

# Future. Challenge.

Interim Report to Shareholders as at 30 June 2017

## Oberbank at a Glance

<b>Income statement in € m</b>	<b>H1 2017</b>	<b>Change</b>	<b>H1 2016</b>
Net interest income	186.1	6.0%	175.7
Charges for losses on loans and advances	2.0	>-100%	-17.2
Net commission income	69.0	7.0%	64.5
Administrative expenses	-127.1	3.1%	-131.1
Profit for the period before tax	123.1	17.5%	104.8
Profit for the period after tax	101.6	15.6%	87.9
<b>Balance sheet in € m</b>	<b>30/6/2017</b>	<b>Change</b>	<b>31/12/2016</b>
Total assets	20,046.4	4.6%	19,158.5
Loans and advances to customers	14,336.1	4.1%	13,777.9
Primary funds	13,197.0	1.4%	13,008.9
of which savings deposits	2,760.7	-1.2%	2,794.2
of which securitised liabilities incl. subordinated	1,992.5	-3.5%	2,064.5
debt capital	2,405.9	5.4%	2,282.8
Customer funds under management	27,134.4	2.3%	26,528.1
<b>Own funds purs. to CRR in € m</b>	<b>30/6/2017</b>	<b>Change</b>	<b>31/12/2016</b>
Common Equity Tier 1 capital (CET 1)	2,039.8	1.5%	2,009.4
Tier 1 capital	2,110.4	1.2%	2,086.0
Own funds	2,489.0	0.3%	2,482.2
Common equity Tier 1 capital ratio	15.45	-0.22% ppt	15.67
Common equity Tier 1 capital ratio	15.99	-0.28% ppt	16.27
Total capital ratio	18.86	-0.50% ppt	19.36
<b>Performance ratios</b>	<b>H1 2017</b>	<b>Change</b>	<b>H1 2016</b>
Cost/income ratio in %	51.21	-0.61% ppt	51.82
Return on equity before tax (RoE) in %	10.52	-0.19% ppt	10.71
Return on equity after tax in %	8.68	-0.31% ppt	8.99
Risk/earnings ratio in %	-1.07	-10.85% ppt	9.78
<b>Resources</b>	<b>30/6/2017</b>	<b>Change</b>	<b>31/12/2016</b>
Average number of staff (weighted)	2,036	-12	2,048
Number of branches	156	-3	159

## Development of Business of the Oberbank Group in H1 2017

Dear Readers,

**Oberbank is very pleased to report an excellent development in the first half of 2017.**

### **Total assets surpassed EUR 20 billion for first time**

The robust increase in loans to customers and in customer deposits raised the total assets of Oberbank by 7.1% to EUR 20,046.4 million.

For the first time in the history our bank, total assets surpassed the threshold of EUR 20 billion.

### **Earnings continue to gain ground after strong 2016**

- **Net profit before tax EUR 123.1 million / + 17.5%**
- **Net profit after tax EUR 101.6 million / + 15.6%**

After the excellent results achieved in H1 2016, earnings continued to develop strongly. Net profit before tax rose by 17.5% to EUR 123.1 million and after tax by 15.6% to EUR 101.6 million.

These figures mark the best half-year profit in eight consecutive years – evidence of the Oberbank's sustainable development.

### **Gains in net interest income and in net commission income**

- **Net interest income EUR 186.1 million / +6.0%**
- **Net commission income EUR 69.0 million / +7.0%**

Net interest income increased in H1 2017 by 6.0% to EUR 186.1 million year on year. 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 EUR 28.9% higher year on year at EUR 29.5 million.

Net commission income was 7.0% higher year on year at EUR 69.0 million. This increase was supported equally by commissions from the securities business, credit operations and payment services.

### **Reversals of impairment charges exceed new allocations**

- **EUR 2.0 million profit versus EUR 17.2 million expenses in preceding year**

Despite our cautious policy in provisioning for risks, the volume of impairment charges reversed was higher than new allocations. Therefore, in H1 2017 impairment charges for losses on loans and advances resulted in income of EUR +2.0 million compared to EUR 17.2 million in expenses in H1 2016.

### **Further growth in financial services and customer deposits**

- **Lending volume EUR 14.3 billion/ + 6.9%**
- **Primary deposits EUR 13.2 billion/ + 4.1%**

Despite sluggish demand for loans in the overall Austrian market, credit volume was up by 6.9% to EUR 14.3 billion. This increase was driven by corporate finance (+7.1% to EUR 11.4 billion) and also by retail loans (+6.1% to EUR 3.0 billion).

As regards deposits, the low interest rates are having quite an impact: investors are avoiding fixed terms and prefer daily callable sight deposits.

Retail deposits (savings deposits, private accounts, online savings deposits) grew by 3.8% to EUR 4.5 billion, while sight and term deposits were up by 9.8% to EUR 8.4 billion.

Primary deposits increased by 4.1% to EUR 13.2 billion. Including securities on customer custody accounts (+ 9.7% to EUR 13.9 billion), the total volume of customer assets under management was EUR 27.1 billion (+ 6.9%).

#### **Performance ratios continue at highest levels**

- **RoE before tax 10.52%, after tax 8.68%**
- **Cost/income ratio 51.2%**
- **15.99% CET1 and total capital ratio 18.86%**

Return on equity (ROE) before tax decreased slightly at a high level – due to the strong increase in own capital – before tax from 10.71% to 10.52%, and after tax from 8.99% to 8.68%.

The cost/income ratio improved from 51.8% to 51.2%. On the one hand, earnings rose much more steeply than expenses, and on the other, the transfer pricing for employees seconded to the subsidiary BDSG was changed.

The Common Equity Tier 1 capital ratio increased from 14.04% to 15.99%. The reasons were the high allocations to reserves and the successful capital increase carried out in the autumn of 2016.

The total capital ratio also rose markedly from 17.38% to 18.86%.

#### **Enlarged Head Office opens for business**

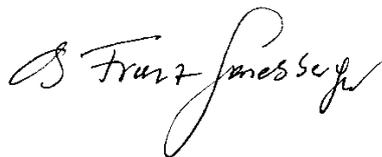
From October 2014 to March 2017, we invested almost EUR 70 million in the enlargement of the premises on Donaulände in Linz, creating a total usable space of 23,000 m<sup>2</sup>. The entire Head Office operations of Oberbank are now located at one venue where almost half the staff works.

Capacity constraints were the reason for the enlargement of our Head Offices. We centralized many activities in Linz to ease pressure on sales units and had no reserve space needed for future growth. Moreover, without the addition we would have had to invest substantial sums into existing locations.

#### **With the expansion of the Head Office we have completed a long phase of development.**

In 1980, we erected the “Technical Centre” on the Donaulände, which was ground-breaking architecture at the time. In 2009, we completed the probably most modern event centre of the time, “Donau Forum”, in Linz. In 2010, the management board moved from Hauptplatz (main square) to the Donaulände venue, and now the entire Head Office of Oberbank is concentrated in one location.

Therefore, Oberbank in Linz is no longer the “bank on Hauptplatz”, but the “bank on Donaulände” – a visible symbol of change and growth at our bank!



