



Success is for Sharing.

Interim Report to Shareholders as at 30 September 2016

Oberbank at a Glance

Income statement in €m	1-3Q2016	Change	1-3 Q 2015
Net interest income	267.7	-5.6%	283.5
Charges for losses on loans and advances	-14.1	-58.2%	-33.7
Net commission interest	96.0	-3.7%	99.7
Administrative expenses	-198.6	9.2%	-181.8
Profit for the year before tax	154.7	5.5%	146.6
Profit for the period after tax	129.8	3.0%	125.9
Balance sheet in €m	30/9/2016	Change	31/12/2015
Total assets	18,913.8	3.7%	18,243.3
Loans and advances to customers	13,667.2	6.4%	12,839.9
Primary funds	13,075.7	3.6%	12,620.0
of which savings deposits	2,840.6	-2.5%	2,912.6
of which securitised liabilities including subordinated capital	2,147.9	2.4%	2,098.5
Equity	2,061.9	7.1%	1,925.7
Customer funds under management	26,015.1	3.1%	25,245.1
Capital resources purs. to CRR in €m	30/9/2016	Change	31/12/2015
Common Equity Tier 1	1,721.4	4.3%	1,650.8
Tier 1 capital	1,798.0	3.7%	1,733.3
Own funds	2,212.3	2.5%	2,158.0
Common Equity Tier 1 ratio	13.48%	-0.03% ppt	13.51%
Tier 1 capital ratio	14.08%	-0.11% ppt	14.19%
Total capital ratio	17.32%	-0.34% ppt	17.66%
Performance	1-3 Q 2016	Change	1-3 Q 2015
Cost/Income ratio	54.05%	3.84%	50.21%
Return on equity before tax	10.42%	-1.35% ppt	11.77%
Return on equity after tax	8.74%	-1.37% ppt	10.11%
Risk/earning ratio	5.26%	-6.63% ppt	11.89%
Resources	30/9/2016	Change	31/12/2015
Average number of staff (weighted)	2,049	24	2,025
Number of branches	159	3	156

Situation of the Oberbank Group in the first three quarters of 2016

Dear Readers,

You are receiving this report around three weeks earlier than planned, because we would like to inform you of Oberbank's excellent development in the first three quarters of 2016 ahead of the upcoming capital increase.

Excellent results confirm successful strategy

- **Net profit before tax: EUR 154.7 million / +5.5%**
- **Net profit after tax: EUR 129.8 million / +3.0%**

Despite the very difficult overall conditions (interest margins under pressure from ECB's low interest rate policy, volatile stock markets, BREXIT discussion, etc.), Oberbank once again posted excellent results for the first three quarters of 2016. Profit before tax rose by 5.5% from EUR 146.6 million to EUR 154.7 million and profit after tax rose by 3.0% from EUR 125.9 million to EUR 129.8 million.

Excellent development of lending and primary deposits

- **Lending volume: EUR 13.7 billion /+ 7.4%**
- **Customer assets under management: EUR 26.0 billion / + 5.7%**

Demand for loans remained sluggish in the overall market in Austria; at mid-year, the credit volume had risen by less than 1%. In this setting, we achieved an increase of 7.4% to EUR 13,667.2 million bolstered by the development in corporate lending (+ 7.1% to EUR 10.8 billion) and in retail lending (+8.5% to EUR 2.9 billion).

As regards customer assets entrusted to us for management, we again benefited from our excellent creditworthiness despite the continued extremely low savings ratio. Primary deposits were 6.3% higher than in the preceding year at EUR 13,075.7 million; including the securities on the custody accounts of our customers, we manage a volume of EUR 26,015.1 million (+ 5.7%).

Excellent risk situation is a vital success factor

Although we have been posting robust growth in lending for years, our credit risk situation is exceptionally good. Since the beginning of the year, we have allocated EUR 14.1 million to charges for losses on loans and advances, which is 58% or EUR 20 million less than in the previous year.

Key performance indicators illustrate our success

- **RoE before tax 10.42%, after tax 8.74%**
- **Cost/income ratio 54.05%**

Although equity has risen substantially since the 3rd quarter of 2015 (two successful Oberbank capital increases in 2015), return on equity is again at its highest level. As of 30 September 2016, return on equity before tax was 10.42%, and after tax 8.74%.

The cost/income ratio was an excellent 54% on 30 September 2016. Therefore, our productivity is much better than that of all Austrian banks which had a ratio of 70% at the last reading.

We clearly exceed capital requirements

Common Equity Tier 1 ratio of Oberbank rose from 12.79% to 14.08% year-on-year (required: 6.625%), and the total capital ratio from 16.41% to 17.32% (required 8.625%).

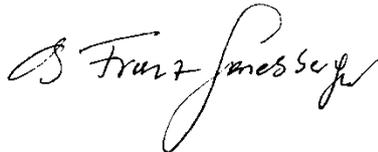
Therefore, Oberbank not only clearly exceeds statutory capital requirements, but is also by far much better than the ratios recently published for the overall market.

Capital increase in November 2016

Oberbank's capital increases were a great success for shareholders and also for the Bank.

Investors that participated in the capital increases of 2015 have since gained over 23% (since the capital increase of May 2015) and more than 17% (since the capital increase of October 2015). Even if such a development cannot be guaranteed for the future, the data shows that the Oberbank share is an excellent investment.

For Oberbank itself, the next capital increase will help keep it on an unrestrained growth path. The capital ratio targeted of over 15% will place Oberbank among the banks with the most solid capital base not only in Austria, but also in European comparison.

A handwritten signature in black ink, reading "Franz Gasselsberger". The signature is written in a cursive style with a large, stylized initial 'F'.

