

Oberbank. Not like any other bank.

Interim Report to Shareholders as at 31 March 2015



Oberbank at a Glance

Income statement in €m	Q1 2015	Change	Q1 2014
Net interest income	86.5	5.0%	82.4
Charges for losses on loans and advances	(20.4)	12.6%	(18.1)
Net commission income	35.2	14.7%	30.6
Administrative expenses	(59.7)	3.1%	(57.9)
Profit for the period before tax	48.9	13.9%	42.9
Consolidated net profit for the period	40.6	14.0%	35.6
Balance sheet in €m	31/03/2015	Change	31/12/2014
Assets	17,871.4	0.5%	17,774.9
Loans and advances to customers	11,951.6	1.3%	11,801.8
Primary funds	12,325.1	0.3%	12,288.6
of which savings deposits	3,081.9	(0.6%)	3,098.5
of which securitised liabilities including subordinated capital	2,217.2	(3.4%)	2,295.0
Equity	1,591.0	3.7%	1,534.1
Customer funds under management	24,458.7	4.3%	23,441.9
Capital resources CRR (PrY BWG) in €m	31/03/2015	Change	31/12/2014
Assessment basis	12,015.2	0.7%	11,935.2
Own funds	1,868.5	(0.3%)	1,874.4
of which core capital (CET1)	1,338.9	2.5%	1,306.9
of which total core capital (CET1+AT1)	1,389.7	0.3%	1,385.2
Common equity Tier 1 capital ratio	11.14	0.19%	10.95
Tier 1 capital ratio	11.57	(0.04ppt)	11.61
Total capital ratio	15.55	(0.15ppt)	15.70
Performance	Q1 2015	Change	Q1 2014
Return on equity before tax	12.59%	0.59ppt	12.00%
Return on equity after tax	10.46%	0.49ppt	9.97%
Cost/income ratio	46.28%	(2.4ppt)	48.68%
Risk/earnings ratio (credit risk in % of net interest income)	23.62%	1.6ppt	22.02%
Resources	Q1 2015	Change	31/12/2014
Average number of staff (weighted)	2,019	15	2,004
Number of branches	156	0	156

The Oberbank Group in the first quarter of 2015

Dear Readers,

Oberbank once again presents a very good result of operations in the first quarter of 2015

Our operating profit and the profit before and after taxes increased by comparison to the first quarter of 2014 and we posted further growth in terms of both lending and deposits; our capital base continues to be excellent.

Another very good performance

- **Operating profit at EUR 69.3 million (+13.5%)**
- **Profit for the period before tax EUR 48.9 million (+13.9%); after tax EUR 40.6 million (+14.0%)**

Although the bar was set high after last year's excellent result in the first quarter of the year, we again boosted our operating profit by 13.5% to EUR 69.3 million. Our pre-tax profit improved by 13.9% to EUR 48.9 million, and our net profit for the period increased by 14.0% to EUR 40.6 million.

Net interest income widened by 5.0% to EUR 86.5 million year on year.

At EUR 73.5 million, interest income from operating activities was 2.4% higher than in the first quarter of 2014. This growth was fuelled by a higher financing volume; the deposit margin, by contrast, decreased. At EUR 13.0 million, income from equity investments topped the previous year's figure by 22.6%.

Net commission income surged to EUR 35.2 million (+14.7%). Given 23.4% growth, commission income in the securities business developed along excellent lines. The same applies for commission income in the lending business (+10.8%); commissions from payment transactions also posted notable growth (+3.3%).

Further increase in lending

- **4.9% lending growth to a total loan portfolio of EUR 12.4 billion**
- **Investment finance volume appreciably higher, contrary to the market trend**

As at 31 March 2015, lending to business customers rose by 3.2% to EUR 9.9 billion year on year. While demand for investment finance in the general market has been subdued of late, we posted 5.6% growth to EUR 7.0 billion in this segment.

In terms of lending to private individuals, Oberbank posted particularly gratifying growth of 12.3% to EUR 2.5 billion, driven primarily by demand for home construction finance. Roughly 30% of this growth was generated in Vienna, a growth market featuring a particularly robust performance.

Customer assets under management at an all-time high

- **EUR 24.5 billion (+7.4%) in customer assets under management are a vote of confidence for Oberbank**

As at 31 March 2015, total primary deposits had risen by 2.4% to EUR 12.3 billion year on year; the volume of funds in customers' securities deposits had posted +13.0% growth to EUR 12.1 billion by the end of March.

The total volume of customer assets entrusted to us for management thus increased by 7.4% to EUR 24.5 billion year on year.

Excellent development of all performance indicators

- **Return on equity up by 12.59% before tax and 10.46% after tax**
- **Cost/income ratio at 46.28%**
- **Tier 1 capital ratio according to Basel III regime at 11.57%**

Thanks to the Bank's excellent earnings development we improved the return on equity before tax from 12.00% to 12.59% in the first quarter while simultaneously boosting the return on equity from 9.97% to 10.64%.

The cost/income ratio of 46.28% testifies to our highly favourable cost structure.

The total capital ratio calculated in accordance with the stringent provisions of Basel III was at 15.55% (statutorily required rate: 8%) as at 31 March 2015; at 11.57%, the core Tier 1 capital ratio was also far above the minimum requirement rate of 6.00%.

Linz, in May 2015

A handwritten signature in black ink, appearing to read 'Franz Gasselsberger', written in a cursive style.

CEO Franz Gasselsberger
Chairman of the Management Board

The Oberbank Shares

The price of the Oberbank ordinary share reached a new all-time high of EUR 51.05 in the first quarter of 2015. The price development of the Oberbank ordinary share hence reflects the excellent business performance of Oberbank.

Oberbank stock – key figures	Q1 2015	Q1 2014
Number of ordinary no-par shares	25,783,125	25,783,125
Number of no-par preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	51.05/38.20	50.00/38.11
Low (ordinary/preference share) in €	50.35/37.81	48.45/37.75
Close (ordinary/preference share) in €	51.00/38.20	49.85/37.85
Market capitalisation in €m	1,429.54	1,398.8
IFRS earnings per share in €, annualised	5.65	4.96
P/E ratio (ordinary share)	9.03	10.05
P/E ratio (preference share)	6.76	7.63

Oberbank ordinary and preference shares compared with the ATX

Price development in per cent



Source: Bloomberg

The figures given are historical data. Predictions of future developments cannot be derived therefrom.

This chart comparison shows the development of the Oberbank ordinary share, the Oberbank preference share and the Austrian stock index ATX. The prices shown are adjusted prices with daily closing prices indexed to 100, i.e. all initial prices are set to 100% at the outset. The chart thus shows the relative percentage performance of the respective Oberbank share to the ATX.

The Business Segments in the First Quarter of 2015

Corporate and Business Banking Segment

Corporate and Business Banking in €m	Q1 2015	Q1 2014	+ / - absolute	+ / - in %
Net interest income	59.8	57.9	1.9	3.3%
Charges for losses on loans and advances	(15.7)	(4.3)	(11.4)	>100%
Net commission income	16.6	15.3	1.3	8.2%
Net trading income	(0.3)	0.3	(0.6)	
Administrative expenses	(30.8)	(30.3)	(0.5)	1.7%
Other operating profit	(0.1)	0.8	(0.9)	
Extraordinary profit/loss	0.0	0.0	0.0	
Profit for the period before tax	29.5	39.7	(10.2)	(25.7%)
Risk equivalent	8,146.5	8,244.6	(98.1)	(1.2%)
Average allocated equity	938.2	896.7	41.6	4.6%
Return on equity before tax (RoE)	12.6%	17.7%	(5.1ppt)	
Cost/income ratio	40.5%	40.7%	(0.2ppt)	

Earnings development in Corporate and Business Banking

In the Corporate and Business Banking segment the profit for the period declined by EUR 10.2 million or 25.7% to EUR 29.5 million.

Net interest income increased by 3.3% or EUR 1.9 million to EUR 59.8 million.

Charges for losses on loans and advances increased by EUR 11.4 million to EUR 15.7 million.

Net commission income rose by EUR 1.3 million to EUR 16.6 million year on year.