CEO Franz Gasselsberger

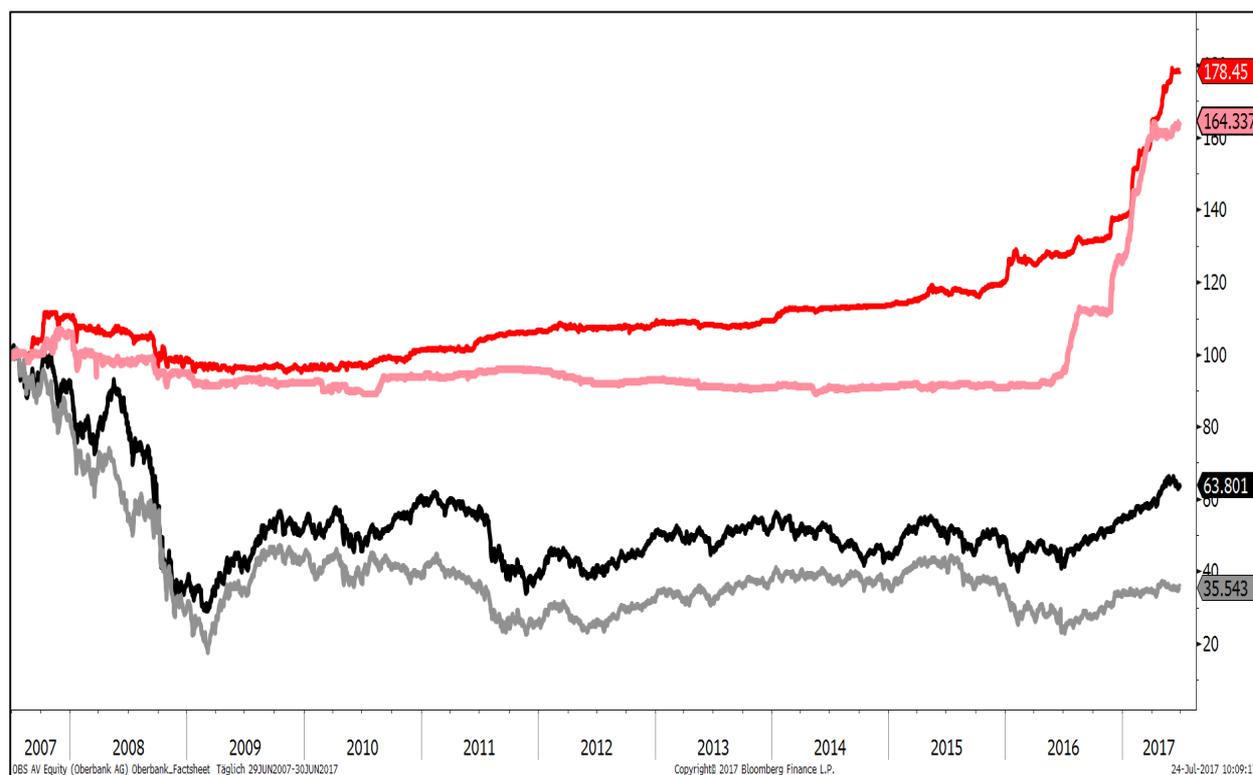
## The Oberbank share

The price of Oberbank's ordinary share as well as the price of Oberbank's preference share climbed to new all-time highs in the first half of 2017 (ordinary share EUR 78.20, preference share EUR 68.20). Thus, the trend of both share categories reflect the excellent development of Oberbank.

Oberbank shares – key figures	H1 2017	H1 2016
Number of ordinary no-par shares	32,307,300	29,237,100
Number of no-par preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	78.20/68.20	56.70/39.50
Low (ordinary/preference share) in €	60.30/52.00	52.90/37.70
Close (ordinary/preference share) in €	78.00/68.20	56.00/39.50
Market capitalization in €m	2,724.57	1,755.78
IFRS earnings per share in € annualised	5.76	5.47
P/E ratio, ordinary shares	13.54	10.24
P/E ratio, preference shares	11.84	7.22

## Oberbank ordinary and preference shares vs. the ATX and the European banking index

Chart (period: 29/06/2007 to 30/06/2017) ■ Oberbank Ord ■ Oberbank Pre ■ ATX ■ STOXX Europe 600 Banks



This chart comparison shows the development of the Oberbank ordinary share, the Oberbank preference share, the Austrian stock index ATX, and the European banking index STOXX Europe 600 Banks. In this chart, the prices have been adjusted by indexing the daily closing prices of the relevant stock and the indices to 100. This means the starting prices were all set to 100% at the starting time. Therefore, the chart presents the relative percentage development.

Source: Bloomberg, Data as of 30 June 2017

The figures given refer to the past. These cannot be used to derive future trends.

## The Segments in H1 2017

### Corporate and Business Banking

Corporate and Business in €m	H1 2017	H1 2016	+ / - absolute	+ / - in %
Net interest income	116.5	111.6	5.0	4.5%
Charges for losses on loans and advances	11.5	-13.8	25.3	
Net commission income	36.7	34.8	1.9	5.4%
Net trading income	0.1	0.0	0.1	
Administrative expenses	-67.4	-70.7	3.4	-4.8%
Other operating income	-17.7	1.0	-18.7	
Net profit before tax	79.7	62.7	17.0	27.1%
Risk equivalent	8,902.5	8,416.9	485.6	5.8%
Average allocated equity	1,310.4	1,090.3	220.1	20.2%
Return on equity before tax (RoE)	12.2%	11.5%	0.7% ppt	
Cost/income ratio	49.7%	48.0%	1.7% ppt	

#### **Earnings development in Corporate and Business Banking**

The profit in the Corporate and Business Banking segment increased by EUR 17.0 million or 27.1% to a total of EUR 79.7 million.

Net interest income expanded by EUR 5.0 million or 4.5% to EUR 116.5 million.

Charges for losses on loans and advances changed by EUR 25.3 million from an expense of EUR 13.8 million into income of EUR 11.5 million.

Net commission income was higher than in the preceding year, climbing by EUR 1.9 million or 5.4% to EUR 36.7 million.

Administrative expenses posted a decline of EUR 3.4 million or 4.8% to EUR -67.4 million.

Other operating income decreased from EUR 1.0 million by EUR 18.7 million to EUR -17.7 million.

Return on equity rose in the Corporate and Business Banking segment by 0.7%-points from 11.5% to 12.2%.

The cost/income ratio deteriorated by 1.7%-points from 48.0% to 49.7%.

#### **Commercial lending**

Oberbank's commercial lending volume continued to grow and rose by 7.1% or EUR 753.0 million from EUR 10,632.1 million to EUR 11,385.1 million.

Commercial loans		YoY change	
As at 30/6/2017	As at 30/6/2016	absolute	in %
€ 11,385.1 m	€ 10,632.1 m	€ 753.0 m	7.1%

#### **Investment finance**

At a total of 680 projects, the number of applications submitted for subsidised loans and innovation projects in the first six months of this year through our branches was 16.8% higher year on year. In this respect, Oberbank holds the absolute top position among Austrian banks, just as in the years before. The investment amounts relating to these loan applications increased again steeply by 48.1% in HY1 2017. This is also the trend in business promotion loans filed through Oberbank which amounted to EUR 798.3 million on 30 June 2017, thus 12.1% higher year on year.

Investment finance		YoY change	
As at 30/6/2017	As at 30/6/2016	absolute	in %
€ 8,168.8 million	€ 7,536.0 million	€ 632.8 million	8.4%

### **Leasing**

The volume of new leasing business in was highly satisfactory again HY1 2017. At EUR 396 million in new business, Oberbank once again reported a rise year on year. Apart from the solid development in the vehicle leasing business (+4.1%), movables also developed robustly (+21.3%) in the first half of 2017. A breakdown by region shows that growth was distributed relatively evenly.

<b>Leasing receivables from customers</b>		<b>YoY change</b>	
<b>As at 30/6/2017</b>	<b>As at 30/6/2016</b>	<b>absolute</b>	<b>in %</b>
€ 2,116.0 million	€ 1,938.0 million	€ 178.0 million	9.2%

### **Structured finance**

In the first half-year of 2017, demand for structured finance remained high. Compared to the preceding year, a rising tendency in the number of inquiries for finance was seen in most financing sectors, and demand for Oberbank's advisory services was especially high in the tourism sector. With respect to demand for classical investment finance, the trend was also upwards.

### **Oberbank Opportunity Fund**

Since the beginning of the year, the Oberbank Opportunity Fund has recorded 48 applications (as at 30/06/2017), which had better credit ratings than in the preceding year. In the first half-year of 2017, four new transactions were successfully completed.

Since the inception of the Oberbank Opportunity Fund, 59 transactions for equity and mezzanine capital were supported financially and nine new supplementary financing projects were carried out. The volume of capital committed was EUR 133.1 million as at 30 June 2017 with a total fund volume of EUR 150 million. The outstanding receivables of EUR 51.3 million as at 30 June 2017 break down into EUR 25.9 million for equity capital and EUR 25.4 million for mezzanine capital.

### **Syndicated loans and international lending**

As in the preceding year, the development of business in syndicated loans and international lending (syndicated loans and international borrower's notes) was very pleasing despite the pressure on margins and the selective approach taken in granting loans. An increase in the number of transactions contrasted with a slight decline in the volume of loans.

Nonetheless, Oberbank succeeded in establishing a strong position as an arranger and lead manager in the Austrian and the German market. Therefore, the number of transactions in which Oberbank acted as lead manager increased by more than 20% year on year. Since the beginning of the year, the number of transactions went up by over 10%.

The market for borrower's notes was dominated in the first half of 2017 by shrinking margins and a persistently difficult market from the standpoint of investors. Nonetheless, we again succeeded in placing large investments of prominent issuers in the region of Oberbank.

A strong increase was seen in demand from Austrian exporters for OeKB-covered buyer loans (transaction-linked loans) to carry out projects in Iran. The negotiations for a framework agreement for the financing of these transactions with selected Iranian banks are currently in the process of being finalized.

### **Trade finance and international business**

Austria's foreign trade continued to expand. Double-digit growth rates are being seen in all regions of the world. Only exports to the Near East and Middle East declined by 3.9% due to the local crises. By offering reliable payment services together with an optimal foreign currency strategy including individual buyer loans, we are one of the first points of contact for importers and exporters.

The expansion in foreign trade and Oberbank's advisory competence were the drivers the highly satisfactory development of foreign business in HY1 2017. Earnings from the documentary business rose by more than 7% year on year. In subsidised export finance, Oberbank defended its leading position as the strongest Austrian regional bank. The market share in export finance under the Export Fund procedures was 10.86% and in the KRR procedure of OeKB for corporates it was 10.9% on 30 June 2017.