CEO Franz Gasselsberger

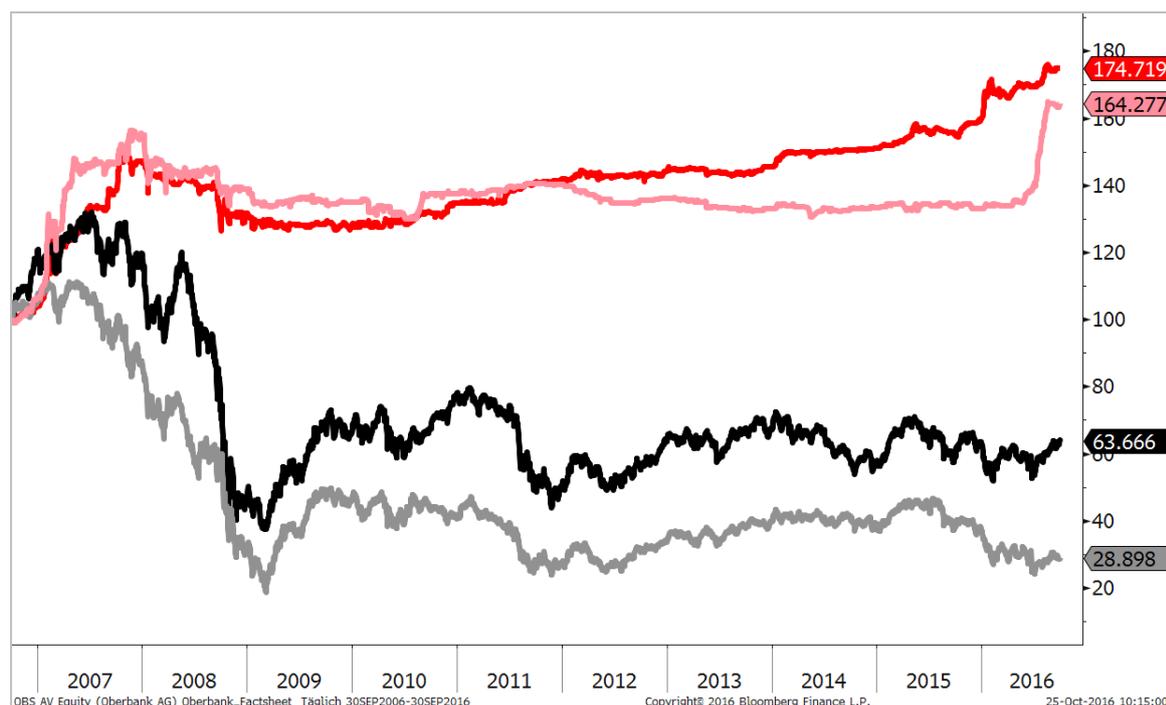
The Oberbank Share

The price of the Oberbank ordinary share and also of the Oberbank preference share rose to new all-time highs in the third quarter of 2016 (ordinary share EUR 58.20, preference share EUR 46.80). The two share classes therefore reflect the excellent development of Oberbank.

Oberbank shares – key figures	1-3 Q 2016	1-3 Q 2015
Number of ordinary non-par shares	29,237,100	27,702,000
Number of non-par preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	58.20/46.80	52.325/38.20
Low (ordinary/preference share) in €	52.90/37.70	49.962/37.55
Close (ordinary/preference share) in €	57.80/46.60	51.34/37.80
Market capitalization in € million	1,829.70	1,535.62
IFRS earnings per share in €, annualised	5.38	5.63
P/E ratio, ordinary share	10.74	9.12
P/E ratio, preference share	8.66	6.71

Oberbank ordinary and preference shares versus ATX and the European banking index

Chart (Period: 30/9/2006 to 30/9/2016) ■ Oberbank Ord. ■ Oberbank Pref. ■ ATX ■ STOXX Europe 600 Banks



This chart compares 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. The prices in the chart have been adjusted by indexing the daily closing prices of the securities named and of the index to 100, i.e., all initial prices are set to 100% at the start. The chart shows the relative percentage development.

Source: Bloomberg, 30 September 2016

The figures given are historical data. These cannot be used to derive future developments.

The Business Segments in the First Three Quarters of 2016

Corporate and Business Banking

Corporate and Business in €m	1-3 Q 2016	1-3 Q 2015	+ / - absolute	+ / - in %
Net interest income	167.5	161.2	6.2	3.8%
Charges for losses on loans and	-9.5	-27.8	18.3	-65.7%
Net commission interest	52.4	50.7	1.7	3.3%
Net trading income	0.0	0.5	-0.5	
Administrative expenses	-108.1	-94.1	-14.0	14.9%
Other operating result	1.3	-4.4	5.6	
Profit before tax	103.4	86.1	17.3	20.1%
Risk equivalent	8.498.6	8.070.4	428.2	5.3%
Ø average allocated equity	1.096.4	986.1	110.3	11.2%
Return on equity before tax (RoE)	12.6%	11.6%	1.0% ppt	
Cost/income ratio	48.9%	45.2%	3.7% ppt	

Earnings Development in Corporate and Business Banking

The profit for the Corporate and Business Banking segment was up by EUR 17.3 million or 20.1% to EUR 103.4 million.

Net interest income increased from EUR 6.2 million or 3.8% to EUR 167.5 million.

Charges for losses on loans and advances decreased by EUR 18.3 million or 65.7% to EUR 9.5 million.

Net commission income is higher than in the preceding year at an increase of EUR 1.7 million/3.3% to EUR 52.4 million.

Administrative expenses rose by EUR 14.0 million or 14.9% to EUR 108.1 million, while other operating income rose by EUR 5.6 million to EUR 1.3 million.

Return on equity in Corporate and Business Banking rose from 11.6% by 1.0% ppt to 12.6%; the cost/income ratio deteriorated from 45.2% by 3.7% ppt to 48.9%.

Commercial lending

The Bank's commercial lending volume rose by a very satisfactory 7.1% or EUR 713.8 million to EUR 10,811.2.

Commercial lending		YoY change	
As at 30/9/2016	As at 30/9/2015	absolute	in %
€ 10,811.2 m	€ 10,097.3 m	€ 713,8 m	7.1%

Investment and innovation finance

The number of applications submitted to branches in Austria and Germany for subsidised loans and innovation projects in the first nine months of this year was 845, a level 12.5% higher than in the previous year. Oberbank, as in the past years, continues to hold the absolute top position among Austrian banks. The investment volume of applications for subsidised funding rose again steeply by 10% in the first three quarters of 2016 despite the sometimes lacklustre propensity to invest by the business sector. The also corresponds to the development of subsidised loans extended by Oberbank, the volume of which amounted to EUR 747.8 million on 30 September 2016 and was thus 13% higher year on year.

Investment finance		YoY change	
As at 30/9/2016	As at 30/9/2015	Absolute	in %
€ 7,771.1 m	€ 7,014.6 m	€ 756.5 m	10.8%

Leasing

The positive development of business continued in the third quarter of 2016. At a volume of EUR 567 million in new business, Oberbank surpassed the previous year's result by some 8%.

The principal source of business is still from vehicle leasing. Movables leasing also gained around 3%. Viewed by region, Austria and Germany performed especially well.