Administrative expenses widened by EUR 0.5 million to EUR 30.8 million.

Other operating profit declined by EUR 0.9 million to a loss of EUR 0.1 million.

The return on equity in Corporate and Business Banking declined by 5.1 percentage points to 12.6%; the cost/income ratio improved by 0.2 percentage points to 40.7%.

43,800 corporate and business banking customers

The positive trend in new customer acquisition continued in the first three months of 2015, with Oberbank gaining 1,600 new corporate and business banking customers in this period. Currently, Oberbank services 43,800 corporate and business banking customers.

Commercial lending

The Bank's commercial lending volume increased by the gratifying rate of 3.2% or EUR 305.8 million to EUR 9,905.6 million

Commercial loans		YoY change	
as at 31/03/2015	as at 31/03/2014	absolute	in %
€ 9,905.6 m	€ 9,599.8 m	€ 305.8 m	3.2%

Investment finance

With a total of 265 projects, the number of applications for subsidised loans for investment projects and innovation projects filed by business customers in the Bank's Austrian branch offices was back at the previous year's level in the first three months of 2015. Oberbank, as hitherto, continues to hold the absolute top position among Austrian banks in this field of business. Notwithstanding companies' generally persisting reluctance to invest, the investment volume behind these applications for subsidised funding increased by another 20% year on year in the first quarter of 2015. This trend is

also reflected in the development of subsidised loans extended by Oberbank, which, having risen by 6.0% year on year, amounted to EUR 634 million as at 31 March 2015.

Investment finance		YoY change	
as at 31/03/2015	as at 31/03/2014	absolute	in %
€ 6,973.5 m	€ 6,606.6 m	€ 366.9 m	5.6%

Leasing

At EUR 171 million, the volume of new business in this business line was 26.7% above the previous year's level in the first quarter of 2015. The key growth drivers were vehicle leasing, which posted 35.4% growth, and movables leasing, which widened by the very robust rate of 32.0%. In regional terms, Austria and Germany continued to be the driving forces; the expansion markets also gained considerable momentum, posting 43.0% growth.

Leasing receivables from customers		YoY change	
as at 31/03/2015	as at 31/03/2014	absolute	in %
€ 1,748.0 m	€ 1,584.0 m	€ 164.0 m	10.4%

Structured finance

The first quarter of 2015 topped the successful performance in the first quarter of 2014. While demand for finance for change of ownership projects showed a pronounced temporary decline, demand for real estate finance virtually boomed. This is partly due to high demand for residential real estate, but also to investors' increased inclination to invest in safe assets.

Part of the rationale behind many businesses' continued readiness to invest seems to be the persistently low level of interest rates. In fact, demand for classical investment finance increased moderately as compared to the first quarter of 2014. A similar pattern can be observed in the development of demand for receivables management, which after a temporary decline in the previous year is back in demand as a highly appreciated instrument of short-term liquidity management.

Oberbank Opportunity Fonds

The Oberbank Opportunity Fonds received 37 new applications for financing solutions in the reporting period (as at 31/03/2015), which, given a consistently high quality of applications, almost comes up to the very high bar set in the previous year. One financing project was successfully concluded in the first quarter of 2015, while a number of others are pending finalisation. Based on this well-filled pipeline, the Oberbank Opportunity Fonds is confident of concluding attractive private equity and mezzanine capital deals in the months to come.

Equity participation capital accounted for EUR 22.9 million and mezzanine capital finance for EUR 25.2 million of the outstanding exposure of EUR 48.1 million as at 31 March 2015.

Syndicated loans and bonded loans

While margins in the field of bonded loans continued to be under massive pressure and consequently only few selected projects were realised in the first quarter of 2015, another product line, namely syndicated loans, again developed along gratifying lines.

On balance, the number and volume of projects processed by the Bank's syndication and international lending group increased marginally year on year.

Oberbank further corroborated its role as arranger and lead manager, both at home and in the Bavarian market.

Export and trade finance

The development of Austrian foreign trade was rather muted in the first quarter of 2015. Oberbank nevertheless increased the Bank's market share in the SME-relevant segment of export finance under Export Fund procedures to 12.17% and in terms of KRR export promotion loans targeted at large corporates it actually reached an all-time high of 11.25%. These results secure Oberbank second place in the industry ranking in both these segments. After a weak start early in the year, the order situation in documentary business improved in March, closing the quarter at the previous year's level.

Payment services

Payment services have been declared a focus area in 2015, with the Bank primarily concentrating on product innovation and adapting processes. One product innovation, the "cash deposit drop safe", a particularly safe instrument of cash management, is attracting active interest from business customers. With the introduction of the SCORE (Swift for Corporates) product, Oberbank is well equipped to meet the exacting requirements of large and medium-sized business customers when it comes to modern payment services.

Earnings from payments transacted by corporate and business customers widened by 4% in the first quarter of 2015.

International network of banks and institutions

Striving to enhance the Bank's capability in providing competent and risk-adequate crossborder services, Oberbank not only sets great store by strengthening and increasing personal contacts with partner banks, but also conducts concrete negotiations on payment transactions and trade finance issues.

Compliance-related topics, the prevention of money laundering and terrorist financing, upholding US and EU sanctions on a verifiable basis, US tax regulations and "know-your-customer" principles have become increasingly important issues in bilateral bank relations. The costs involved in these efforts are compelling many banks to revise and reduce the network of accounts held for other banks. In the first few months of the current year, Oberbank also saw itself challenged to negotiate new account relationships with alternative partner banks. In the context of this reorientation, Oberbank set great store by selecting banking groups strategically to ensure worldwide regional coverage and make sure that the Bank will, as hitherto, satisfy the requirements of companies and their international business relationships in the future. This process is now largely completed, guaranteeing that all customer transactions in a wide variety of currencies can be transacted rapidly, efficiently and safely.

Management of interest rate risk and currency risk

Fluctuating in a bandwidth of almost 15%, the EUR/USD currency curve, by far the most important currency pair for our customers, was highly volatile in the first quarter of 2015. Customers engaged in international activities took advantage of these movements to hedge their import and export transactions. The EUR/CHF exchange rate also exhibited remarkable movements. These very pronounced fluctuations, which were triggered by the effects of measures taken by the SNB, also gave rise to increased hedging of international deals on the part of customers.

The number of customers taking advantage of direct customer servicing increased further. Direct access to the trading department of Oberbank helps large companies to gain time and a position right on the pulse of the market. The number of customers serviced in this line widened by just under 5% in the first quarter of 2015.

Personal Banking Segment

Personal Banking in €m	Q1 2015	Q1 2014	+ / - absolute	+ / - in %
Net interest income	13.8	13.7	0.1	1.0%
Charges for losses on loans and advances	(3.3)	(0.5)	(2.8)	>100%
Net commission income	18.6	15.3	3.3	21.5%
Administrative expenses	(21.0)	(20.7)	(0.2)	1.2%
Other operating profit/loss	(2.1)	1.0	(3.1)	
Profit for the period before tax	6.0	8.7	(2.7)	(31.3%)
Risk equivalent	1,292.6	1,233.2	59.4	4.8%
Average allocated equity	148.9	134.1	14.7	11.0%
Return on equity before tax (RoE)	16.0%	25.9%	(9.9ppt)	
Cost/income ratio	69.4%	69.3%	0.1ppt	

Earnings development in Personal Banking

The pre-tax profit in Personal Banking declined by EUR 2.7 million or 31.3% to EUR 6.0 million.

Net interest income increased by EUR 0.1 million to EUR 13.8 million.

Charges for losses on loans and advances increased by EUR 2.8 million to EUR 3.3 million year on year.

Net commission income increased by EUR 3.3 million to EUR 18.6 million.

Administrative expenses grew by EUR 0.2 million to EUR 21.0 million.

Declining by EUR 3.1 million, the item other operating profit/loss posted a loss of EUR 2.1 million.

The Personal Banking segment's return on equity decreased by 9.9 percentage points from 25.9% to 16.0%; the cost/income ratio improved marginally, i.e. by 0.1 percentage points from 69.3% to 69.4%.

Personal accounts

Oberbank's portfolio of personal accounts grew by 638 accounts to a total of 177,323 in the first three months of the year.