### ***Payment services***

The number of payment service transactions completed in Corporate and Business Banking increased year on year by 8.7%. This excellent development formed the basis for a further rise in income from payment services by 7%.

In product development, we also completed several major projects: The Oberbank app was introduced in Slovakia and a project to improve the quality of the statements of account was successfully completed in foreign markets.

### ***International network of partner banks and institutions***

Despite the continued overall adverse conditions and the restraint exercised due the crises in politically unstable export destinations, continuing support for export customers was a key area of focus for Oberbank.

Most customer activities therefore concentrated mainly on the more or less the crisis-free Asian region apart from Europe and the US. For this reason, we intensified our bilateral agreements and focused on business opportunities with traditional banking partners in the principal Asian markets in the first half of 2017.

Also in high-risk countries, Oberbank's network of correspondent banks helps it meet customer demands for payment transfers, documentary and guarantee transactions as well as hedging and financing services.

The mandatory classification of partner banks into risk classes pursuant to the Fourth EU Anti-Money Laundering Directive is in the process of being implemented. The AML/KYC (anti-money laundering, know-your-customer) questionnaires developed by Oberbank were sent to all correspondence banks in third countries (outside the European Union). If the "anti-money laundering qualification criteria" are not met, the relationship must be terminated. This statutory measure requires an enormous amount of additional work.

### ***Primary deposits***

There was hardly any change in short-term interest on deposits in the first half of the year. The well-known extremely expansionary monetary policy of the ECB continued; therefore, interest on deposits persisted at very low levels. Considering this setting, it was quite understandable that customers preferred to keep their money on sight deposit accounts also in the first half of 2017.

In the reporting period, deposits increased by 4.1% versus the first half of 2016.

### ***Interest rate and currency risk management***

The recovering economy together with the sustained uncertainty on financial markets caused the major currencies used by customers in international business to fluctuate. This resulted in more hedging transactions. The USD was the most frequently used currency for most transactions. The trend in the first half of 2017 was generally more robust than in the first half of 2016. Earnings from these transactions continued to rise.

### ***Direct customer services***

Currency hedging transactions are the backbone of our direct customer services. As in the past, customers used the possibility of hedging transactions as protection against unwanted price movements. A pleasing development was the further increase in the number of customers served in the first half of 2017. Apart from Oberbank's service orientation, its many years of experience and in-depth knowledge are the Bank's assets in the area of direct customer services.

## Personal Banking

Personal Banking segment in €m	H1 2017	H1 2016	+ / - absolute	+ / - in %
Net interest income	28.2	27.5	0.7	2.6%
Charges for losses on loans and	-6.5	0.6	-7.1	
Net commission income	32.4	29.7	2.6	8.9%
Net trading income	0.0	0.0	0.0	
Administrative expenses	-42.5	-44.9	2.4	-5.3%
Other operating income	-1.4	2.2	-3.6	
Net profit before tax	10.2	15.1	-5.0	-32.9%
Risk equivalent	1,598.1	1,443.4	154.7	10.7%
Average allocated equity	235.2	187.0	48.2	25.8%
Return on equity before tax (RoE)	8.6%	16.2%	-7.6% ppt	
Cost/income ratio	71.8%	75.6%	-3.8% ppt	

### Development of Personal Banking

Profit in the Personal Banking segment decreased year on year by EUR 5.0 million or 32.9% from EUR 15.1 million to EUR 10.2 million.

Net interest income rose by EUR 0.7 million or 2.6% to EUR 28.2 million.

Charges for losses on loans and advances increased by EUR 7.1 million from an income of EUR 0.6 million to an expense of EUR 6.5 million.

Net commission income was higher than in the preceding year, climbing by EUR 2.6 million or 8.9% to EUR 32.4 million.

Administrative expenses posted a decline of EUR 2.4 million or 5.3% to EUR -42.5 million.

Other operating income decreased from EUR 2.2 million by EUR 3.6 million to minus EUR 1.4 million.

Return on equity dropped in the Personal Banking segment by 7.6%-points from 16.2% to 8.6%.

The cost/income ratio improved by 3.8%-points from 75.6% to 71.8%.

### Personal accounts

The portfolio of personal accounts grew year on year by 1,636 to 182,002 accounts.

Personal accounts		YoY change	
As at 30/6/2017	As at 30/6/2016	absolute	in %
182,002	180,366	1,636	0.9%

### Personal loans

Personal loans recovered versus 30 June 2016 by EUR 169.0 million or 6.1% to EUR 2,951.0 million.

In the first half of 2017, the volume of new loans was 2.8% lower than in the same period of the preceding year. The development of consumer loans was very pleasing. The volume of new loans granted was EUR 47.6 million which is far above the level of the preceding year. The share of foreign currency loans in the portfolio of personal loans decreased from 4.8% to 4.0%.

Personal loans		YoY change	
As at 30/6/2017	As at 30/6/2016	absolute	in %
€ 2,951.0 million	€ 2,782.0 million	€ 169.0 million	6.1%

### Savings deposits

The volume of savings deposits has decreased since 30 June 2016 by EUR 116.1 million or 4.0% to EUR 2,760.7 million.

The low level of interest rates still does not give us much room for more a proactive interest rate policy.

The savings ratio is rising slightly again, but still low. Money is still being left on accounts or in daily callable investment forms.

Online savings products are gaining significance and investors are seeking alternatives on the capital market and increasingly turning to real estate.

Savings deposits		YoY change	
As at 30/6/2017	As at 30/6/2016	absolute	in %
€ 2,760.7 million	€ 2,876.8 million	- € 116.1 million	-4.0%

### **Securities business**

Commission income from the securities business developed very well in the first half of 2017. Compared to the preceding year, it increased by 10.9% to EUR 22 million.

This increase was boosted by the excellent sales in public investment funds and the pleasing development in portfolio management. Commissions on transactions rose by 22.1% year on year. Income from management fees and custody fees also developed very well.

The market value of securities on custody accounts rose year on year by EUR 1.2 billion or 9.7% to EUR 13.9 billion. This is the highest level ever at the close of a quarter.

### **Oberbank issues**

The issuance business developed satisfactorily despite the low interest rates. In total, EUR 131.5 million in Oberbank issues were floated of which EUR 27.2 million were subordinated bonds to strengthen our capital.

### **Private banking**

Assets under management in Private Banking have risen since the beginning of the year by EUR 259.3 million, reaching a new record of EUR 6.0 billion. This corresponds to a gain of EUR 4.5% in the first half-year 2017. The extensive acquisition activities resulted in positive net inflows of funds, contributing substantially to growth. The services offered to customers in Private Banking such as individual portfolio management and brokerage are very popular among customers. In individual portfolio management, the volume of assets under management expanded further to EUR 533.6 million.

### **3 Banken-Generali**

Investment fund sales developed excellently in the first half year. The balance of sales and purchases in the first half-year 2017 was a positive total of EUR 124.2 million. The inflows into mixed funds and equity funds were the highest. At the end of H1 2017, the new fund "3 Banken Mega-Trends 2023" with a fixed maturity and a volume of EUR 56.8 million was the most successful fund launched to date. The total volume of public and special funds reached a new all-time high of EUR 3.1 billion.

### **Savings in building and loan associations**

In the first half of 2017, the number of building and loan contracts closed of 5,849 was 28.1% higher than in the same period of the preceding year. Despite the persistently low interest rates and the low savings ratio, savings in building and loan associations is still a popular alternative for many people. On the whole, the Wüstenrot partner banks recorded a decline of 1.3% in the first six months of 2017.

### **Insurance services**

Oberbank continued the success achieved in the preceding year and can look back at a good H1.

Insurance contracts - premium volume		YoY change	
As at 30/6/2017	As at 30/6/2016	absolute	in %
€ 47.6 million	€ 44.0 million	€ 3.6 million	7.6%

## Financial Markets

Financial Markets in € m	H1 2017	H1 2016	+ / - absolute	+ / - in %
Net interest income	41.4	36.6	4.7	13.0%
Charges for losses on loans and advances	-3.0	-4.0	1.0	-24.0%
Net commission income	0.0	0.0	0.0	
Net trading income	4.5	7.5	-3.0	-39.5%
Administrative expenses	-4.0	-4.0	0.0	
Other operating income	16.5	5.0	11.5	> 100.0%
Net profit before tax	55.4	41.1	14.2	34.6%
Risk equivalent	5,398.3	5,244.2	154.1	2.9%
Average allocated equity	794.6	679.3	115.3	17.0%
Return on equity before tax (RoE)	13.9%	12.1%	1.8% ppt	
Cost/income ratio	6.4%	8.1%	-1.7% ppt	

### **Earnings development in the Financial Markets segment**

Profit in Corporate and Business Banking rose by EUR 14.2 million or 34.6% to EUR 55.4 million.

Net interest income was up by EUR 4.7 million or 13.0% to EUR 41.4 million.