Leasing receivables from customers		YoY change	
As at 30/9/2016	As at 30/9/2015	absolute	in %
€ 2,009.2 m	€ 1,862.6 m	€ 146.4 m	7.7%

Structured finance

The robust demand in the preceding year for structured finance continued in the third quarter of 2016 as well. A particularly strong increase was seen compared to the preceding year in finance projects relating to changes in ownership. This trend was driven by strategic corporate acquisitions and company successions.

The level of activity did not change in the third quarter 2016 for real estate and tourism finance. The project volume, which was already high in the period of comparison of the preceding year, was surpassed again in both segments.

Oberbank Opportunity Fund

Since the beginning of the year, the Oberbank Opportunity Fund has processed 99 applications (as at 30/9/2016), which at an unchanged high quality of the projects was just over the very high volume of the preceding year. In the first three quarters of 2016, three transactions were successfully finalised.

Since the inception of the Oberbank Opportunity Fund, 54 transactions with equity and mezzanine capital were financially supported and nine supplementary financing projects were initiated. The total volume committed is EUR 109.0 million at a fund volume totalling EUR 150 million. The outstanding receivables as at 30/9/2016 of EUR 48.8 million break down into EUR 26.2 million for equity capital and EUR 22.6 million for mezzanine capital.

Syndicated loans and international lending

Compared to the period of comparison of the preceding year, the outstanding volume in syndication and international loans increased again slightly.

Apart from the gratifying development in syndicated financing, growth was also boosted by selective investment in borrower's notes issued by Austrian and German issuers. The market environment remains challenging and margins continue under pressure especially in the case of borrower's notes.

Trade finance and international business

2016 was not an easy year for Austrian exporters. Export growth was only a slim 1.2% from January to June 2016 according to the Chamber of Commerce. In this context, the distribution of exports was heterogeneous compared to the same period in the preceding year. While exports to the EU area increased by around 1.9%, exports to Africa declined by roughly 3.9% and to North America by roughly 3.1%.

In this environment, risk awareness of Austrian exporters increased. Customers increasingly turned to classical risk mitigation instruments such as letters of credit and bank guarantees. This resulted in a 9.8% increase in earnings on letters of credit and commissions on collections.

Oberbank also defended its leading position in subsidised export fund loans. The market share in export fund loans was 11.47% on 30 September 2016, and in the KRR procedure for large Corporates, it was 10.58%, thus highlighting the competence of Oberbank in this line of business.

Transfer of payments

Income from services especially income from payment transfers are becoming increasingly important for financial institutions due to the current interest rate environment.

Despite fiercer competition, Oberbank succeeded in achieving success with the high quality and security of its products and services in the areas of payment transfers, electronic banking and international transactions. A mainstay of our success in the segment Corporates and Business Banking is the continued training and product campaign for cash management and payment transfers. At an earnings growth rate of around 13% year on year, the Corporates and Business Banking segment was extremely successful in payment transfers in the first three quarters of 2016.

International network of bank and credit institutions

Providing support on an ongoing basis to globally-operating export customers still has highest priority.

Activities for customers in more or less crisis-free Asian regions are growing in importance.

However, in countries with high security risk levels, Oberbank is able to meet customer demands through its correspondent banks with respect to payment transfers, the documentary business and guarantees as well as in hedging and financing.

Compliance themes such as the prevention of money laundering and terrorism financing, compliance with US and EU sanctions, US tax regulations and the know-your-customer principles are dominant issues in our collaboration with other banks and pose a growing challenge.

Therefore, Oberbank concentrated its banking network in the past years on globally active special-purpose banks and on banks with high transaction volumes. With currently around 1500 banking partners worldwide, Oberbank continues to meet the high demands of international companies.

Interest and currency risk management

The international reports and the ensuing currency movements triggered some lively trading activities among corporate customers. Especially the after-effects of the Brexit vote that triggered the further depreciation of the British pound were behind the surge in hedging. Despite the relative calm of the EUR/USD exchange rate, the USD remained the most frequently-traded currency. The products most frequently used for hedging transactions were - apart from classical spot market forex transactions – foreign exchange futures. Foreign exchange options played a minor role in this context.

Support for direct customers

In the third quarter of 2016, we acquired many new direct customers. They appreciate the direct and fast access to financial markets and this service has been well received. Individual hedging solutions relating to foreign exchange were the main themes discussed in customer advisory talks.

We provided our traditional services to help direct customers with their short-term investment transactions on the money market.

Personal Banking Segment

Personal Banking Segment in €m	1-3Q 2016	1-3Q 2015	+ / - absolute	+ / - in %
Net interest income	41.4	39.8	1.6	4.1%
Charges for losses on loans and advances	0.5	-1.2	1.6	
Net commission interest	43.7	49.1	-5.3	-10.9%
Administrative expenses	-67.9	-65.2	-2.7	4.2%
Other operating result	3.2	-2.8	6.0	
Profit before tax	20.8	19.7	1.1	5.8%
Risk equivalent	1.474.3	1.319.6	154.7	11.7%
Ø average allocated equity	190.2	161.2	29.0	18.0%
Return on equity before tax (RoE)	14.6%	16.3%	-1.7% ppt	
Cost/income ratio	77.0%	75.8%	1.2% ppt	

Earnings development in Personal Banking

Earnings in the retail segment rose by EUR 1.1 million to EUR 20.8 million.

Net interest income rose by EUR 1.6 million or 4.1% to EUR 41.4.

Charges for losses on loans and advances dropped versus the preceding year by EUR 1.6 million to EUR 0.5 million.

Net commission income decreased from EUR 5.3 million or 10.9% to EUR 43.7 million.

Administrative expenses rose by EUR 2.7 million or 4.2% to EUR 67.9.

Other operating income rose by EUR 6.0 million to EUR 3.2.

RoE declined in the retail segment from 16.3% by 1.7% ppt to 14.6%; the cost/income ratio deteriorated from 75.8% by 1.2% ppt to 77.0%.

Retail accounts

The number of retail accounts increased in absolute figures compared to 30 Sept. 2015 by 1,761 accounts and the total was 181,264 at the close of the quarter.

Number of personal accounts		YoY Change	
As at 30/9/2016	As at 30/9/2015	absolute	in %
181,264	179,503	1,761	1.0%

Personal loans

The number of retail loans increased year on year by EUR 223.0 million or 8.5% to EUR 2,856 million versus 30 September 2015. The volume of new personal loans in the third quarter of 2016 was 3.6% higher year on year.

