercial loans +7.1%, finance for capital goods +8.4%!

Commercial loans were up markedly by 7.1% to EUR 11,385 million (investment finance EUR 8,169 million /+8.4%; working capital finance EUR 3,216 million/+3.9%). Gasselsberger mentioned as reasons the increases in investment loans (+17%) and in export finance (+21%).

Retail loans gain +6.1%, trend stronger than the market

The retail lending volume was up by 6.1% to EUR 2,951 million driven primarily by residential housing finance that was up by +6.7% to EUR 2,647 million.

Significant increase in customer assets under management

Customers trusted a volume EUR 27.1 billion (+6.9% or EUR 1.75 billion) in assets to Oberbank. The volume of primary deposits rose by 4.1% to EUR 13.2 billion, and securities on customer custody accounts widened by 9.7% to EUR 13.9 billion.

Current off-topics

“Praise” for the current government

Franz Gasselsberger described the current Austrian federal government's efforts as a particularly important achievement. The government invested efforts to reduce the burden of banking regulations (for small and medium-sized banks), to abolish the banking tax and to promote employee stock ownership.

30 August 2017: Opening of new space at Head Office in Linz

From October 2014 to March 2017, Oberbank invested almost EUR 70 million in the enlargement of its Head Office premises in Linz and created 23,000 m² in usable space and 270 parking spaces.

Photos of the additional premises are available at

<https://www.oberbank.at/pressefotos>.

Impact of the Austrian Supreme Court Ruling (negative interest rates, refunds)

The refunding process has already started at Oberbank. The changeover in the method of calculation of interest rates to the correct one stipulated by the Supreme Court took place on 1 July 2017 and customers were informed of the refunds they would be receiving until the end of the year.

This ruling concerns around 23,000 borrowers of Oberbank and a loan volume of EUR 1.3 billion. The amount to be refunded is around EUR 6.3 million and the full amount has already been set aside for this purpose.

Framework Agreement with Iran

Oberbank spent the past one and a half years negotiating a framework agreement for export loans backed by Oesterreichische Kontrollbank guarantees. After many talks conducted during a trip to Iran in March 2017 and further talks held locally in June 2017, the final details of the agreement were finalized. In September or October, Iranian bank representatives are expected to arrive to sign the agreement in Linz.

Outlook for full year 2017 generally positive

The economy has been developing better than expected recently, nonetheless, Gasselsberger believes there is uncertainty in some areas: The US economy has little potential for positive surprises and Europe's companies are under pressure from the strong euro; furthermore, the ECB is expected to significantly reduce bond buying in 2018.

In this environment, Oberbank is sticking to its proactive stance: A rise by around EUR 800 million is budgeted for credit volume, primarily for loans for spending on capital goods and residential housing; customer assets under management are also forecast to increase.

The path of organic growth will be continued in 2017, with two new branches each being opened in Vienna and Prague, and four in Hungary.

As regards profits, the aim is to attain the excellent level achieved in the preceding year or possibly even surpass it.