Charges for losses on loans and advances decreased year on year by EUR 1.0 million to EUR -3.0 million.

Net trading income declined by EUR 3.0 million or 39.5% to EUR 4.5 million.

Administrative expenses did not change year on year and remained at EUR -4.0 million.

Other operating income increased from EUR 5.0 million by EUR 11.5 million to EUR 16.5 million.

Return on equity rose in the Financial Markets segment by 1.8%-points from 12.1% to 13.9%.

The cost/income ratio improved by 1.7%-points from 8.1% to 6.4%.

### **Proprietary trading**

In the first half of 2017, financial markets were influenced by the very positive development on global stock markets, a stable interest rate environment and several currency fluctuations.

Very pleasing was the fact that the Austrian stock market performed much better than the global average during this period. As regards currencies, developments in the currency pairs EUR/GBP, EUR/CZK and EUR/USD should be mentioned. GBP continues to suffer from the Brexit negotiations and has meanwhile declined versus the euro to 0.89. As regards the CZK, the Czech National Bank gave up its interventions at an exchange rate of 26 koruna versus the euro, after which the currency appreciated by a 3.5%. Compared to the USD, the euro gained steadily over the course of the year. Following the euphoria in the US after the election of Trump, sobriety has returned to the markets; moreover, the European economy has been developing very well in the past few months.

Oberbank was able to take advantage of these movements in proprietary trading and earned a very pleasing contribution to the profit.

### **Liquidity**

The euro market is still flooded with liquidity. The ECB swamped the market through its targeted longer-term refinancing operations and securities purchases. Even though the ECB has meanwhile reduced securities purchases from EUR 80 billion per month to EUR 60 billion, it is still pumping liquidity into the market. And neither can slightly recovering demand for credit offset this overhang. Therefore, the big challenge is to reduce surplus liquidity as far as possible or to use it in the best possible way. Although Oberbank's account with the central bank usually has an excessive credit balance, it was nonetheless possible to profitably invest the funds in growth markets.

## Own Funds

On 30 June 2017, own funds amounted to EUR 2,489.0 million which is a ratio of 18.86% or still around twice as high as the minimum own funds requirements stipulated by law. Tier 1 capital stood at EUR 2,110.4 million and the Tier 1 capital ratio was 15.99%. Common Equity Tier 1 capital was EUR 2,039.8 million which corresponds to a ratio of 15.45%.

## Risk

Oberbank's risk policy takes into account the risk situation of all business areas including the new markets. Risk management focuses on keeping the customer funds entrusted to Oberbank safe, preserving own funds and guaranteeing liquidity.

The most important risk category is counterparty risk. This risk is accounted for by recognizing charges for losses on loans and advances on the balance sheet.

When assessing creditworthiness and collateral policy, Oberbank can rely on decades of know-how. Moreover, the business model as a regional bank, professional credit management and the balanced distribution of overall debt across the customer segments ensure that the threat to Oberbank's overall result from its risk exposure is contained. Therefore, it may also be assumed that no extraordinary counterparty risk events will occur in the full year 2017.

The other risk categories are equity risk (risk of loss in value or foregone profits in the equity portfolio), market risk (risk of losses due to fluctuating interest rates, foreign exchange rates or equity prices), the operational risk and liquidity risk. These risk are also covered by the corresponding funds in line with the principle of conservatism. In the case of liquidity risk, the sound position of Oberbank is also bolstered by the fact that Oberbank can refinance the entire credit volume by the primary deposits of customers and other long-term refinancing lines (OeKB, LfA, KfW) in a volume of EUR 14.9 billion (as at 30 June 2017). Additionally, Oberbank has a permanent risk controlling system in place as well as strict process management and other efficient control and management instruments. Therefore, Oberbank does not expect any unusual risk events in this risk category for the full year 2017.

## Outlook 2017

- **Economic conditions recently improved**
- **Oberbank: Higher credit and deposit volumes, further expansion, optimism about earnings**

**The economic conditions have improved recently, with the economy developing better than expected. Nonetheless, insecurity still prevails in some areas.**

The US economic cycle is far advanced and has little potential for positive surprises; however, the recent weakness of the US dollar helps the US. In the euro area, the strong euro will tend to burden companies and industries.

Therefore, it is logical that the ECB will start considerably reducing bond purchases from 2018 considering the inflationary environment and the economic trend. Gradual normalisation will increase fluctuations on bond markets and exert slight pressure – but we do not expect a “bond crash”.

At the short end, the conditions remain unchanged. The logical goal of the ECB would be to permit or even strive for a steeper interest rate curve.

**Oberbank will continue its proactive policy in this challenging environment.**

A rise by around EUR 800 million is budgeted for credit volume, primarily for investment finance and residential housing. This translates into around EUR 3 billion in newly granted loans.

Customer assets under management are expected to increase in any case, although the interest rate level and the low propensity to save are depressing market development.

**Expansion of branches will continue**

Oberbank is set to continue on the path of organic growth in 2017: In Vienna, two further branches were opened (one branch on Schottengasse), two in the Czech Republic (both in Prague) and four in Hungary (two in Budapest, one in Pecs and one in Miskolc).

**We are confident that we will achieve the excellent level of the preceding year or even slightly surpass it.**

We expect excellent results in operating income.

Still, it will not be possible to simply continue the earnings of the first half-year, because among other things, risks costs will normalize again in the foreseeable future.

**Consolidated Interim Financial Statements pursuant to IFRS**  
**Consolidated statement of comprehensive income for H1 2017**

<b>Consolidated income statement in € k</b>	<b>H1 2017</b>	<b>H1 2016</b>	<b>Change in € k</b>	<b>Change in %</b>
1. Interest and similar income	200,766	203,133	-2,367	-1.2
2. Interest and similar expenses	-44,107	-50,335	6,228	-12.4
3. Income from entities recognised using the equity method	29,458	22,860	6,598	28.9
<b>Net interest income (1)</b>	<b>186,117</b>	<b>175,658</b>	<b>10,459</b>	<b>6.0</b>
4. Charges for losses on loans and advances	(2) 1,993	-17,174	19,167	>-100,0
5. Net commission income	76,789	72,193	4,596	6.4
6. Net commission expenses	-7,767	-7,697	-70	0.9
<b>Net commission income (3)</b>	<b>69,022</b>	<b>64,496</b>	<b>4,526</b>	<b>7.0</b>
7. Net trading income	(4) 4,608	7,425	-2,817	-37.9
8. Administrative expenses	(5) -127,085	-131,143	4,058	-3.1
9. Other operating income	(6) -11,579	5,497	-17,076	>-100.0
a) Net income from financial assets - FV/PL	-1,007	9,129	-10,136	>-100.0
b) Net income from financial assets - AfS	14,672	-5,617	20,289	>-100.0
c) Net income from financial assets - HtM	0	0	0	
d) Other operating income	-25,244	1,985	-27,229	>-100.0
<b>Profit for the period before tax</b>	<b>123,076</b>	<b>104,759</b>	<b>18,317</b>	<b>17.5</b>
10. Income taxes	(7) -21,486	-16,847	-4,639	27.5
<b>Profit for the period after tax</b>	<b>101,590</b>	<b>87,912</b>	<b>13,678</b>	<b>15.6</b>
of which attributable to equity holders of the parent and to the owners of additional equity components	101,326	87,769	13,557	15.4
of which attributable to minority interests	264	143	121	84.6
<b>Income and expenses recognised directly in equity in € k</b>				
Profit for the period after tax		101,590		87,912
<b>Items not reclassified to profit or loss for the year</b>		7,283		-796
+/- Actuarial gains/losses IAS 19		24		-2,102
+/- Deferred taxes on actuarial gains/losses IAS 19		-6		526
+ / - Share from entities recognised using the equity method		7,265		780
<b>Items reclassified to profit or loss for the year</b>		31,218		11,388
+ / - Value changes recognised directly in equity IAS 39		32,363		19,040
Amounts recognised in equity		46,981		19,180
Reclassification adjustments		-14,618		-140
+ / - Deferred tax on items recognised directly in equity under IAS 39		-8,091		-4,760
Amounts recognised in equity		-11,745		-4,795
Reclassification adjustments		3,654		35
+ / - Exchange differences		69		170
+ / - Share from entities recognised using the equity method		6,877		-3,062
<b>Total income and expenses recognised directly in equity</b>		<b>38,501</b>		<b>10,592</b>
<b>Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss</b>		<b>140,091</b>		<b>98,504</b>
of which attributable to equity holders of the parent and to the owners of additional equity components		139,827		98,361
of which attributable to minority interests		264		143
<b>Performance</b>				
Cost/income ratio in %		51.21		51.82
Return on equity before tax in %		10.52		10.71
Return on equity after tax in %		8.68		8.99
Risk/earnings ratio in %		-1.07		9.78
Earnings per share in € (annualised values)		5.76		5.47