The constant flow of information on the possibilities for reducing risk encouraged borrowers with foreign currency loans to continue to convert their loans into euro also after the Brexit.

The volume of loans in Swiss franc has dropped by 11.6% since the beginning of the year. This corresponds to EUR 14.4 million. The share of foreign currency loans in total personal loans was only 4.8% at Oberbank.

Personal loans		YoY Change	
As at 30/9/2016	As at 30/9/2015	absolute	in %
€ 2,856.0 m	€ 2,633.0 m	€ 223.0 m	8.5%

Primary funds

The ultra-easy monetary policy of the ECB caused interest rates to persist at their all-time lows for short-term investments in the past quarter. The three-month Euribor dropped versus 3Q of 2015 by more than 0.3%. The very low interest rates have resulted in many customers investing their money in sight deposits and limiting their use of long-term investments. Sight deposits were by far the fastest growing product in the deposits segment.

Primary deposits rose in total to EUR 13.1 billion.

Savings deposits

The level of savings deposits decreased from the start of the year until 30 September 2016 by EUR 72.0 million or 2.5%; compared to 30 September 2015, the volume dropped by EUR 122.4 million or 4.1%. The share of savings passbooks bearing fixed interest to total savings deposits was just below 40%.

The low interest rate environment hardly leaves any leeway for a more aggressive interest rate policy. The propensity to save persists at a very low level. Funds are increasingly being left on bank accounts or invested in sight deposits.

By contrast, online savings products are growing in significance.

Savings deposits		YoY Change	
As at 30/9/2016	As at 30/9/2015	absolute	in %
€ 2,840.6 m	€ 2,963.0 m	- € 122.4 m	- 4.1%

Securities business

Commissions from the securities business decreased in the first three quarters of 2016 year on year by 13.0% to EUR 29.3 million. However, compared to the trend in the first half of the year, we saw clear stabilisation. An isolated view of the third quarter 2016 shows it was merely 4.9% lower in the same quarter of the preceding year. The reasons for the decline are very clearly the reduced transaction commissions from stock exchange trading. Income from managed products was higher year on year; these products included individual portfolio management and 3 Banken-Generali retail investment funds and special funds.

The market value of securities on customer accounts rose year on year by EUR 629.0 million or 5.1% to EUR 13.0 billion. This the highest level ever recorded at the end of a quarter.

Oberbank issues

The issuance business developed quite pleasingly despite the very low level of interest rates. A total volume of EUR 290.2 million in Oberbank issues was floated. This amount includes the issuance of a subordinated bond of EUR 55.3 million to strengthen capital adequacy. Sales in the Czech Republic developed highly satisfactorily. A volume of over 2.2 billion in Czech koruna was floated which is around EUR 80 million.

Private Banking

In Private Banking, assets under management have widened since the start of the year by EUR 282.8 million or 5.3% breaking a new record of EUR 5.6 billion. Compared to the previous year, volume was up by a robust EUR 473 million or 8.4%. Our hard work to acquire more customers was rewarded by a positive net inflow of funds which contributed significantly to growth. We are seeing growing demand for our special services for Private Banking customers, individual portfolio management and brokerage.

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Demand for investment funds is still going strong at Oberbank. Funds are flowing almost without exception into mixed funds and stock funds. The net volume of sales and buys in the first nine months of 2016 was a positive sum of EUR 42.9 million. The overall volume of retail funds and special funds expanded to a total of EUR 2.9 billion versus EUR 2.8 billion, which is an increase of 5.1%.

Savings in building and loan associations

In the first three quarters of 2016, the volume of building and loan association contracts of Oberbank decreased year on year by 19.1% and stand at 6,503 contracts.

Despite the sustained low interest rates and the low savings ratio, savings in building and loan association contracts is still a popular form of savings. Overall, our Wuestenrot partner banks recorded a decrease of 13.5% in the first nine months of 2016.

Insurance services

Oberbank is performing above the trend and achieved higher insurance output than in the same quarter of 2015.

In Austria, the focus in the Corporates Business was in the field of company retirement schemes, and in the personal banking business, in fund-linked life insurance policies. On the whole, Oberbank widened its insurance business by 4.5%.

Insurance contracts – Premium volume		YoY Change	
As at 30/9/2016	As at 30/9/2015	Absolute	in %
€ 60.9 m	€ 58.3 m	€ 2.6 m	4.5%

Financial Markets Segment

Financial Markets in €m	1-3 Q 2016	1-3 Q 2015	+ / - Absolute	+ / - in %
Net interest income	58.9	82.5	-23.6	-28.6%
Charges for losses on loans and advances	-5.0	-4.7	-0.3	6.5%
Net commission interest	0.0	0.0	0.0	19.3%
Net trading income	10.4	8.9	1.5	17.0%
Administrative expenses	-5.9	-4.9	-0.9	18.8%
Other operating result	8.7	-9.7	18.3	
Profit before tax	67.1	72.1	-5.0	-7.0%
Risk equivalent	5,369.5	4,199.6	1,169.9	27.9%
Ø average allocated equity	692.7	513.1	179.6	35.0%
Return on equity before tax (RoE)	12.9%	18.7%	-5.8% ppt	
Cost/income ratio	7.5%	6.1%	1.4% ppt	

Earnings development in the Financial Markets segment

The pre-tax profit in the Financial Markets segment dropped by EUR 5.0 million or 7.0% to EUR 67.1 million.

Net interest income decreased from EUR 23.6 million or 28.6% to EUR 58.9 million.

Charges for losses on loans and advances rose versus the same period of the preceding year by EUR 0.3 million to EUR 5.0 million.

Net interest income increased from EUR 1.5 million or 17.0% to EUR 10.4 million.

Administrative expenses rose by EUR 0.9 million or 18.8% to EUR 5.9 million. Other operating income went up by EUR 18.3 million to EUR 8.7 million.

Return on equity in the Financial Markets segment decreased from 18.7% by 5.8% ppt to 12.9%; the cost/income ratio deteriorated from 6.1% by 1.4% ppt to 7.5%.

Proprietary trading

After the brief bout of turbulence as a consequence of the Brexit vote, financial markets calmed down again, which lasted over the summer months, and volatilities decreased significantly. Interest rates and stocks moved sideways but the central banks did not send any clear signals either. Foreign exchange rate movements were not very marked either. The US dollar gained strength versus the euro, and the British pound weakened further. In this setting, Oberbank developed as projected.