The innovative account models introduced in 2013 and the "Bankomatkarte Gold" bank card are now well established.

The number of personal accounts grew steadily, propelled by intensive marketing support and high-grade sales brochures.

Number of personal accounts		YoY change	
as at 31/03/2015	as at 31/03/2014	absolute	in %
177,323	175,343	1,980	1.1%

Personal loans

The volume of personal loans widened by 8.3% or EUR 277.6 million to EUR 2,528.0 million year on year.

Key drivers of this positive development were the Vienna regional division, which grew by EUR 24.6 million or +7.1%, as well as the Czech Republic (+EUR 8.6 million / +4.7%). The other Austrian business regions and the Bank's foreign markets, notably Slovakia (7.7%), Southern Bavaria (+2.6%) and Northern Bavaria (+4.4%) also posted very encouraging results.

Personal loans		YoY change	
as at 31/03/2015	as at 31/03/2014	absolute	in %
€ 2,528.0 m	€ 2,250.0 m	€ 278.0 m	12.4%

Primary deposits

The persistent decline of money market rates, occasioned by the monetary policy pursued by the ECB, caused customers' preference for liquidity to increase, which resulted in further growth of sight deposits. Overall, the volume of deposits at Oberbank remained constant at the level observed at the end of 2014. In the first quarter, primary deposits increased by EUR 251 million or 2.1% year on year.

Savings deposits

Compared with the level on 31 March 2014, the volume of savings deposits declined by 6.9% or EUR 227.8 million to EUR 3,081.9 million. The low level of interest rates leaves very little room for a more offensive interest rate policy, while the Austrian savings rate continues to be at a very low level and competition for savings deposits is fierce. People are tending to leave their funds in accounts or invest them in overnight instruments.

Savings deposits		YoY change	
as at 31/03/2015	as at 31/03/2014	absolute	in %
€ 3,081.9 m	€ 3,309.7 m	(€ 227.8 m)	(6.9%)

Securities business

The first quarter of 2015 was characterised by a thoroughly positive trend on the international equity markets. The bond purchasing programme launched by the ECB virtually sent European stock markets skyrocketing. Bond prices also rose, while yields declined in parallel. As at 31 March 2015, the market value of securities in customer deposits widened to a new record high of EUR 12.1 billion, which corresponds to a rise of EUR 1.4 billion or 13.1% as compared with the end-of-March level of 2014.

In the first quarter, commissions earned from transactions in this business line amounted to EUR 12.1 million; the year-on-year balance as at 31 March 2014 was EUR 2.3 million or 23.5% above the previous year's level.

Oberbank issues

In the first quarter of 2015, Oberbank placed a volume of EUR 117 million in the market. Standard products offered on a regular basis include Oberbank bonds targeted at medium-term to long-term investors and products from the Cash Garant product line designed for short-term investors. Besides a number of money-market-based instruments, Oberbank also floated a step-up bond as well as a further series of the MinMax-Floater.

For the Czech market, Oberbank issued a short-term and a medium-term bond, both in local currency.

Private Banking

The very gratifying and dynamic development of Oberbank's Private Banking activities continued unbroken in the first quarter of 2015. The volume of assets under management increased from EUR 4.8 billion to EUR 5.3 billion year on year, topping the level observed a year earlier by EUR 500 million.

Another very gratifying development is that the overall volume of funds taken care of by Oberbank Asset Management has exceeded the half-billion mark for the first time.

The volume of assets under management in the Bank's iPM (individual portfolio management) unit increased robustly to a new high of EUR 444 million, which corresponds to a year-on-year increase of EUR 125.6 million or 39.4%. The balanced portfolio strategy was the approach of choice, followed by the defensive and, in third place, the dynamic strategy. The weighting of securities in the portfolio was in the upper range of the defined bandwidth throughout the reporting period. This overweighting of equities will not be changed for the time being.

Oberbank's brokerage services also developed along very positive lines, with volume growth running to 14.8% from EUR 183 million at the end of the first quarter of 2014 to EUR 210 million at the end of the first quarter of 2015.

3 Banken-Generali

In the first three quarters of 2014, 3 Banken-Generali Investment-Gesellschaft continued the very dynamic growth trend of the past few years. The volume of funds managed by the company increased by EUR 837 million or 10.91% to EUR 8.5 billion. The company thus again substantially outperformed the 7.1% value growth observed in the market in general. Growth was fuelled by robust inflows of new money amounting to EUR 315 million and notable value appreciation, above all in equities.

A clear change of trend was seen in retail funds. For the first time in several years, new money inflows to retail funds exceeded those to special fund solutions. About 40% of the managed fund volume is invested in equities, a fact that underlines the future-oriented positioning of the company.

Building and loan association saving

Totalling 3,102 contracts, the number of building and loan contracts brokered by Oberbank dropped by 16.5% year on year in the first quarter of 2015. However, against the backdrop of the very low level of interest rates, government-sponsored building and loan association saving still constitutes an interesting and popular option for many savers.

Insurance services

In the first quarter of 2015, changed framework conditions caused production in this line of business to decline by 17.7% year on year.

In the category of endowment insurance policies, changes were particularly perceptible in classical life insurance policy business as a consequence of the reduction of guaranteed rates by year end 2014. Nevertheless, Oberbank topped its production targets for endowment insurance policies by 5% in the first quarter of 2015, both with private individuals and business customers.

The premium volume in the category of risk insurance policies widened by 1.7% year on year.

Production in the field of property insurance policies including accident insurance contracts was again expanded, with the annual net premium rising by 10% year on year.

The focus of activities continues to be on endowment insurance policies.

Insurance contracts – premium volume		YoY change	
as at 31/03/2015	as at 31/03/2014	absolute	in %
€ 25.3 m	€ 30.7 m	(€ 5.4 m)	(17.7%)

eBanking

The advantages of Oberbank's electronic banking products convinced another 1,700 new customers to join the party, bringing the number of eBanking users to more than 113,400 by the end of the quarter.

In Austria, paper-based six-digit transaction number authorisation (so-called paper TANs) were discontinued for our software product ELBA MBS in the first quarter of 2015. With the xTAN, cardTAN and the digital signature, customers using ELBA MBS now have a choice of modern, safe authorisation methods.

Financial Markets Segment

Financial Markets in € m	Q1 2015	Q1 2014	+ / - absolute	+ / - in %
Net interest income	12.9	10.8	2.1	19.3%
Charges for losses on loans and advances	(1.4)	(13.3)	11.9	(89.3%)
Net commission income	0.0	0.0	0.0	
Net trading income	5.2	1.1	4.1	>100%
Administrative expenses	(1.6)	(1.5)	(0.1)	6.4%
Other operating profit	4.1	2.1	2.0	95.1%
Profit for the period before tax	19.2	(0.8)	20.0	
Risk equivalent	4,041.3	3,666.8	374.5	10.2%
Average allocated equity	465.4	398.8	66.6	16.7%
Return on equity before tax (RoE)	16.5%	(0.8%)	17.3ppt	
Cost/income ratio	7.1%	10.5%	(3.4ppt)	

Earnings development in the Financial Markets segment

The Financial Markets segment closed the period with a pre-tax profit of EUR 19.2 million, which corresponds to a year-on-year improvement of EUR 20.0 million.

Net interest income posted EUR 2.1 million growth to EUR 12.9 million.

Owing mainly to the changed system for calculating portfolio valuation allowances, charges for losses on loans and advances decreased by EUR 11.9 million to EUR 1.4 million in comparison with the same period in the previous year.

Net trading income rose by EUR 4.1 million to EUR 5.2 million.

Other operating profit improved by EUR 2.0 million to EUR 4.1 million.

The return on equity in the Financial Markets segment reversed from a negative rate of -0.8%, rising by 17.3 percentage points to 16.5%; the cost/income ratio improved by 3.4 percentage points from 10.5% to 7.1%.

Oberbank issues

The volatile market environment and pronounced fluctuations created an excellent setting for active trading with own issues in the first quarter.

Oberbank benefitted from its correct assessment of EUR/USD developments and stock markets, but also capitalised on the surprising movement of the EUR/CHF exchange rate. Overall, Oberbank generated an excellent trading result in the first quarter of 2015.