**Consolidated Interim Financial Statements pursuant to IFRS**

**Consolidated statement of comprehensive income from 01/04-30/06/2017**

<b>Consolidated income statement in € k</b>		<b>1/4 - 30/6/2017</b>	<b>1/4 - 30/6/2016</b>	<b>Change in € k</b>	<b>Change in %</b>
1. Interest and similar income	(3)	100,924	102,101	-1,177	-1.2
2. Interest and similar expenses	(3)	-21,773	-24,406	2,633	-10.8
3. Income from entities recognised using the equity method	(3)	19,989	14,283	5,706	39.9
<b>Net interest income</b>	(3)	<b>99,140</b>	<b>91,978</b>	<b>7,162</b>	<b>7.8</b>
4. Charges for losses on loans and advances	(4)	1,216	-15,260	16,476	> 100.0
5. Net commission income	(5)	37,089	35,310	1,779	5.0
6. Net commission expenses	(5)	-3,784	-3,766	-18	0.5
<b>Net commission income</b>	(5)	<b>33,305</b>	<b>31,544</b>	<b>1,761</b>	<b>5.6</b>
7. Net trading income	(6)	2,900	5,053	-2,153	-42.6
8. Administrative expenses	(7)	-63,777	-65,705	1,928	-2.9
9. Other operating income	(8)	-11,291	4,645	-15,936	>-100,0
a) Net income from financial assets - FV/PL	(8)	3,555	3,497	58	1.7
b) Net income from financial assets - AfS	(8)	82	-443	525	>-100,0
c) Net income from financial assets - HtM	(8)	0	0	0	
d) Other operating income	(8)	-14,928	1,591	-16,519	>-100.0
<b>Profit for the period before tax</b>		<b>61,493</b>	<b>52,255</b>	<b>9,238</b>	<b>17.7</b>
10. Income taxes	(9)	-9,095	-6,840	-2,255	33.0
<b>Profit for the period after tax</b>		<b>52,398</b>	<b>45,415</b>	<b>6,983</b>	<b>15.4</b>
of which attributable to equity holders of the parent and to the owners of additional equity components		52,221	45,331	6,890	15.2
of which attributable to minority interests		177	84	93	> 100.0
<b>Income and expenses recognised directly in equity in € k</b>		<b>01/04 - 30/06/2017</b>	<b>01/04 - 30/06/2016</b>		
Profit for the period after tax			52,398		45,415
<b>Items not reclassified to profit or loss for the year</b>			2,464		-1,761
+/- Actuarial gains/losses IAS 19			24		-2,102
+/- Deferred taxes on actuarial gains/losses IAS 19			-6		526
+ / - Share from entities recognised using the equity method			2,446		-185
<b>Items reclassified to profit or loss for the year</b>			1,413		12,310
+ / - Value changes recognised directly in equity IAS 39			-1,218		20,265
Amounts recognised in equity			-837		20,288
Reclassification adjustments			-381		-23
+ / - Deferred tax on items recognised directly in equity under IAS 39			304		-5,066
Amounts recognised in equity			210		-5,072
Reclassification adjustments			94		6
+ / - Exchange differences			71		22
+ / - Share from entities recognised using the equity method			2,256		-2,911
<b>Total income and expenses recognised directly in equity</b>			<b>3,877</b>		<b>10,549</b>
<b>Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss</b>			<b>56,275</b>		<b>55,964</b>
of which attributable to equity holders of the parent and to the owners of additional equity components			56,098		55,880
of which attributable to minority interests			177		84

### Balance sheet as at 30/6/2017 / Assets

in € k		30/6/2017	31/12/2016	Change in € k	Change in %
1.	Cash and balances at central banks (9)	1,098,273	657,558	440,715	67.0
2.	Loans and advances to credit institutions (10)	486,917	726,110	-239,193	-32.9
3.	Loans and advances to customers (11)	14,336,078	13,777,893	558,185	4.1
4.	Loan loss provisions (12)	-411,267	-452,515	41,248	-9.1
5.	Trading assets (13)	44,400	62,729	-18,329	-29.2
6.	Financial investments (14)	3,800,617	3,779,595	21,022	0.6
	a) Financial assets - FV/PL (14)	238,085	236,934	1,151	0.5
	b) Financial assets - AfS (14)	700,047	712,238	-12,191	-1.7
	c) Financial assets - HtM (14)	2,057,186	2,113,691	-56,505	-2.7
	d) Interest in entities accounted for using (14)	805,299	716,732	88,567	12.4
7.	Intangible assets (15)	950	1,080	-130	-12.0
8.	Property, plant and equipment (16)	296,470	240,790	55,680	23.1
	a) Investment property (16)	95,067	96,545	-1,478	-1.5
	b) Other property, plant and equipment (16)	201,403	144,245	57,158	39.6
9.	Other assets (17)	393,947	365,299	28,648	7.8
	a) Deferred tax assets (17)	37,337	37,850	-513	-1.4
	b) Positive fair values of closed out derivatives in the banking book (17)	142,367	170,047	-27,680	-16.3
	c) Other (17)	214,243	157,402	56,841	36.1
	<b>Total assets</b>	<b>20,046,385</b>	<b>19,158,539</b>	<b>887,846</b>	<b>4.6</b>

### Balance sheet as at 30/6/2017 / Equity and liabilities

in € k		30/6/2017	31/12/2016	Change in € k	Change in %
1.	Amounts owed to credit institutions (18)	3,619,943	3,158,643	461,300	14.6
2.	Amounts owed to customers (19)	11,204,588	10,944,486	260,102	2.4
3.	Securitised liabilities (20)	1,331,871	1,403,957	-72,086	-5.1
4.	Provisions for liabilities and charges (21)	347,619	322,049	25,570	7.9
5.	Other liabilities (22)	475,897	386,142	89,755	23.2
	a) Trading liabilities (22)	38,397	44,896	-6,499	-14.5
	b) Tax liabilities (22)	31,863	6,268	25,595	> 100.0
	ba) Current tax liabilities (22)	27,615	2,103	25,512	> 100.0
	bb) Deferred tax liabilities (22)	4,248	4,165	83	2.0
	c) Negative fair values of closed out derivatives in the banking book (22)	47,084	35,151	11,933	33.9
	c) Other (22)	358,553	299,827	58,726	19.6
6.	Subordinated debt capital (23)	660,588	660,499	89	0.0
7.	Equity (24)	2,405,879	2,282,763	123,116	5.4
	a) Equity after minorities (24)	2,350,847	2,227,772	123,075	5.5
	b) Minority interests (24)	5,032	4,991	41	0.8
	c) Additional equity capital components (24)	50,000	50,000	0	
	<b>Total equity and liabilities</b>	<b>20,046,385</b>	<b>19,158,539</b>	<b>887,846</b>	<b>4.6</b>

## Consolidated statement of changes in equity as at 30/6/2017

in € k	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Gains/losses rec. in equity acc. to IAS 39	Actuarial gains/losses acc. to IAS 19	Associates	Equity after minorities	Minority interests	Additional equity components	Equity
As at 01/01/2016	96,431	348,291	935,787	-1,995	47,822	-21,808	466,577	1,871,105	4,559	50,000	1,925,664
Consolidated net profit			74,412	170	14,280	-1,576	11,075	98,361	143		98,504
Net annual profit/loss			74,412				13,357	87,769	143		87,912
Other comprehensive income				170	14,280	-1,576	-2,282	10,592			10,592
Dividend distribution			-17,692					-17,692			-17,692
Coupon payments on additional equity components			-1,725					-1,725			-1,725
Capital increase											
Issue of additional equity components											
Repurchased own shares	132	836	-1836					-868			-868
Unrealised gains and losses not recognised in profit/loss			3,715				-1,267	2,448	-109		2,339
As at 30/06/2016	96,563	349,127	992,661	-1,825	62,102	-23,384	476,385	1,951,627	4,593	50,000	2,006,220
As at 01/01/2017	105,837	505,523	1,069,554	-1,678	85,052	-19,568	483,053	2,227,772	4,991	50,000	2,282,763
Consolidated net profit			81,143	69	24,273	17	34,325	139,827	264		140,091
Net annual profit/loss			81,143				20,183	101,326	264		101,590
Other comprehensive income				69	24,273	17	14,142	38,501			38,501
Dividend distribution			-22,946					-22,946			-22,946
Coupon payments on additional equity components			-1,725					-1,725			-1,725
Capital increase											
Issue of additional equity components											
Repurchased own shares	58		895					953			953
Unrealised gains and losses not recognised in the income			-22				6,987	6,965	-223		6,742
As at 30/06/2017	105,895	505,523	1,126,899	-1,609	109,325	-19,551	524,365	2,350,847	5,032	50,000	2,405,879