Liquidity

In the euro area, the liquidity surplus continued to increase due to the buying programme pursued by the ECB and the planned four-year tender (TLTRO II).

As there were hardly any other more lucrative alternatives available to customers, a lot of liquidity just stayed on sight deposit accounts.

Despite the steep rise in lending volume, Oberbank is currently facing the challenge of trying not to build up too much liquidity. The national bank is charging a negative interest rate of -0.4% for surplus funds.

Additionally, our room for movement in liquidity management is being constrained by requirements and regulations.

Nonetheless, Oberbank has been able to maintain a very good balance and has rarely had to park surplus funds with the central bank. This is also the challenge we will be facing in the coming months.

Capital resources

Capital resources of EUR 2,212.3 million as at 30 September 2016 translate into a ratio of 17.32% or still almost double the legally required amount of own funds. Tier 1 capital was EUR 1,798.0 million and the CET 1 capital ratio was 14.08%. Common Equity Tier 1 capital of EUR 1,721.4 million corresponds to a ratio of 13.48%.

Risk

The risk policy of Oberbank accommodates all types of risk situations of all business areas including the new markets. The risk management is focused on safeguarding customer funds entrusted to Oberbank, compliance with capital requirements and securing liquidity.

The most important risk category is credit risk. This risk is mitigated by recognising adequate allowances and provisions on the balance sheet.

Oberbank can rely on decades of experience in assessing creditworthiness and in collateral policy. Additionally, its business model as a regional bank, professional loan management, and the well-balanced distribution of the total exposure across the individual customer segments ensures that the potential impact of this risk component on Oberbank's overall performance is kept within manageable bounds. Therefore, we do not expect any extraordinary credit risks to arise for the full year 2016.

The other risk categories include equity risk (risk of potential loss of value and/or earnings in the Bank's equity portfolio), market risk (possible losses due to fluctuations of interest rates, foreign currencies or share prices), operational risk and liquidity risk. These risks are also covered by adequate levels of capital in line with the principle of conservatism.

Oberbank's excellent position regarding liquidity risk also enables it to refinance its entire loan exposure (30/9/2016: EUR 13.7 billion) with the primary deposits of customers and other long-term refinancing facilities (OeKB, LfA, KfW) with a volume of EUR 14.4 billion (as at 31/9/2016). Furthermore, Oberbank has a permanent risk controlling system, stringent process management and other efficient control and monitoring instruments in place. Therefore, Oberbank does not expect any unusual risk events in these risk categories for the full year 2016.

Outlook for 2016

- **Low interest rate environment continues to pose a special challenge**
- **Oberbank: Growth in lending and customer deposits**
- **Net profit for the year at excellent level**

The overall economic conditions will remain difficult in 4Q 2016.

The massive pressure on interest margins due to the low interest rate policy of the ECB, volatility on stock markets and the persistently low propensity to invest in capital goods are special challenges for credit institutions.

In 2016, Oberbank will again achieve an excellent development in the Austrian banking market.

Despite the sluggish demand for loans in the overall market, Oberbank is posting higher credit volumes. The drivers behind growth in corporate loans will be increased demand for investment finance, and in personal loans, it will be residential housing finance.

Credit risk developed very well in 2016.

Customer deposits are expected to be higher year on year in spite of the low interest rate environment.

We expect to repeat the record profit of the preceding year in 2016.

Although the ECB's interest rate policy and the difficult environment for securities pose a great challenge to the Bank's interest-earning and service operations, and income on investments recognized at equity are expected to be much lower year on year, while the operating result of Oberbank 2016 will develop as expected.

In contrast, credit risk developed particularly well in the first three quarters.

Assuming that this development will continue until the end of the year 2016, the management of Oberbank expects to attain the record result of the preceding year again – and even slightly surpass it.

However, the yet-to-be-defined law to regulate the one-off payments due from Austrian banks may still significantly influence results.

Generally, Oberbank stands to perform much better than the overall market in Austria in 2016.

Consolidated Interim Financial Statements prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 01/01/2016 to 30/09/2016

Consolidated income statement in €k		01/01/- 30/09/	01/01/- 30/09/	Change in €k €	Change in %
1. Interest and similar income	(1)	304,679	310,839	-6,160	-2.0
2. Interest and similar expenses	(1)	-73,969	-86,192	12,223	-14.2
3. Income from entities accounted for by the equity method	(1)	36,972	58,853	-21,881	-37.2
Net interest income	(1)	267,682	283,500	-15,818	-5.6
4. Charges for losses on loans and advances	(2)	-14,093	-33,703	19,610	-58.2
5. Commission income	(3)	107,704	112,118	-4,414	-3.9
6. Commission expenses	(3)	-11,656	-12,401	745	-6.0
Net commission interest	(3)	96,048	99,717	-3,669	-3.7
7. Net trading income	(4)	10,412	9,359	1,053	11.3
8. Administrative expenses	(5)	-198,583	-181,804	-16,779	9.2
9. Other operating income	(6)	-6,756	-30,478	23,722	-77.8
a) Net income from financial assets - FV/PL	(6)	7,116	-5,831	12,947	
a) Net income from financial assets – AfS	(6)	1,137	-3,608	4,745	
a) Net income from financial assets - HtM	(6)	0	243	-243	-100.0
d) Other operating profit	(6)	-15,009	-21,282	6,273	-29.5
Profit for the year before tax		154,710	146,591	8,119	5.5
10. Income taxes	(7)	-24,959	-20,664	-4,295	20.8
Profit for the period after tax		129,751	125,927	3,824	3.0
of which attributable to equity holders of the parent and owners of the additional capital components		129,612	125,850	3,762	3.0
of which attributable to minority interests		139	77	62	80.5

Income and expenses recognised directly in equity in €k	01/01/- 30/09/ 2016	01/01/- 30/09/ 2015
Profit for the period after tax	129,751	125,927
Items not reclassified to profit or loss for the year	-13,876	-18,459
+/- Actuarial gains/losses IAS 19	-11,426	0
+/- Deferred taxes on actuarial gains/losses IAS 19	2,857	0
+/- Share from entities accounted for by the equity method	-5,307	-18,459
Items reclassified to profit or loss for the year	32,339	18,900
+ / - Unrealised gains and losses nor recognised in the income	44,137	20,497
Amounts recognised in equity	52,026	21,398
Reclassification adjustments	-7,889	-901
+ / - Deferred tax on items recognised directly in equity under IAS 39	-11,034	-5,124
Amounts recognised in equity	-13,006	-5,350
Reclassification adjustments	1,972	225
+ / - Currency exchange differences	-2	239
+/- Share from entities accounted for by the equity method	-762	3,288
Total income and expenses recognised directly in equity	18,463	441
Total comprehensive income for the period and income/expenses not recognised in income	148,214	126,368
of which attributable to equity holders of the parent and owners of the additional capital components	148,075	126,291
of which attributable to minority interests	139	77
Performance	01/01/-30/09/ 2016	01/01/-30/09/ 2015
Cost/Income ratio in %	54.05%	50.21%
Return on equity before tax in %	10.42%	11.77%
Return on equity after tax in %	8.74%	10.11%
Risk/earning ratio (credit risk to net interest income) in %	5.26%	11.89%
Earnings per share in €	5.38	5.63