Capital resources

Effective from 1 January 2014, total capital and Tier 1 capital ratios must be calculated in accordance with the significantly stricter Basel III provisions. Total capital in the amount of EUR 1,868.5 million as at 31 March 2015 translates to a total capital ratio of 15.55%, which is almost double the statutorily required rate. Based on Tier 1 capital of EUR 1,389.7 million, the core Tier 1 capital ratio came to 11.57%. Common equity Tier 1 capital in the amount of EUR 1,338.9 million corresponds to a common equity Tier 1 capital ratio of 11.14%.

Risk

The risk policy of Oberbank accommodates all kinds of risks existing in the different lines of business including the Bank's new markets. The Bank's risk management primarily focuses on guaranteeing the safety of the customer assets entrusted to Oberbank, on compliance with capital requirements and on securing liquidity.

Credit risk constitutes the most important risk category. Oberbank mitigates this risk by recognising adequate allowances and provisions in the balance sheet.

As regards customer ratings and collateralisation policy, Oberbank boasts long years of experience and know-how. Additionally, the Bank's regional business model, professional credit management, and a well-balanced distribution of the overall exposure across the individual customer segments all ensure that the possible impact of this risk component on Oberbank's overall performance is always kept within manageable bounds. We therefore do not expect any extraordinary credit risks to occur in 2015 as a whole.

Further risk components are the equity risk (risk of potential losses of value and/or earnings in the Bank's equity portfolio), the market risk (possible losses due to changes in interest rates, exchange rates or stock prices), operational risk and liquidity risk. In line with the principle of prudence, these risks are also backed by appropriate levels of capital. In terms of liquidity risk, Oberbank is in an excellent position insofar as the entire lending volume (€ 12.4 billion as at 31 March 2015) can be refinanced from customers' primary deposits and other long-term refinancing facilities available from OeKB, LfA and KfW (€ 13.5 billion as at 31 March 2015). In addition, Oberbank has a permanent risk controlling system, stringent process management and other efficient control and monitoring instruments in place. For 2015 as a whole, Oberbank therefore does not expect any extraordinary risk to arise from these risk components.

Outlook for 2015

- **Positive signs of economic progress emerging, but risks still remain**
- **Net interest income bears the brunt of low interest rates; robust income from services**
- **Oberbank aims to match the previous year's result**

Positive signs of economic progress

In 2015, the EU economy may well progress more positively than official forecasts currently suggest. The cheap price of oil, the low level of interest rates and the weaker euro are likely to bolster growth, as will the investment offensive launched by the EU. In Austria, the tax reform will help stimulate consumer spending, thus boosting domestic demand and buttressing growth.

European economic growth, however, still remains jeopardised by a number of risks, notably geopolitical tension, higher volatility on financial markets, the divergent monetary policy courses pursued by the major central banks and the incomplete implementation of structural reforms in the euro area countries.

Oberbank maintains its proactive approach

Providing an uninterrupted supply of finance to customers and continuing its expansion course by opening new branches, Oberbank has hitherto furnished proof that the Bank will not deviate from its growth course, not even in the current challenging environment.

In 2015, net interest income will indubitably bear the mark of the low level of interest rates, but the development of net commission income is likely to continue the dynamic trend observed in the previous year.

Overall, the management in 2015 is striving to match the excellent result generated last year.

3 Banken Group in the first quarter of 2015

The 3 Banken Group continued to show a satisfactory development in the first quarter of 2015. Joint total assets of the three banks within the 3 Banken Group increased by 3.0% to EUR 34.7 billion year on year, while lending in terms of volume (after charges for losses on loans and advances) increased by 4.0% to EUR 23.2 billion and primary deposits posted a 4.3% rise to EUR 24.3 billion. Joint net profit for the period grew by 17.9% to EUR 75.2 million.

As at 31 March 2015, the three banks were operating a total of 250 branches; they had an average of 4,135 employees on their payrolls in the first quarter of 2015.

Consolidated Interim Financial Statements Prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 01/01/2015 to 31/03/2015

Consolidated income statement in €k		01/01/- 31/03/20	1/1- 31/03/20	Change in €k	Change in %
1. Interest and similar income	(1)	103,668	108,690	(5,022)	(4.6)
2. Interest and similar expenses	(1)	(30,153)	(36,907)	6,754	(18.3)
3. Income from entities accounted for using the equity method	(1)	13,021	10,624	2,397	22.6
Net interest income	(1)	86,536	82,407	4,129	5.0
4. Charges for losses on loans and advances	(2)	(20,438)	(18,144)	(2,294)	12.6
5. Commission income	(3)	39,292	34,086	5,206	15.3
6. Commission expenses	(3)	(4,142)	(3,451)	(691)	20.0
Net commission income	(3)	35,150	30,635	4,515	14.7
7. Net trading income	(4)	4,930	1,416	3,514	>100
8. Administrative expenses	(5)	(59,687)	(57,897)	(1,790)	3.1
9. Other operating profit	(6)	2,363	4,475	(2,112)	(47.2)
a) Net income from financial assets – FV/PL	(6)	6,564	5,347	1,217	22.8
b) Net income from financial assets – AfS	(6)	535	(1,002)	1,537	
c) Net income from financial assets – HtM	(6)	198	0	198	
d) Other operating profit	(6)	(4,934)	130	(5,064)	
Profit for the period before tax		48,854	42,892	5,962	13.9
10. Income taxes	(7)	(8,240)	(7,268)	(972)	13.4
Profit for the period after tax		40,614	35,624	4,990	14.0
of which attributable to the owners of the parent company		40,576	35,619	4,957	13.9
of which attributable to minority interests		38	5	33	>100

Income and expenses recognised directly in equity in €k	01/01/- 31/03/2015	01/01/- 31/03/2014
Profit for the period after tax	40,614	35,624
Items not reclassified to profit or loss for the year	(2,389)	(712)
+/- Actuarial gains/losses IAS 19	0	0
+/- Deferred taxes on actuarial gains/losses IAS 19	0	0
+/- Share from entities accounted for using the equity method	(2,389)	(712)
Items reclassified to profit or loss of the year	14,060	(2,310)
+ / - Unrealised gains and losses not recognised in the income statement under IAS 39	18,211	(2,728)
+ / - Deferred taxes on items recognised directly in equity under IAS 39	18,844	26
+ / - Exchange differences	(632)	(2,754)
+ / - Share from entities accounted for using the equity method	(4,553)	682
Total income and expenses recognised directly in equity	(4,711)	(7)
Total comprehensive income for the period of net profit for the period and income and expenses recognised directly in equity	158	689
of which attributable to the owners of the parent company	(338)	(1,829)
of which attributable to minority interests	740	1,564
Profit for the period after tax	11,671	(3,022)
Items not reclassified to profit or loss for the year	52,285	32,602
+/- Actuarial gains/losses IAS 19	52,247	32,614
+/- Deferred taxes on actuarial gains/losses IAS 19	38	(12)

Performance indicators	Q1 2015	Q1 2014
Cost/income ratio in %	46.28%	48.68%
Return on equity before tax in %	12.59%	12.00%
Return on equity after tax in %	10.46%	9.97%
Risk/earnings ratio (credit risk to net interest income) in %	23.62%	22.02%
Earnings per share in €	1.41	1.24