<b>Consolidated statement of cash flows in € k</b>	<b>H1 2017</b>	<b>H1 2016</b>
<b>Net profit/loss for the period</b>	101,590	87,912
Non-cash items in the profit for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-14,539	1,306
Change in provisions for staff benefits and other provisions for liabilities and charges	25,588	1,908
Change in other non-cash items	53,467	-7,192
Gains and losses on financial investments, property, plant and equipment and intangible assets	-14,488	-113
<b>Subtotal</b>	<b>151,618</b>	<b>83,821</b>
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	256,555	104,470
- Loans and advances to customers	-578,704	-577,542
- Trading assets	18,672	-21,250
- Other current assets	43,200	-33,591
- Other assets from operating activities	-3,179	40,098
- Amounts owed to credit institutions	456,372	291,377
- Amounts owed to customers	259,960	14,217
- Securitised liabilities	-77,730	-10,703
- Other liabilities from operating activities	-37,790	6,545
<b>Cash flow from operating activities</b>	<b>488,974</b>	<b>-102,557</b>
Proceeds from the sale of		
- financial investments	193,211	220,234
- property, plant and equipment and intangible assets	4,649	1,749
Outlay on purchases of		
- financial investments	-144,968	-146,636
- property, plant and equipment and intangible assets	-72,925	-7,518
<b>Net cash from investing activities</b>	<b>-20,033</b>	<b>67,828</b>
Capital increase	0	0
Dividend distributions	-22,946	-17,692
Coupon payments on additional equity components	-1,725	-1,725
Subordinated liabilities and other financing activities	-3,556	-5,081
<b>Cash flow from financing activities</b>	<b>-28,226</b>	<b>-24,498</b>
<b>Cash and cash equivalents at the end of preceding period</b>	<b>657,558</b>	<b>354,023</b>
Cash flow from operating activities	488,974	-102,557
Cash flow from investing activities	-20,033	67,828
Cash flow from financing activities	-28,226	-24,498
Effects of changes in the consolidation scope and revaluation	0	0
Effects of foreign exchange rate changes	0	0
<b>Cash and cash equivalents at the end of the period</b>	<b>1,098,273</b>	<b>294,795</b>
Interest received	205,072	210,837
Dividends received	14,794	15,641
Interest paid	-53,402	-47,761
Coupon payments on additional equity components	-1,725	-1,725
Income tax paid	-17,397	-7,918

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

## Notes

### Changes to the accounting policies 2017

The half-year report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31/12/2016.

An exception are the standards and interpretations that apply to financial years that start on or after 1 January 2017. Only those new standards and interpretations are presented that are relevant for the operating activities of Oberbank. The following standards and interpretations have been mandatory since January 2017.

- Amendment to IAS 7 – Statement of Cash Flows – Disclosure Initiative
- Amendment to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses
- Annual improvements to International Financial Reporting Standards (cycle 2014-2016)

The half-year financial report has not been audited or reviewed by auditors.

Important actuarial assumptions for calculating the present values of defined benefit obligations were updated as follows.

	30/6/2017	31/12/2016
Interest rate applied	2.00%	2.00%
Increase under collective agreements	2.93%	2.97%
Pension increase	1.52%	1.53%

### The Oberbank group of consolidated companies

The group of consolidated companies as at 30 June 2017 included, apart from Oberbank AG, 34 Austrian and 18 foreign subsidiaries. The group of consolidated companies changed compared to 31/12/2016 due to the first-time inclusion of the following companies:

- Donaulände Holding GmbH: 100% interest
- Donaulände Holding GmbH: 100% interest
- Donaulände Holding GmbH: 100% interest

The company name Oberbank Airplane Leasing GmbH, Linz was changed to Oberbank Bergbahnen Leasing GmbH, Linz.

## Details of the income statement in € k

	H1 2017	H1 2016
<b>1) Net interest income</b>		
Interest income from		
Credit and money market business	162,134	160,418
Shares and other variable-yield securities	3,071	2,830
Other equity investments	1,904	1,886
Subsidiaries	544	1,423
Fixed-interest securities and bonds	33,113	36,576
Interest and similar income	200,766	203,133
Interest expenses for		
Deposits	-24,435	-28,972
Securitised liabilities	-9,611	-12,067
Subordinated liabilities	-10,061	-9,296
Interest and similar expenses	-44,107	-50,335
Income from entities recognised using the equity method	29,458	22,860
Net interest income	186,117	175,658
<b>2) Charges for losses on loans and advances</b>		
Allocations for charges for losses on loans and advances	-54,014	-64,758
Direct write-offs	-699	-1,524
Reversals of charges for losses on loans and advances	55,034	48,181
Recoveries of written-off receivables	1,672	927
Charges for losses on loans and advances	1,993	-17,174
<b>3) Net commission income</b>		
Payment services	24,705	23,377
Securities business	22,008	19,847
Foreign exchange, foreign bank notes and precious metals business	6,862	6,251
Credit operations	13,193	12,760
Other service and advisory business	2,254	2,261
Net commission income	69,022	64,496
<b>4) Net trading income</b>		
Gains/losses on interest rate contracts	751	961
Gains/losses on foreign exchange, foreign bank note and numismatic	5,146	1,967
Gains/losses on derivatives	-1,289	4,497
Net trading income	4,608	7,425
<b>5) Administrative expenses</b>		
Staff costs	77,056	76,820
Other administrative expenses	43,929	48,069
Write-offs and valuation allowances	6,100	6,254
Administrative expenses	127,085	131,143
<b>6) Other operating income</b>		
a) Net income from financial assets - FV/PL	-1,007	9,129
b) Net income from financial assets - AfS	14,672	-5,617
c) Net income from financial assets - HtM	0	0
d) Other operating income	-25,244	1,985
thereof stability tax	-2,016	-7,156
thereof operational risks	-18,313	665
thereof gains from the sale of land and buildings	115	122
thereof from operating leases	1,086	1,430
thereof other	-6,116	6,924
Other operating income net of other operating expenses	-11,579	5,497

<b>7) Income taxes</b>	<b>H1 2017</b>	<b>H1 2016</b>
Current income tax expense	28,985	17,396
Deferred income tax expenses (+)/income (-)	-7,499	-549
Income taxes	21,486	16,847

<b>8) Earnings per share in €</b>	<b>H1 2017</b>	<b>H1 2016</b>
Number of shares as at 30 June	35,307,300	32,237,100
Average number of shares in issue	35,299,860	32,170,161
Consolidated profit for the year after tax	101,590	87,912
Earnings per share in €	2.88	2.73
Annualised values	5.76	5.47

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.

<b>9) Cash and balances at central banks</b>	<b>30/6/2017</b>	<b>31/12/2016</b>
Cash in hand	70,575	76,711
Credit balances with central banks of issue	1,027,698	580,847
Cash and balances at central banks	1,098,273	657,558

<b>10) Loans and advances to credit institutions</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Loans and advances to Austrian credit institutions	149,807	287,094
Loans and advances to foreign credit institutions	337,110	439,016
Loans and advances to credit institutions	486,917	726,110

<b>11) Loans and advances to customers</b>	<b>30/6/2017</b>	<b>31/12/2016</b>
Loans and advances to Austrian customers	8,681,935	8,350,890
Loans and advances to foreign customers	5,654,143	5,427,003
Loans and advances to customers	14,336,078	13,777,893

<b>12) Impairment provisions</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Impairment provisions for banks	0	2,846
Impairment provisions for customers	411,267	449,669
Impairment provisions for other assets	0	0
Charges for losses on loans and advances	411,267	452,515

<b>13) Trading assets</b>	<b>30/6/2017</b>	<b>31/12/2016</b>
<b>Bonds and other fixed-interest securities</b>		
Listed	629	10,620
<b>Shares and other variable-yield securities</b>		
Listed	776	813
<b>Positive fair values of derivative financial instruments</b>		
Currency contracts	2,520	2,870
Interest rate contracts	40,465	48,426
Other contracts	10	0
Trading assets	44,400	62,729

<b>14) Financial investments</b>	<b>30/6/2017</b>	<b>31/12/2016</b>
Bonds and other fixed-interest securities	2,419,205	2,516,189
Shares and other variable-yield securities	373,459	342,503
<b>Equity investments/shares</b>		
in subsidiaries	83,957	84,700
in entities accounted for using the equity method		
Banks	347,073	325,585
Non-banks	458,226	391,147
Other equity investments		
Banks	13,051	13,051
Non-banks	105,646	106,420
<b>Financial investments</b>	<b>3,800,617</b>	<b>3,779,595</b>
a) Financial assets - FV/PL	238,085	236,934
b) Financial assets - AfS	700,047	712,238
c) Financial assets - HtM	2,057,186	2,113,691
d) Interest in entities accounted for using the equity method	805,299	716,732
<b>Financial investments</b>	<b>3,800,617</b>	<b>3,779,595</b>
<b>15) Intangible assets</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Other intangible assets	459	568
Customer base	491	512
<b>Intangible assets</b>	<b>950</b>	<b>1,080</b>
<b>16) Property, plant and equipment</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Investment property	95,067	96,545
Land and buildings	78,689	51,464
Business equipment and furnishings	76,398	77,054
Other property, plant and equipment	46,316	15,727
<b>Property, plant and equipment</b>	<b>296,470</b>	<b>240,790</b>
<b>17) Other assets</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Deferred tax assets	37,337	37,850
Other items	189,647	153,187
Positive fair values of closed out derivatives in the banking book	142,367	170,047
Deferred items	24,596	4,215
<b>Other assets</b>	<b>393,947</b>	<b>365,299</b>
<b>18) Amounts owed to credit institutions</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Amounts owed to Austrian banks	2,102,277	1,777,551
Amounts owed to foreign banks	1,517,666	1,381,092
<b>Amounts owed to credit institutions</b>	<b>3,619,943</b>	<b>3,158,643</b>
<b>19) Amounts owed to customers</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Savings deposits	2,760,678	2,794,166
Other	8,443,910	8,150,320
<b>Amounts owed to customers</b>	<b>11,204,588</b>	<b>10,944,486</b>
<b>20) Securitised liabilities</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Bonds issued	1,329,129	1,391,143
Other securitised liabilities	2,742	12,814
<b>Securitised liabilities</b>	<b>1,331,871</b>	<b>1,403,957</b>