Consolidated Interim Financial Statements prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 30/06/2016 to 30/09/2016

Consolidated income statement in €k		30/06/ - 30/09/20	30/06/ - 30/09/20	Change in €k	Change in %
1. Interest and similar income	(1)	101,546	103,457	-1,911	-1.8
2. Interest and similar expenses	(1)	-23,633	-27,945	4,312	-15.4
3. Income from entities accounted for by the equity method	(1)	14,112	29,225	-15,113	-51.7
Net interest income	(1)	92,025	104,737	-12,712	-12.1
4. Charges for losses on loans and advances	(2)	3,081	-6,373	9,454	
5. Commission income	(3)	35,511	36,054	-543	-1.5
6. Commission expenses	(3)	-3,959	-4,304	345	-8.0
Net commission interest	(3)	31,552	31,750	-198	-0.6
7. Net trading income	(4)	2,987	3,229	-242	-7.5
8. Administrative expenses	(5)	-67,440	-61,345	-6,095	9.9
9. Other operating income	(6)	-12,254	-21,362	9,108	-42.6
a) Net income from financial assets - FV/PL	(6)	-2,013	-6,091	4,078	-67.0
a) Net income from financial assets – AfS	(6)	6,754	-1,170	7,924	
a) Net income from financial assets - HtM	(6)	0	0	0	
d) Other operating profit	(6)	-16,995	-14,101	-2,894	20.5
Profit for the year before tax		49,951	50,636	-685	-1.4
10. Income taxes	(7)	-8,112	-8,424	312	-3.7
Profit for the period after tax		41,839	42,212	-373	-0.9
of which attributable to equity holders of the parent and owners of the additional capital components		41,843	42,173	-330	-0.8
of which attributable to minority interests		-4	39	-43	

Income and expenses recognised directly in equity in €k	30/6/ - 30/09/2016	30/6/- 30/09/2015
Profit for the period after tax	41,839	42,213
Items not reclassified to profit or loss for the year	-13,080	33
+/- Actuarial gains/losses IAS 19	-9,324	0
+/- Deferred taxes on actuarial gains/losses IAS 19	2,331	0
+/- Share from entities accounted for by the equity method	-6,087	33
Items reclassified to profit or loss for the year	20,951	-4,220
+ / - Unrealised gains and losses nor recognised in the income	25,097	2,144
Amounts recognised in equity	32,846	2,348
Reclassification adjustments	-7,749	-204
+ / - Deferred tax on items recognised directly in equity under IAS 39	-6,274	-536
Amounts recognised in equity	-8,211	-588
Reclassification adjustments	1,937	51
+ / - Currency exchange differences	-172	107
+/- Share from entities accounted for by the equity method	2,300	-5,935
Total income and expenses recognised directly in equity	7,871	-4,187
Total comprehensive income for the period and income/expenses not recognised in income	49,710	38,026
of which attributable to equity holders of the parent and owners of the additional capital components	49,714	37,987
of which attributable to minority interests	-4	39

Balance Sheet as of 31/09/2016 Assets

in €k		30/09/2016	31/12/2015	Change in €k	Change in %
1.	Cash and balances at central banks (9)	287,263	354,023	-66,760	-18.9%
2.	Loans and advances to credit institutions (10)	874,449	1,065,913	-191,464	-18.0%
3.	Primary funds (11)	13,667,180	12,839,944	827,236	6.4%
4.	Impairment provisions (12)	-466,518	-488,292	21,774	-4.5%
5.	Trading assets (13)	76,782	46,173	30,609	66.3%
6.	Financial investments (14)	3,837,093	3,771,209	65,884	1.7%
	a) Financial assets FV/PL (14)	239,099	237,662	1,437	0.6%
	b) Financial assets AfS (14)	783,900	709,536	74,364	10.5%
	b) Financial assets HtM (14)	2,106,091	2,134,565	-28,474	-1.3%
	Interest in entities accounted for by the (14)	708,003	689,446	18,557	2.7%
7.	Intangible assets (15)	1,069	1,248	-179	-14.3%
8.	Property, plant and equipment (16)	238,372	246,449	-8,077	-3.3%
	a) Investment property (16)	97,284	99,501	-2,217	-2.2%
	Other property, plant and equipment (16)	141,088	146,948	-5,860	-4.0%
9.	Other assets (17)	398,069	406,682	-8,613	-2.1%
	Deferred tax assets (17)	44,723	55,984	-11,261	-20.1%
	b) Positive fair values of closed out derivatives in the banking book (17)	180,541	170,644	9,897	5.8%
	c) Other (17)	172,805	180,054	-7,249	-4.0%
	Total assets	18,913,759	18,243,349	670,410	3.7%

Balance Sheet as at 31/09/2016 Equity and liabilities

in €k		30/09/2016	31/12/2015	Change in €k	Change in %
1.	Amounts owed to credit institutions (18)	2,989,870	2,995,503	-5,633	-0.2%
2.	Amounts owed to customers (19)	10,927,804	10,521,547	406,257	3.9%
3.	Securitised liabilities (20)	1,480,907	1,443,376	37,531	2.6%
4.	Provisions for liabilities and charges (21)	342,009	329,176	12,833	3.9%
5.	Other liabilities (22)	444,204	372,962	71,242	19.1%
	a) Trading liabilities (22)	57,495	45,350	12,145	26.8%
	b) Tax liabilities (22)	21,585	7,846	13,739	> 100.0%
	ba) Current tax liabilities (22)	17,739	2,569	15,170	> 100.0%
	bb) Deferred tax liabilities (22)	3,846	5,277	-1,431	-27.1%
	b) Negative fair values of closed out derivatives in the banking book (22)	20,838	26,960	-6,122	-22.7%
	d) Other (22)	344,286	292,806	51,480	17.6%
6.	Subordinated debt capital (23)	667,021	655,121	11,900	1.8%
7.	Equity (24)	2,061,944	1,925,664	136,280	7.1%
	a) Equity after minorities (24)	2,007,356	1,871,105	136,251	7.3%
	b) Minority interests in equity (24)	4,588	4,559	29	0.6%
	c) Additional equity capital components (24)	50,000	50,000	0	
	Total equity and liabilities	18,913,759	18,243,349	670,410	3.7%