Balance sheet as at 31/03/2015 / Assets

in €k		31/03/2015	31/12/2014	Change in €k	Change in %
1. Cash and balances at central banks	(9)	162,159	147,009	15,150	10.3%
2. Loans and advances to credit institutions	(10)	1,214,682	1,460,988	(246,306)	(16.9%)
3. Loans and advances to customers	(11)	12,433,563	12,276,238	157,325	1.3%
4. Impairment provisions	(12)	(481,946)	(474,410)	(7,536)	1.6%
5. Trading assets	(13)	77,989	56,649	21,340	37.7%
6. Financial investments	(14)	3,723,411	3,650,387	73,024	2.0%
a) Financial assets – FV/PL	(14)	246,104	241,238	4,866	2.0%
b) Financial assets – AfS	(14)	754,042	726,363	27,679	3.8%
c) Financial assets – HtM	(14)	2,079,680	2,051,487	28,193	1.4%
d) Interest in entities accounted for using the equity	(14)	643,585	631,299	12,286	1.9%
7. Intangible assets	(15)	1,447	1,558	(111)	(7.1%)
8. Property, plant and equipment	(16)	253,274	254,643	(1,369)	(0.5%)
a) Investment property	(16)	101,711	101,568	143	0.1%
b) Other property, plant and equipment	(16)	151,563	153,075	(1,512)	(1.0%)
9. Other assets	(17)	486,795	401,824	84,971	21.1%
a) Deferred tax assets	(17)	63,220	64,138	(918)	(1.4%)
b) Positive fair values of closed out derivatives in the banking book	(17)	258,631	202,066	56,565	28.0%
c) Other	(17)	164,944	135,620	29,324	21.6%
Total assets		17,871,374	17,774,886	96,488	0.5%

Balance sheet as at 31/03/2015 / Equity and liabilities

in €k		31/03/2015	31/12/2014	Change in €k	Change in %
1. Amounts owed to credit institutions	(18)	3,185,420	3,252,390	(66,970)	(2.1%)
2. Amounts owed to customers	(19)	10,107,917	9,993,608	114,309	1.1%
3. Securitised liabilities	(20)	1,529,618	1,580,642	(51,024)	(3.2%)
4. Provisions for liabilities and charges	(21)	395,645	383,012	12,633	3.3%
5. Other liabilities	(22)	374,197	316,781	57,416	18.1%
a) Trading liabilities	(22)	64,331	55,372	8,959	16.2%
b) Tax liabilities	(22)	20,977	8,752	12,225	> 100.0%
ba) Current tax liabilities	(22)	16,281	4,918	11,363	> 100.0%
bb) Deferred tax liabilities	(22)	4,696	3,834	862	22.5%
c) Negative fair values of closed out derivatives in the banking book	(22)	77,339	43,459	33,880	78.0%
d) Other	(22)	211,550	209,198	2,352	1.1%
6. Subordinated debt capital	(23)	687,565	714,376	(26,811)	(3.8%)
7. Equity	(24)	1,591,012	1,534,077	56,935	3.7%
a) Equity after minorities	(24)	1,587,737	1,530,839	56,898	3.7%
b) Minority interests in equity	(24)	3,275	3,238	37	1.1%
Total equity and liabilities		17,871,374	17,774,886	96,488	0.5%

Consolidated statement of changes in equity as at 31/03/2015

in €k	Subscribed capital	Capital reserves	Retained earnings	Translation reserve	Gains (losses) rec. in equity acc. to IAS 39	Actuarial gains (losses) acc. to IAS 19	Associated companies	Equity after minorities	Minorities	Equity
as at 01/01/2014	86,034	194,038	777,319	(543)	17,618	(21,887)	365,432	1,418,011	2,960	1,420,971
Consolidated net profit			28,692	(1,829)	(2,046)		7,797	32,614	(12)	32,602
Net annual profit/(loss)			28,692				6,945	35,636	(12)	35,624
Other comprehensive income				(1,829)	(2,046)		852	(3,022)		(3,022)
Dividend distribution										
Capital increase										
Reacquired own shares	(141)	(385)						(526)		(526)
Unrealised gains and losses not recognised in the income statement			3				3,129	3,132		3,132
as at 31/03/2014	85,893	193,653	806,014	(2,372)	15,572	(21,887)	376,358	1,453,231	2,948	1,456,179
as at 01/01/2015	85,924	193,592	856,042	(2,579)	27,330	(44,688)	415,218	1,530,839	3,238	1,534,077
Consolidated net profit			31,438	(338)	13,658		7,489	52,247	38	52,285
Net annual profit/(loss)			31,438				9,138	40,576	38	40,614
Other comprehensive income				(338)	13,658		(1,649)	11,671		11,671
Dividend distribution										
Capital increase										
Reacquired own shares	(53)	(132)						(185)		(185)
Unrealised gains and losses not recognised in the income statement			41				4,795	4,836	(1)	4,835
as at 31/03/2015	85,871	193,460	887,521	(2,917)	40,988	(44,688)	427,502	1,587,737	3,275	1,591,012

Consolidated statement of cash flows			
in €k	01/01-31/03/2015	01/01/-31.03.14¹⁾	01/01/-31.03.14²⁾
Cash and cash equivalents at the end of previous period	147,009	174,599	174,599
Net cash from (used in) operating activities	58,621	(265,962)	(264,094)
Net cash from (used in) investing activities	(5,876)	279,036	277,042
Net cash from (used in) financing activities	(37,595)	3,600	3,600
Effects of changes in the scope of consolidation and revaluation	0	0	1,955
Effects of foreign exchange rate changes	0	0	(1,829)
Cash and cash equivalents at the end of the period	162,159	191,273	191,273

Cash and cash equivalents comprises the line item Cash and balances at central banks, consisting of cash on hand and credit balances with central banks of issue

¹⁾ Previous year's values after changes in the presentation of effects from changes in the consolidated group, valuations and exchange rates not recognised in the income statement. ²⁾ Figures published as at 31/03/2014.

Notes

Changes in accounting policies in 2015

This Interim Report of Oberbank AG has been drawn up using the same recognition and measurement policies applied as at 31 December 2014. This applies with the exception of standards and interpretations applicable for periods beginning on or after 1 January 2015. The list given below shows only those standards and interpretations that are of relevance with regard to the business activity of Oberbank. Application of the following standards and interpretations as amended has become mandatory from January 2015.

- Amendments to IAS 19, Employee Benefits - Defined Benefit Plans – Employee Contributions
- Annual improvements to the International Financial Reporting Standards (Cycle 2010-2012)
- Annual improvements to the International Financial Reporting Standards (Cycle 2011-2013)

Scope of consolidation of Oberbank

In addition to Oberbank AG, the scope of consolidation as at 31 March 2015 included 29 Austrian and 22 foreign subsidiaries. Compared to 31 December 2014, the consolidated group changed owing to the first-time inclusion of the following companies:

	Share in %
Oberbank Kfz-Leasing GmbH, Linz	100%
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100%

Details of the income statement in €k

1) Net interest income	01/01/- 31/03/2015	01/01/- 31/03/2014
Interest income from		
Credit and money market business	81,617	85,971
Shares and other variable-yield securities	1,260	1,429
Other equity investments	374	384
Subsidiaries	859	846
Fixed-interest securities and bonds	19,558	20,060
Interest and similar income	103,668	108,690
Interest expenses on		
Deposits	(18,067)	(24,096)
Securitised liabilities	(6,915)	(8,215)
Subordinated liabilities	(5,171)	(4,596)
Interest and similar expenses	(30,153)	(36,907)
Income from entities accounted for using the equity method	13,021	10,624
Net interest income	86,536	82,407

2) Charges for losses on loans and advances	01/01/- 31/03/2015	01/01/- 31/03/2014
Allocated to loan loss provisions	37,027	23,642
Direct write-offs	445	862
Reversals of loan loss provisions	(16,654)	(5,979)
Recoveries of written-off receivables	(380)	(381)
Charges for losses on loans and advances	20,438	18,144

3) Net commission income	01/01/- 31/03/2015	01/01/- 31/03/2014
Payment services	11,585	11,210
Securities business	12,094	9,797
Foreign exchange, foreign bank note and precious metals business	3,394	2,387
Credit operations	6,865	6,199
Other service and advisory business	1,212	1,042
Net commission income	35,150	30,635

4) Net trading income	01/01/- 31/03/2015	01/01/- 31/03/2014
Gains (losses) on interest rate contracts	679	443
Gains (losses) on foreign exchange, foreign bank note and numismatic business	4,144	1,101
Gains (losses) on derivatives	107	(128)
Net trading income	4,930	1,416

5) Administrative expenses	01/01/- 31/03/2015	01/01/- 31/03/2014
Staff costs	36,053	35,028
Other administrative expenses	20,594	19,826
Write-offs and valuation allowances	3,040	3,043
Administrative expenses	59,687	57,897

	01/01/- 31/03/2015	01/01/- 31/03/2014
6) Other operating profit		
a) Net income from financial assets – FV/PL	6,564	5,347
b) Net income from financial assets – AfS	535	(1,002)
c) Net income from financial assets – HtM	198	0
d) Other operating income	(4,934)	130
thereof stability fee	(3,511)	(3,299)
Thereof from operating leases	980	1,023
Thereof financial transaction tax	(300)	(327)
Other operating income net of other operating expenses	2,363	4,475

	01/01/- 31/03/2015	01/01/- 31/03/2014
7) Income taxes		
Current income tax expense	10,998	8,731
Deferred income tax expenses (income)	(2,758)	(1,463)
Income taxes	8,240	7,268

	01/01/- 31/03/2015	01/01/- 31/03/2014
8) Earnings per share in €		
Number of shares as at 31/03	28,783,125	28,783,125
Average number of shares in issue	28,732,759	28,753,825
Consolidated profit of the year after tax	40,614	35,624
Earnings per share in €	1.41	1.24
Annualised values	5.65	4.96

Since no financial instruments with diluting effect had been issued, diluted earnings per share were identical with undiluted earnings per share. Earnings per share were the same for both ordinary and preference shares.