<b>21) Provisions for liabilities and charges</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Provisions for benefits and pensions	172,086	173,370
Provisions for anniversary bonuses	11,682	11,688
Loan loss provisions	107,680	98,109
Other provisions	56,171	38,882
<b>Provisions for liabilities and charges</b>	<b>347,619</b>	<b>322,049</b>

<b>22) Other liabilities</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Trading liabilities	38,397	44,896
Tax liabilities	31,863	6,268
Current tax liabilities	27,615	2,103
Deferred tax liabilities	4,248	4,165
Other liabilities	266,017	227,218
Negative fair values of closed out derivatives in the banking book	47,084	35,151
Deferred items	92,536	72,609
<b>Other liabilities</b>	<b>475,897</b>	<b>386,142</b>

<b>Other liabilities (trading liabilities)</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Currency contracts	2,520	2,870
Interest rate contracts	35,877	42,026
Other contracts	0	0
<b>Trading liabilities</b>	<b>38,397</b>	<b>44,896</b>

<b>23) Subordinated debt capital</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Subordinated bonds issued incl. supplementary capital	600,439	601,391
Hybrid capital	60,149	59,108
Additional Tier 1 capital	0	0
<b>Subordinated debt capital</b>	<b>660,588</b>	<b>660,499</b>

<b>24) Equity</b>	<b>30/6/2017</b>	<b>31/12/2016</b>
Subscribed capital	105,895	105,837
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	1,737,557	1,614,540
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	5,032	4,991
<b>Equity</b>	<b>2,405,879</b>	<b>2,282,763</b>

<b>25) Contingent liabilities and commitments</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Other contingent liabilities (guarantees and letters of credit)	1,417,573	1,383,567
<b>Contingent liabilities</b>	<b>1,417,573</b>	<b>1,383,567</b>
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	3,844,719	3,828,322
<b>Credit risks</b>	<b>3,844,719</b>	<b>3,828,322</b>

<b>26) Segment report as at 30/06/2017</b>	<b>Personal Banking</b>	<b>Corporates</b>	<b>Financial Markets</b>	<b>Other</b>	<b>Total</b>
<b>Core business segments in € k</b>					
Net interest income	28.2	116.5	41.4	0.0	186.1
Charges for losses on loans and advances	-6.5	11.5	-3.0	0.0	2.0
Net commission income	32.4	36.7	0.0	0.0	69.0
Net trading income	0.0	0.1	4.5	0.0	4.6
Administrative expenses	-42.5	-67.4	-4.0	-13.2	-127.1
Other operating income	-1.4	-17.7	16.5	-9.0	-11.6
Extraordinary profit/loss	0.0	0.0	0.0	0.0	0.0
Profit before tax	10.2	79.7	55.4	-22.2	123.1
Average risk-weighted assets	1,598.1	8,902.5	5,398.3	0.0	15,898.9
Average allocated equity	235.2	1,310.4	794.6	0.0	2,340.2
Return on equity before tax	8.6%	12.2%	13.9%		10.5%
Cost/income ratio	71.8%	49.7%	6.4%		51.2%

<b>27) Human resources</b>	<b>30/6/2017</b>	<b>31/12/2016</b>
Salaried employees	2,036	2,048
Blue-collar	13	13
Total resources	2,049	2,061

<b>28) Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>30/06/2016</b>
Subscribed capital	101,422	102,322	93,111
Capital reserves	505,523	505,523	349,127
Retained earnings	1,558,286	1,557,113	1,440,283
Minority interests	0	0	0
Cumulated other comprehensive income	69,442	35,670	14,675
Regulatory adjustment items	-20,310	-39,124	-28,758
Deductions from Common Equity Tier 1 capital items	-174,612	-152,121	-159,414
<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>2,039,751</b>	<b>2,009,383</b>	<b>1,709,024</b>
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs. to national implementation rules	29,500	35,400	35,400
Deductions from AT1 capital items	-8,827	-8,827	-8,787
<b>Additional Tier 1 capital</b>	<b>70,673</b>	<b>76,573</b>	<b>76,613</b>
<b>TIER 1 CAPITAL</b>	<b>2,110,424</b>	<b>2,085,956</b>	<b>1,785,637</b>
Qualifying supplementary capital (Tier 2 ) instruments	324,597	337,264	357,304
Nominal capital preference shares purs. to transition rules	4,500	3,600	3,600
AT1 capital instruments purs. to transition rules	29,500	23,600	23,600
Supplementary capital items (Tier 2) purs. to national impl. rules	32,512	45,688	55,560
General credit risk adjustments	0	0	0
Deductions from supplementary capital (Tier 2) items	-12,494	-13,892	-15,443
<b>Supplementary capital (Tier 2)</b>	<b>378,615</b>	<b>396,260</b>	<b>424,621</b>
<b>OWN FUNDS</b>	<b>2,489,039</b>	<b>2,482,216</b>	<b>2,210,258</b>
<b>Total risk exposure purs. Art. 92 CRR</b>			
Credit risk	12,181,906	11,799,980	11,702,585
Market risk, settlement risk and CVA risk	46,158	50,558	63,163
Operational risk	970,730	970,730	951,842
<b>Total exposure</b>	<b>13,198,794</b>	<b>12,821,268</b>	<b>12,717,590</b>
<b>Own funds ratio purs. Art. 92 CRR</b>			
Common Equity Tier 1 capital ratio	15.45%	15.67%	13.44%
Tier 1 capital ratio	15.99%	16.27%	14.04%
Total capital ratio	18.86%	19.36%	17.38%
<b>Regulatory requirement own capital ratios purs. to transit. rules in %</b>			
Common Equity Tier 1 capital ratio	5.784%	5.125%	5.125%
Tier 1 capital ratio	7.284%	6.625%	6.625%
Total capital ratio	9.284%	8.625%	8.625%
<b>Regulatory own capital requirements purs. to transition rules in € k</b>			
Common Equity Tier 1 capital	763,392	657,090	651,776
Tier 1 capital	961,374	849,409	842,540
Total capital	1,225,350	1,105,834	1,096,892
<b>Free capital components</b>			
Common Equity Tier 1 capital	1,276,359	1,352,293	1,057,248
Tier 1 Capital	1,149,050	1,236,547	943,097
Total capital	1,263,689	1,376,382	1,113,366

29) Fair value of financial instruments as at 30/6/2017 in € k							
	HtM	FV/PL	HfT	AfS	L&R/ liabilities	Other	Total
Cash and balances at central banks						1,098,273	1,098,273
						1,098,273	1,098,273
Loans and advances to credit institutions					486,917		486,917
					487,445		487,445
Loans and advances to customers	50,209	54,450		94,099	14,137,320		14,336,078
	51,206	54,450		94,099	14,186,163		14,385,918
Loan loss provisions					-411,267		-411,267
					-411,267		-411,267
Trading assets			44,400				44,400
			44,400				44,400
Financial investments	2,057,186	238,085		603,029		902,317	3,800,617
	2,203,503	238,085		603,029			
Intangible assets						950	950
Property, plant and equipment						296,470	296,470
Other assets			142,367			251,580	393,947
			142,367				
of which closed out derivatives positions in the banking book			142,367				142,367
			142,367				142,367
<b>Total assets</b>	2,107,395	292,535	186,767	697,128	14,212,970	2,549,590	20,046,385
	2,254,709	292,535	186,767	697,128	14,262,341		
Amounts owed to credit institutions		64,498			3,555,445		3,619,943
		64,498			3,552,913		3,617,411
Amounts owed to customers		404,303			10,800,285		11,204,588
		404,303			10,815,637		11,219,940
Securitised liabilities		402,195			929,676		1,331,871
		402,195			937,011		1,339,206
Provisions for liabilities and charges						347,619	347,619
Other liabilities			85,481			390,416	475,897
			85,481				
of which closed out derivatives positions in the banking book			47,084				47,084
			47,084				47,084
Subordinated debt capital		431,067			229,521		660,588
		431,067			232,041		663,108
Capital						2,405,879	2,405,879
<b>Total equity and liabilities</b>	-	<b>1,302,063</b>	<b>85,481</b>	-	<b>15,514,927</b>	<b>3,143,914</b>	<b>20,046,385</b>
	-	<b>1,302,063</b>	<b>85,481</b>	-	<b>15,537,602</b>		