Consolidated statement of changes in equity as at 30/09/2016

in €k	Subscribed capital	Capital reserves	Retained earnings	Currency translation reserve	Gains (losses) rec. in equity under IAS 39	Actuarial gains/losses under IAS 19	Associated companies	Equity after minorities	Minority interests	Additional equity components	Equity
As at 1/1/2015	85,924	193,592	856,042	-2,579	27,330	-44,688	415,218	1,530,839	3,238	0	1,534,077
Consolidated net profit			78,545	239	15,373	0	32,134	126,291	77		126,368
Net annual profit (loss)			78,545				47,305	125,850	77		125,927
Other comprehensive income				239	15,373		-15,171	441			441
Dividend payouts			-15,822					-15,822			-15,822
Coupon payments on additional equity capital											
Capital increase	5,757	85,255						91,012			91,012
Issuance of additional equity capital										50,000	50,000
Reacquired own shares	14	-60						-46			-46
Unrealised gains and losses not recognised in the income			404				12,596	13,000	1,231		14,231
As at 30/9/2015	91,695	278,787	919,169	-2,340	42,703	-44,688	459,948	1,745,274	4,546	50,000	1,799,820
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			108,648	-2	33,103	-8,569	14,895	148,075	139		148,214
Net annual profit (loss)			108,648				20,964	129,612	139		129,751
Other comprehensive income				-2	33,103	-8,569	-6,069	18,463			18,463
Dividend payouts			-17,692					-17,692			-17,692
Coupon payments on additional equity capital			-1,725					-1,725			-1,725
Capital increase											0
Issuance of additional equity capital											0
Reacquired own shares	228	836	-847					217			217
Unrealised gains and losses not recognised in the income			3,716				3,662	7,378	-110		7,268
As at 30/9/2016	96,659	349,127	1,027,887	-1,997	80,925	-30,377	485,134	2,007,356	4,588	50,000	2,061,944

¹⁾ The recognition of reacquired own shares has been modified in accordance with the Accounting Amendment Act 2014.

Consolidated statement of cash flows in €k	01/01/- 30/09/2016	01/01/- 30/09/2015
Profit for the year	129,751	125,850
Non-cash items in profit for the year and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-6,890	-983
Change in provisions for staff benefits and other provisions for liabilities and charges	4,264	23,038
Change in other non-cash items	-217	-29,229
Gains and losses on financial investments, property, plant and equipment and intangible assets	-7,024	-290
Subtotal	119,884	118,386
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	214,933	217,658
- Loans and advances to customers	-838,343	-449,830
- Trading assets	-19,968	9,122
- Other current assets	-36,171	18,967
- Other assets from operating activities	54,106	1,995
- Amounts owed to credit institutions	-12,480	136,414
- Amounts owed to customers	373,924	106,120
- Securitised liabilities	20,194	-76,013
- Other liabilities from operating activities	27,793	17,456
Net cash from operating activities	-96,129	100,275
Proceeds from the sale of		
- Financial investments	220,653	95,452
- property, plant and equipment and intangible assets	3,546	5,063
Outlay for purchases of		
- Financial investments	-159,182	-170,630
- Property, plant and equipment and intangible assets	-14,372	-21,032
Net cash from investment activity	50,645	-91,147
Capital increase	0	141,012
Dividend payouts	-17,692	-15,822
Coupon payments on additional equity capital components	-1,725	0
Subordinated liabilities and other financing activities	-1,859	-56,223
Cash flow from financing activities	-21,276	68,967
Cash and cash equivalents at the end of previous period	354,023	147,009
Net cash from operating activities	-96,129	100,275
Net cash from investment activity	50,645	-91,147
Net cash from financing activities	-21,276	68,967
Effects of changes in the consolidation scope and revaluation	0	0
Effects of foreign exchange rate changes	0	0
Cash and cash equivalents at the end of previous period	287,263	225,104
Interest received	307,965	298,679
Dividends received	25,592	19,652
Interest paid	-63,428	-93,923
Coupon payments on additional equity capital components	-1,725	0
Income taxes paid	-24,487	-25,200

Cash and cash equivalents include 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 accounting policies 2016

This quarterly report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31 December 2015.

An exception has been made for standards and interpretations that become effective from the financial year beginning on or after 1 January 2016. Only those new standards and interpretations are listed which are of relevance for the business activities of Oberbank. The application of the following standards and interpretations, as amended, has been mandatory since January 2016.

- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 1 - Disclosure Initiative
- Annual improvement to the International Financial Reporting Standards (Cycle 2012-2014)

The interim report has not been fully audited nor reviewed by an auditor.

The key actuarial assumptions used to determine the present value of the performance-linked obligations were updated as set out below:

	30/09/2016	31/12/2015
Interest rate used	1.25%	2.25%
Increase pursuant to collective agreement	2.97%	3.25%
Increase in retirement benefits	1.53%	1.86%

The Oberbank group of consolidated companies

The group of consolidated companies as at 30 September 2016 included, apart from Oberbank AG, 30 Austrian and 18 foreign subsidiaries. Compared to 31 December 2015, the group of consolidated companies changed as follows:

- **Liquidation: Ober Lizing INPROX Misk Kft (Oberbank Leasing Inprox Misk GmbH) (100%)**
- **New establishment: of Oberbank Weißkirchen Immobilienleasing GmbH (100%)**

The name of the company of “Drei-Banken Versicherungs-Aktiengesellschaft” was changed to “Drei Banken Versicherungsagentur GmbH”.