	31/03/2015	31/12/2014
9) Cash and balances at central banks		
Cash in hand	64,403	76,198
Credit balances with central banks of issue	97,756	70,811
Cash and balances at central banks	162,159	147,009

	31/03/2015	31/12/2014
10) Loans and advances to credit institutions		
Loans and advances to Austrian credit institutions	621,879	713,069
Loans and advances to foreign credit institutions	592,803	747,919
Loans and advances to credit institutions	1,214,682	1,460,988

	31/03/2015	31/12/2014
11) Loans and advances to customers		
Loans and advances to Austrian customers	7,624,190	7,596,160
Loans and advances to foreign customers	4,809,373	4,680,078
Loans and advances to customers	12,433,563	12,276,238

	31/03/2015	31/12/2014
12) Impairment provisions		
Impairment provisions for banks	0	0
Impairment provisions for customers	481,946	474,410
Impairment provisions for other assets	0	0
Impairment provisions	481,946	474,410

13) Trading assets	31/03/2015	31/12/2014
Bonds and other fixed-interest securities		
Listed	11,483	628
Stocks and other variable-yield securities		
Listed	2,063	770
Positive fair values of derivative financial instruments		
Currency contracts	9,151	4,662
Interest rate contracts	55,285	50,582
Other contracts	7	7
Trading assets	77,989	56,649
14) Financial investments	31/03/2015	31/12/2014
Bonds and other fixed-interest securities	2,525,443	2,485,714
Stocks and other variable-yield securities	300,233	277,127
Equity investments/shares		
In subsidiaries	133,233	134,995
In entities accounted for using the equity method		
Banks	281,979	276,100
Non-banks	361,606	355,199
Other equity investments		
Banks	13,434	13,434
Non-banks	107,483	107,818
Financial investments	3,723,411	3,650,387
a) Financial assets – FV/PL	246,104	241,238
b) Financial assets – AfS	754,042	726,363
c) Financial assets – HtM	2,079,680	2,051,487
d) Interest in entities accounted for using the equity method	643,585	631,299
Financial investments	3,723,411	3,650,387
15) Intangible assets	31/03/2015	31/12/2014
Other intangible assets	851	950
Customer base	596	608
Intangible assets	1,447	1,558
16) Property, plant and equipment	31/03/2015	31/12/2014
Investment property	101,711	101,568
Land and buildings	56,587	53,500
Business equipment and furnishings	75,389	74,852
Other property, plant and equipment	19,587	24,723
Property, plant and equipment	253,274	254,643
17) Other assets	31/03/2015	31/12/2014
Deferred tax assets	63,220	64,138
Other items	161,909	131,786
Positive fair values of derivatives in the banking book	258,631	202,066
Other deferrals	3,035	3,834
Other assets	486,795	401,824

18) Amounts owed to credit institutions	31/03/2015	31/12/2014
Amounts owed to Austrian banks	1,982,158	1,963,611
Amounts owed to foreign banks	1,203,262	1,288,779
Amounts owed to credit institutions	3,185,420	3,252,390
19) Amounts owed to customers	31/03/2015	31/12/2014
Savings deposits	3,081,915	3,098,547
Other	7,026,002	6,895,061
Amounts owed to customers	10,107,917	9,993,608
20) Securitised liabilities	31/03/2015	31/12/2014
Issued bonds	1,510,855	1,559,330
Other securitised liabilities	18,763	21,312
Securitised liabilities	1,529,618	1,580,642
21) Provisions for liabilities and charges	31/03/2015	31/12/2014
Provisions for termination benefits and pensions	235,418	235,942
Provisions for anniversary bonuses	10,625	10,533
Loan loss provisions	91,037	81,264
Other items	58,565	55,273
Provisions for liabilities and charges	395,645	383,012
22) Other liabilities	31/03/2015	31/12/2014
Trading liabilities	64,331	55,372
Tax liabilities	20,977	8,752
Current tax liabilities	16,281	4,918
Deferred tax liabilities *	4,696	3,834
Other obligations	165,320	162,684
Negative market values from closed derivatives positions in the banking book	77,339	43,459
Deferred items	46,230	46,514
Other liabilities	374,197	316,781
Other liabilities (trading liabilities)	31/03/2015	31/12/2014
Currency contracts	8,940	4,643
Interest rate contracts	55,374	50,725
Other contracts	17	4
Trading liabilities	64,331	55,372
23) Subordinated debt capital	31/03/2015	31/12/2014
Issued subordinated bonds incl. supplementary capital	586,735	614,662
Hybrid capital	80,099	79,303
Additional Tier 1 capital	20,731	20,411
Subordinated debt capital	687,565	714,376
24) Equity	31/03/2015	31/12/2014
Subscribed capital	85,871	85,924
Capital reserves	193,460	193,592
Retained earnings (including net profit)	1,287,830	1,230,747
Untaxed reserves	18,704	18,704
Negative goodwill	1,872	1,872
Minorities	3,275	3,238
Equity	1,591,012	1,534,077

25) Contingent liabilities and commitments	31/03/2015	31/12/2014
Other contingent liabilities (guarantees and letters of credit)	1,306,827	1,302,042
Contingent liabilities	1,306,827	1,302,042
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	2,682,258	2,727,707
Commitments	2,682,258	2,727,707

26) Segment report as at 31/03/2015		Financial			
Core business segments in €k	Personal	Corporate	Markets	Other	Total
Net interest income	13,793	59,840	12,902	0	86,536
Charges for losses on loans and advances	(3,297)	(15,718)	(1,424)	0	(20,438)
Net commission income	18,582	16,575	(7)	0	35,150
Net trading income	0	(304)	5,233	0	4,930
Administrative expenses	(20,989)	(30,791)	(1,568)	(6,338)	(59,687)
Other operating profit	(2,122)	(68)	4,059	494	2,364
Extraordinary profit	0	0	0	0	0
Profit for the period before tax	5,967	29,535	19,196	(5,844)	48,853
Average risk-weighted assets	1,292,612	8,146,475	4,041,327	0	13,480,414
Average allocated equity	148,868	938,217	465,433	0	1,552,518
Return on equity before tax	16.0%	12.6%	16.5%		12.6%
Cost/income ratio	69.4%	40.5%	7.1%		46.3%

27) Human resources	31/03/2015	31/12/2014
Salaried	2,019	2,004
Blue-collar	14	17
Total resources	2,033	2,021