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

**Fair value hierarchy of financial instruments as at 30/06/2017**

	HtM Book value	FV/PL Book value	HfT Book value	AfS Book value	L&R/ Liabilities Book value	Other Book value	Total book value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
<b>Financial instruments carried at fair value in € k</b>										
Loans and advances to customers	0	54,450	0	94,099	0	0	148,549	0	94,099	54,450
Trading assets	0	0	44,400	0	0	0	44,400	1,102	43,298	0
Financial assets - FV/PL	0	238,085	0	0	0	0	238,085	54,202	183,883	0
Financial assets - AfS	0	0	0	603,029	0	0	603,029	477,016	51,397	74.6161 <sup>1)</sup>
Other assets	0	0	142,367	0	0	0	142,367	0	142,367	0
of which closed out derivatives positions in the banking book	0	0	142,367	0	0	0	142,367	0	142,367	0
<b>Financial assets not carried at fair value</b>										
Loans and advances to credit institutions	0	0	0	0	486,917	0	486,917	0	0	487,445
Loans and advances to customers	50,209	0	0	0	14,137,320	0	14,187,529	0	51,206	14,186,163
Financial assets - HtM	2,057,186	0	0	0	0	0	2,057,186	2,124,054	79,449	0
<b>Financial liabilities carried at fair value</b>										
Amounts owed to credit institutions	0	64,498	0	0	0	0	64,498	0	10,639	53,859
Amounts owed to customers	0	404,303	0	0	0	0	404,303	0	404,303	0
Securitised liabilities	0	402,195	0	0	0	0	402,195	0	402,195	0
Other liabilities	0	0	85,481	0	0	0	85,481	0	85,481	0
of which closed out derivatives positions in the banking book	0	0	47,084	0	0	0	47,084	0	47,084	0
Subordinated debt capital	0	431,067	0	0	0	0	431,067	0	431,067	0

<sup>1)</sup>This item is made up of equity investments whose market value was measured using the discounted cash-flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method).

**Fair value hierarchy of financial instruments as at 30/06/2017**

	HtM Book value	FV/PL Book value	HfT Book value	AfS Book value	L&R/ Liabilities Book value	Other Book value	Total book value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
<b>Financial liabilities not carried at fair value</b>										
Amounts owed to credit institutions	0	0	0	0	3,555,445	0	3,555,445	0	58,493	3,494,420
Amounts owed to customers	0	0	0	0	10,800,285	0	10,800,285	0	78,771	10,736,866
Securitised liabilities	0	0	0	0	929,676	0	929,676	0	937,011	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	229,521	0	229,521	0	232,041	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, these prices are used for the measurement (level 1). Where no such market prices are available, the fair value is determined using valuation models based on 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 refer to regularly performed measurements. There were no one-off fair value measurements in the reporting year.

### **Measurement process**

Responsibility for independent monitoring and communication of risks as well as the valuation of financial instruments lies with the Strategic Risk Management unit of Oberbank. The unit is functionally and organisationally separate from trading, which is responsible for the initiation and conclusion of transactions. Trading book positions are marked-to-market daily at the close of business. Valuation is based on current stock exchange prices where such quoted prices are publicly available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived from current market data (yield curves, volatilities, etc.) are used. The market data is validated daily; at regular intervals, the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with the model values of the partner banks. The management is sent a daily update on risk positions and the valuation results based on entire 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 all factors that market participants would consider appropriate for 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 prices quoted on active markets. These instruments include listed securities and derivative instruments. If direct measurement based on prices quoted on securities exchanges is not possible, the present value in level 2 is estimated using model values derived from current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are obtained from the Reuters Market Data System.

Measurements are based on 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 options pricing 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 risk markdown is determined (credit valuation adjustment, CVA) based on the internal default probabilities of an expected loss.

The fair values of non-listed securities are obtained from the Geos system. The fair value of investment fund units is obtained 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 and borrower's note loans; the cash flows of own issues are 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 to the respective currency. The exchange rates used are the reference rates published by the ECB.

For these financial instruments, no risk premiums commensurate 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 input 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 97,018 are recognised at cost. There is no active market for these instruments. Oberbank does not intend to sell these.

The following table shows the development 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 year in € k:	
Carrying value as at 01/01/2017	74,616
Additions (purchases)	0
Disposals (sales)	0
Value changes recognised in equity	0
Value changes recognised in income	0
<b>Carrying value as at 30/06/2017</b>	<b>74,616</b>

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

Realised gains	0
Value changes recognised in income	0

The item Other comprehensive income from this type of instrument decreased by € k 0.

The remaining level 3 financial instruments measured at fair value comprise loans and advances to customers and/or amounts owed to credit institutions for which the fair value option was used.

Movements in the reporting year in € k:	Loans and advances to customers	Amounts owed to credit institutions
Carrying value as at 01/01/2017	62,588	54,740
Additions	0	0
Disposals	-7,250	0
Changes in fair value	-888	-881
of which disposals	-58	0
of which portfolio instruments	-830	-881
<b>Carrying value as at 30/06/2017</b>	<b>54,450</b>	<b>53,859</b>

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 was not affected by these positions.

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

### The Management Board confirms that

- these condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) currently in force and published by the International Accounting Standards Board (IASB) as applicable in the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC); they furthermore present a true and fair view of the assets, liabilities, financial position and results of operations of the Oberbank Group.
- these consolidated interim financial statements cover the first half of 2017 (1 January 2017 to 30 June 2017) and present a true and fair view of the assets, liabilities, financial position and results of operations of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

### The undersigned Management Board members in their function as authorized representatives of Oberbank hereby declare

a) that to the best of their knowledge, these interim financial statements prepared in accordance with applicable financial standards present a true and fair view of the assets, financial position and results of operations of the issuer and of all companies included in the group of consolidated companies;

b) that the half-year Management Report presents a true and fair view of the assets, financial position and results of operations with respect to major events in the first six months of the financial year and their effects on the condensed interim financial statements regarding material risks and uncertainties in the remaining six months of the financial year, and with respect to material transactions with related companies and persons that are subject to disclosure.

Major transactions with individuals and companies as at 30 June 2017 were:

Associated companies	€ k 0
Subsidiaries	€ k 0
Other related parties	€ k 0

Linz, 25 August 2017

The Management Board



CEO  
Franz Gasselsberger, MBA  
Remit  
Corporate and Business Banking



Director  
Josef Weißl  
Remit  
Personal Banking



Director  
Florian Hagenauer  
Remit  
Overall Banking Risk Management

## Current Management Board Remits

<b>CEO</b> <b>Franz Gasselsberger</b>	<b>Director</b> <b>Josef Weißl</b>	<b>Director</b> <b>Florian Hagenauer</b>
General Business Policy		
Internal Audit		
Compliance		
<b>Business and Service Departments</b>		
CIF (Corporate & International Finance)	PKU (Personal Banking)	KRM (Credit Management)
GFM (Global Financial Markets)	PAM (Private Banking & Asset Management)	RIS (Strategic Risk Management)
HRA (Human Resources)		SEK (Corporate Secretary & Communication)
RUC (Accounting & Controlling)		ORG (Organisational Development, Strategy and Process Management)
		ZSP (Payment Systems and Central Production CEE <sup>1</sup> , securities settlement)
		BDSG <sup>2</sup> (Payment Systems and Central Production)
<b>Regional Business Divisions</b>		
Linz-Hauptplatz	Linz-Landstraße	
Salzkammergut	Innviertel	
Vienna	Salzburg	
Wels	Lower Austria	
Southern Bavaria	Slovakia	
Northern Bavaria	Czech Republic	
	Hungary	

1) CEE as defined by Oberbank comprises the regions of Czech Republic, Slovakia and Hungary.

2) Banken DL Servicegesellschaft m.b.H., 100% subsidiary of Oberbank

**Notice**

The forecasts that refer to the future development of Oberbank are estimates made on the basis of all the information available to us on the reporting data. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialise to an extent not anticipated, the actual results may vary from those currently expected. Information provided on market shares are based on the most recently available data at the editorial close of this report.

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

**Financial calendar 2017**

The interim reports to the shareholders of Oberbank are published three times a year.

19 May 2017	Quarterly results for Q1 2017
25 August 2017	Quarterly results for Q1-2 2017
29 November 2017	Quarterly results for Q1-Q3 2017

All of the information is available online at [www.oberbank.at](http://www.oberbank.at) under Investor Relations.

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