28) Regulatory capital pursuant to Part 2 of Reg. (EU) No. 575/2013	31.13.2015	31/12/2014	31/03/2014
Subscribed capital	83,649	84,549	84,549
Capital reserves	194,746	194,746	194,746
Retained earnings	1,272,007	1,248,435	959,966
Minority interests	0	0	0
Accumulated other comprehensive income	(6,589)	(13,078)	
Regulatory adjustment items	(36,640)	(40,778)	(167)
Deductions from common equity Tier 1 capital items	(168,266)	(166,989)	(13,330)
HARD CORE CAPITAL	1,338,907	1,306,885	1,225,764
AT1 capital instruments	20,000	20,000	0
AT1 capital instruments purs. to national implementation rules	55,300	63,200	63,200
Deductions from AT 1 capital items	(24,462)	(4,892)	(4,892)
Additional Tier 1 capital	50,838	78,308	58,308
TIER 1 CAPITAL	1,389,745	1,385,193	1,284,072
Qualifying supplementary capital instruments	384,496	409,195	443,944
Nominal capital preference shares pursuant to transition rules	2,700	1,800	1,800
AT1 capital instruments pursuant to transition rules	23,700	15,800	15,800
Supplementary capital items purs. to national implementation rules	72,126	76,306	136,807
General credit risk adjustments	0	0	0
Deductions from supplementary capital items	(4,316)	(13,893)	(33,081)
Supplementary capital	478,706	489,208	565,270
TOTAL CAPITAL	1,868,451	1,874,401	1,849,342
Total risk exposure amounts pursuant to Art. 92 CRR			
Credit risk	11,041,950	10,982,467	10,723,351
Market risk, settlement risk and CVA risk	83,024	62,476	24,784
Operational risk	890,231	890,231	846,412
Total exposure	12,015,205	11,935,174	11,594,547
Capital ratios pursuant to Art. 92 CRR			
Common equity Tier 1 capital ratio	11.14%	10.95%	10.57%
Core Tier 1 capital ratio	11.57%	11.61%	11.07%
Total capital ratio	15.55%	15.70%	15.95%
Regulatory capital ratio requirement purs. transition rules in %			
Common equity Tier 1 capital ratio	4.50%	4.00%	4.00%
Core Tier 1 capital ratio	6.00%	5.50%	5.50%
Total capital ratio	8.00%	8.00%	8.00%
Regulatory capital requirement purs. transition rules €k			
Common equity Tier 1 capital ratio	540,684	477,407	463,782
Core Tier 1 capital ratio	720,912	656,435	637,700
Total capital ratio	961,216	954,814	927,564
Free capital components			
Common equity Tier 1 capital ratio	798,223	829,478	761,982
Core Tier 1 capital ratio	668,833	728,758	646,372
Total capital ratio	907,235	919,587	921,778

29) Fair value of financial instruments as at 31/03/2015 in €k

	HtM	FV/PL	HFT	AfS	L&R/ liabilities	Others	Total
Cash and balances at central banks						162,159	162,159
Loans and advances to credit institutions					1,214,682		1,214,682
Loans and advances to customers	44,611	82,475		111,027	12,195,450		12,433,563
Impairment provisions	45,938	82,475		111,027	12,325,316		12,564,756
Trading assets			77,989		(481,946)		(481,946)
Financial investments	2,079,680	246,104		618,244	(481,946)		(481,946)
Intangible assets	2,312,025	246,104		618,244		77,989	3,723,411
Property, plant and equipment						77,989	77,989
Other assets			258,631			779,383	3,723,411
Of which closed derivatives positions in the banking book			258,631				258,631
Total assets	2,124,291	328,579	336,620	729,271	12,928,186	1,424,427	17,871,374
	2,357,963	328,579	336,620	729,271	13,057,946		
Amounts owed to credit institutions		89,571			3,095,849		3,185,420
Amounts owed to customers		89,571			3,153,230		3,242,801
Securitised liabilities		420,843			9,687,074		10,107,917
Provisions for liabilities and charges		420,843			9,704,133		10,124,976
Other liabilities		482,809			1,046,809		1,529,618
Of which closed out derivatives positions in the banking book		482,809			1,058,359		1,541,168
Subordinated debt capital						395,645	395,645
Capital			141,670			232,527	374,197
			141,670				77,339
			77,339				77,339
		485,924			201,641		687,565
		485,924			210,019		695,943
Total equity and liabilities	-	1,479,147	141,670	-	14,031,373	2,219,184	17,871,374
	-	1,479,147	141,670	-	14,125,741		

The first item line shows the book value; the line below shows the fair value of the same item.

Presentation of the fair value hierarchy for financial instruments as at 31/03/2015										
	HtM BV	FV/PL BV	HFT BV	AfS BV	L&R/ liabilities Book value	Other BV	Total Book value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial assets carried at fair value in €k										
Loans and advances to customers	0	82,475	0	111,027	0	0	193,502	0	111,027	82,475
Trading assets	0	0	77,989	0	0	0	77,989	13,373	64,616	0
Financial assets – FV/PL	0	246,104	0	0	0	0	246,104	53,835	192,269	0
Financial assets – AfS	0	0	0	618,244	0	0	618,244	476,798	57,543	83,903 ¹⁾
Other assets	0	0	258,631	0	0	0	258,631	0	258,631	0
Of which closed derivatives positions in the banking book	0	0	258,631	0	0	0	258,631	0	258,631	0
Financial assets not carried at fair value										
Loans and advances to credit institutions	0	0	0	0	1,214,682	0	1,214,682	0	0	1,214,576
Loans and advances to customers	44,611	0	0	0	12,195,450	0	12,240,061	0	45,938	12,325,316
Financial assets – HtM	2,079,680	0	0	0	0	0	2,079,680	2,257,203	54,822	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	89,571	0	0	0	0	89,571	0	0	89,571
Amounts owed to customers	0	420,843	0	0	0	0	420,843	0	0	420,843
Securitised liabilities	0	482,809	0	0	0	0	482,809	0	482,809	0
Other liabilities	0	0	141,670	0	0	0	141,670	17	141,653	0
Of which closed derivatives positions in the banking book	0	0	77,339	0	0	0	77,339	0	77,339	0
Subordinated debt capital	0	485,924	0	0	0	0	485,924	0	485,924	0

¹⁾ This item is made up of equity instruments the market value of which was measured using the Discounted Cash-Flow Entity Method and/or mixed methods (Multiples Method in combination with the Discounted Cash-Flow Method).

Presentation of the fair value hierarchy for financial instruments as at 31/03/2015

	HtM BV	FV/PL BV	HFT BV	AfS BV	L&R/ liabilities Book value	Other BV	Total Book value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial liabilities not carried at fair value										
Liabilities to credit institutions	0	0	0	0	3,095,849	0	3,095,849	0	0	3,153,230
Liabilities to customers	0	0	0	0	9,687,074	0	9,687,074	0	0	9,704,133
Securitised liabilities	0	0	0	0	1,046,809	0	1,046,809	0	1,058,359	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	201,641	0	201,641	0	210,019	0

The fair value corresponds to the amount at which an asset can be sold or a liability settled by market participants in a transaction under market conditions on the balance sheet date. The assessment of the fair value is based on the assumption that the transaction takes place either on the principal market for the respective asset or debt instrument or, if no such principal market exists, the most advantageous active market for the respective transaction, provided the entities involved have access to such markets. Where market prices are available for identical assets or debt instruments in an active market to which access is available on the balance sheet date, the assets/debt instruments are measured using the prices quoted on these markets (level 1). Where no such market prices are available, the fair value is determined using valuation models based on market-based parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).

All fair value measurements are regularly performed measurements. There was no one-off fair value measurement in the reporting period.

Valuation method

Responsibility for independent monitoring and communication of risks as well as the valuation of financial instruments lies with the risk controlling unit in the Accounts and Controlling department of Oberbank. This unit is functionally and organisationally separate from trading, which is responsible for the initiation and settlement of transactions. Trading book positions are marked to market daily at the close of business. Valuation is based on current market prices as represented by prices quoted on securities exchanges where such officially quoted prices are available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived on the basis of current market data (yield curves, volatilities, etc.) are used. These market data are validated daily; at regular intervals, the model prices are compared with the prices actually obtainable on the market. The management is forwarded a daily update on risk positions and the valuation results established with respect to total trading book positions. The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

Valuation methods for measuring fair values

The valuation methods used are in compliance with recognised mathematical methods for measuring financial instruments taking into account any and all factors that market participants would consider appropriate in determining a price. The income-based methodology is the valuation approach applied to derivatives, securitised liabilities and subordinated capital bonds.

The market-based approach is applied in the fair value measurement of structured products.

Input factors for the fair value measurement

The measurement of the fair value of financial instruments in level 1 is based on quoted prices obtained in active markets. These instruments comprise listed securities and derivative instruments.

If direct measurement based on prices quoted on securities exchanges is not possible, present values in level 2 are estimated using model values derived on the basis of current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are procured from the Reuters Market Data System.

Measurements are made using generally accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes option price model).

Structured products are measured on the basis of price information obtained from third parties. The exchange rates used are the reference rates published by the ECB. All derivative instruments are measured on a counterparty-risk-free basis in a first step. In a second step, a credit-adjusted risk-free rate is determined for discounting purposes (CVA). The CVA is determined using expected-loss-based internal probabilities of default.

The fair values of non-listed securities are also taken over from the GEOS system. The fair value of investment fund units is taken over from the fund management companies. The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities and subordinated capital; the cash flow of Oberbank issues is calculated using the contractual interest rate. The interest rates used for discounting are derived from the discount curve applicable for the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue.

The fair value of level 3 assets is measured using generally accepted valuation models. In level 3, the discounted cash flow method is used to calculate the fair values of receivables and liabilities. Discounted cash flows are calculated on the basis of future payment flows and the reference interest rate applicable on the respective closing date. The interest rates used for discounting are derived from the discount curve applicable for the respective currency. The foreign exchange rates used are the reference rates published by the ECB. For these financial instruments, no risk premiums in line with credit ratings are observable on the market. Changes in the fair value hierarchy or classification take place whenever there is any change in the quality of the parameters used in the valuation method. Classification adjustments are made at the end of the reporting period.

Financial assets in the AfS portfolio (participating interests and shares in affiliated companies) in the amount of €k 135,798 are recognised at cost. There is no active market for these instruments, which are not intended to be sold by Oberbank. The following table shows the movements of participating interests AfS measured at fair value and assigned to level 3. The fair value of these assets is measured using the Discounted Cash-Flow Entity Method and/or mixed methods (Multiples Method in combination with the Discounted Cash-Flow Method).

Movements in the reporting period in €k:

Carrying value as at 01/01/2015	83,903
Additions (purchases)	0
Disposals (sales)	0
<u>Impairment (recognised in income)</u>	<u>0</u>
Carrying value as at 31/03/2015	83,903

Positions made up of this type of instrument included in net income from financial assets – AfS:

Realised gains	0
<u>Impairment in the reporting period</u>	<u>0</u>
	0

The item Other comprehensive income showed no effects from this type of instruments in the reporting period. The remaining level 3 financial instruments valued at fair value comprise loans and advances to customers and/or amounts owed to credit institutions and customers for which the fair value option was used.

Movements in the reporting period in €k:

	Loans and advances to customers	Amounts owed to credit institutions	Amounts owed to customers
Carrying values as at 01/01/2015	84,297	89,575	412,563
Additions	0	0	0
Disposals	(2,251)	0	0
Change in fair value	429	-4	8,280
of which disposals	0	0	0
<u>of which of portfolio instruments</u>	429	(4)	8,280
Carrying values as at 31/03/2015	82,475	89,571	420,843

The resulting change in market value is included in the item Net income from financial assets – FV/PL (netted against the corresponding offsetting items to prevent the accounting mismatch that would otherwise occur). The item Other comprehensive income showed no effects from this type of instruments.

STATEMENT BY THE MANAGEMENT BOARD PURSUANT TO SECTION 87 AUSTRIAN STOCK EXCHANGE ACT

The Management Board confirms that

- the present condensed Interim Report to the Shareholders of Oberbank AG has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) as adopted by and in force within the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC) and gives a true and fair view of the assets, liabilities, financial position and the profit or loss of the Oberbank Group.
- these consolidated interim financial statements cover the first quarter of 2015 (1 January 2014 to 31 March 2015) and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the IFRS standards governing interim financial reporting.

As at 31 March 2015, major transactions with individuals and companies considered to be related parties amounted to:

- associated companies €k 0
- subsidiaries €k 0
- other related parties €k 0

Linz, 22 May 2015

The Management Board

Franz Gasselsberger, Chairman

Josef Weissl

Florian Hagenauer

Notes

This report contains forward-looking statements relating to the future performance of Oberbank AG. These statements reflect estimates which have been made on the basis of all information available to us on the reporting date. Should the assumptions underlying such forward-looking statements prove incorrect, or should risks materialise to an extent not anticipated, actual results may vary from those expected at present. Market share data are based on the most recent information available at the editorial close of this report.

In adding up rounded figures and calculating percentage rates of changes, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded off.

Financial calendar 2015

The Interim Report to Shareholders of Oberbank is published three times annually.

22 May 2015	Quarterly results for Q1 2015
21 August 2015	Quarterly results for Q1-Q2 2015
27 November 2015	Quarterly results for Q1-Q3 2015

All Information is electronically available under Investor Relations www.oberbank.at.

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3 Banken Group at a Glance

	Oberbank		BKS Bank		BTV	
Income statement in €m	Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Net interest income	86.5	82.4	36.1	39.1	44.2	46.0
Charges for losses on loans and advances	(20.4)	(18.1)	(6.2)	(13.9)	(4.3)	(9.4)
Net commission income	35.2	30.6	12.9	11.7	13.2	10.8
Administrative expenses	(59.7)	(57.9)	(26.2)	(25.9)	(32.3)	(31.9)
Other operating profit (expenses)	2.4	4.5	(0.3)	0.0	3.8	6.1
Profit for the period before tax	48.9	42.9	18.1	12.3	28.2	22.6
Consolidated net profit for the period	40.6	35.6	11.7	10.5	22.9	18.4
Balance sheet in €m	31/03/2015	31/12/2014	31/03/2015	31/12/2014	31/03/2015	31/12/2014
Assets	17,871.4	17,774.9	6,868.7	6,864.5	9,913.3	9,597.7
Loans and advances to customers after charges for losses on loans+advances	11,951.6	11,801.8	4,962.9	4,828.9	6,310.4	6,187.2
Primary funds	12,325.1	12,288.6	4,918.6	5,013.0	7,077.6	6,918.6
of which savings deposits	3,081.9	3,098.5	1,710.7	1,705.5	1,187.0	1,176.3
of which securitised liabilities incl. subordinated capital	2,217.2	2,295.0	799.0	789.1	1,425.6	1,391.5
Equity	1,591.0	1,534.1	809.5	805.7	1,024.1	1,004.4
Customer funds under management	24,458.7	23,441.9	13,350.2	12,972.0	12,734.5	12,155.5
of which in cust. security accounts	12,133.6	11,153.3	8,431.6	7,959.0	5,656.9	5,236.8
Capital resources CRR (PrY BWG) in €m	31/03/2015	31/12/2014	31/03/2015	31/12/2014	31/03/2015	31/12/2014
Assessment basis	12,015.2	11,935.2	4,982.7	4,846.6	6,332.6	6,212.8
Capital	1,868.5	1,874.4	564.6	580.9	933.3	930.1
of which CET1	1,338.9	1,306.9	534.5	543.7	825.9	796.1
of which total capital CET1 + AT1	1,389.7	1,385.2	534.5	543.7	825.9	796.1
Common equity Tier 1 ratio in %	11.14	10.95	10.73	11.22	13.04	12.81
Tier 1 capital ratio in %	11.57	11.61	10.73	11.22	13.04	12.81
Total capital ratio in %	15.55	15.70	11.33	11.99	14.74	14.97
Performance in %	31/03/2015	31/12/2014	31/03/2015	31/12/2014	31/03/2015	31/12/2014
Return on equity before tax	12.59	10.68	6.65	6.74	11.29	9.27
Return on equity after tax	10.46	9.25	5.82	6.13	9.14	7.86
Cost/income ratio	46.28	50.14	53.83	52.66	49.98	54.38
Risk/earnings ratio (credit risk in % of net interest income)	23.62	20.92	17.07	31.47	9.63	15.93
Resources	31/03/2015	31/12/2014	31/03/2015	31/12/2014	31/03/2015	31/12/2014
Average number of staff (weighted)	2,019	2,004	923	915	1,193	1,195
Branches	156	156	57	57	37	38