Details of the income statement in €k

	01/01/- 30/09/2016	01/01/- 30/09/2015
1) Net interest income		
Interest income from		
Credit and money market business	240,278	243,488
Shares and other variable-yield securities	4,446	3,962
Other equity investments	3,005	1,567
Subsidiaries	2,133	2,575
Fixed-interest securities and bonds	54,817	59,247
Interest and similar income	304,679	310,839
Interest expenses for		
Deposits	-41,610	-51,153
Securitised liabilities	-18,163	-20,555
Subordinate liabilities	-14,196	-14,484
Interest and similar expenses	-73,969	-86,192
Income from entities accounted for by the equity method	36,972	58,853
Net interest income	267,682	283,500
2) Charges for losses on loans and advances	01/01/-	01/01/-
Allocated to loan loss provisions	-63,847	-66,398
Direct write-offs	-2,502	-1,826
Reversals of loan loss provisions	50,816	33,095
Recoveries from written-off receivables	1,440	1,426
Charges for losses on loans and advances	-14,093	-33,703
3) Net commission income	01/01/-	01/01/-
Payment services	34,938	33,467
Securities business	29,333	33,708
Foreign exchange, foreign bank note and precious metals business	9,552	9,427
Credit operations	19,174	19,214
Other service and advisory business	3,051	3,901
Net commission interest	96,048	99,717
4) Net trading income	01/01/-	01/01/-
Gains (losses) on interest rate contracts	1,580	1,438
Gains (losses) on foreign exchange, foreign bank notes and coins business	2,559	7,063
Gains (losses) on derivatives	6,273	858
Net trading income	10,412	9,359
5) Administrative expenses	01/01/-	01/01/-
Staff costs	116,811	110,270
Other administrative expenses	72,395	62,402
Write-offs and valuation allowances	9,377	9,132
Administrative expenses	198,583	181,804
d) Other operating income	01/01/-	01/01/-
a) Net income from financial assets - FV/PL	7,116	-5,831
a) Net income from financial assets – AfS	1,137	-3,608
a) Net income from financial assets - HtM	0	243
d) Other operating profit	-15,009	-21,282
thereof stability contribution	-28,720	-10,818
thereof from operating leases	1,919	2,368
thereof from other	11,792	-12,832
Other operating income net of other operating expenses	-6,756	-30,478

7) Income taxes	01/01/-	01/01/-
Current income tax expense	23,315	28,027
Deferred income expenses (income)	1,644	-7,363
Income taxes	24,959	20,664

8) Earnings per share in €	01/01/-	01/01/-
Number of shares as at 30/09	32,237,100	30,702,000
Average number of shares in issue	32,183,219	29,809,674
Consolidated profit for the year after tax	129,751	125,927
Earnings per share in €	4.03	4.22
Annualised values	5.38	5.63

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

9) Cash and balances at central banks	30/09/2016	31/12/2015
Cash in hand	67,629	76,263
Credit balances with central banks	219,634	277,760
Cash and balances at central banks	287,263	354,023

10) Loans and advances to credit institutions	30/09/2016	31/12/2015
Loans and advances to Austrian credit institutions	468,011	592,742
Loans and advances to foreign credit institutions	406,438	473,171
Loans and advances to credit institutions	874,449	1,065,913

11) Loans and advances to customers	30/9/2016	31/12/2015
Loans and advances to Austrian customers	8,278,711	7,814,965
Loans and advances to foreign customers	5,388,469	5,024,979
Loans and advances to customers	13,667,180	12,839,944

12) Impairment provisions	30/09/2016	31/12/2015
Impairment provisions for banks	0	0
Impairment provisions for customers	466,518	488,292
Impairment provisions for other assets	0	0
Impairment provisions	466,518	488,292

13) Trading assets	30/09/2016	31/12/2015
Bonds and other fixed-income securities		
Listed	11,920	857
Stocks and other variable-yield securities		
Listed	675	351
Positive fair values of derivative financial instruments		
Currency contracts	1,484	2,158
Interest rate contracts	62,691	42,807
Other contracts	12	0
Trading assets	76,782	46,173

14) Financial investments	30/09/2016	31/12/2015
Bonds and other fixed-income securities	2,576,936	2,576,539
Stocks and other variable-yield securities	345,701	291,442
Equity investments / shares		
In subsidiaries	85,973	88,207
in entities accounted for using the equity method		
Banks	311,192	306,425
Non-banks	396,811	383,021
Other equity investments		
Banks	13,246	13,246
Non-banks	107,234	112,329
Financial investments	3,837,093	3,771,209
a) Financial assets FV/PL	239,099	237,662
b) Financial assets AfS	783,900	709,536
b) Financial assets HtM	2,106,091	2,134,565
d) Interest in entities accounted for by the equity method	708,003	689,446
Financial investments	3,837,093	3,771,209
15) Intangible assets	30/09/2016	31/12/2015
Other intangible assets	547	682
Customer base	522	566
Intangible assets	1,069	1,248
16) Property, plant and equipment	30/09/2016	31/12/2015
Investment property	97,284	99,501
Land and buildings	57,263	51,220
Business equipment and furnishings	78,319	77,598
Other property, plant and equipment	5,506	18,130
Property, plant and equipment	238,372	246,449
17) Other assets	30/09/2016	31/12/2015
Deferred tax claims	44,723	55,984
Other items	169,109	175,427
Positive fair values of closed out derivatives in the banking book	180,541	170,644
Deferred items	3,696	4,627
Other assets	398,069	406,682
18) Amounts owed to credit institutions	30/09/2016	31/12/2015
Amounts owed to Austrian banks	1,439,666	1,692,571
Amounts owed to foreign banks	1,550,204	1,302,932
Amounts owed to credit institutions	2,989,870	2,995,503
19) Amounts owed to customers	30/09/2016	31/12/2015
Savings deposits	2,840,619	2,912,646
Other	8,087,185	7,608,901
Amounts owed to customers	10,927,804	10,521,547
20) Securitised liabilities	30/09/2016	31/12/2015
Bond issued	1,468,889	1,424,158
Other securitised liabilities	12,018	19,218
Securitised liabilities	1,480,907	1,443,376

21) Provisions for liabilities and charges	30/09/2016	31/12/2015
Provisions for termination benefits and pensions	188,512	178,698
Provisions for anniversary bonuses	12,490	11,619
Loan loss provisions	93,584	95,114
Other provisions	47,423	43,745
Provisions for liabilities and charges	342,009	329,176

22) Other assets	30/09/2016	31/12/2015
Trading liabilities	57,495	45,350
Tax liabilities	21,585	7,846
Current tax liabilities	17,739	2,569
Deferred tax liabilities	3,846	5,277
Other liabilities	243,553	234,761
Negative fair values of closed out derivatives in the banking book	20,838	26,960
Deferred items	100,733	58,045
Other liabilities	444,204	372,962

Other liabilities (trading liabilities)	30/09/2016	31/12/2015
Currency contracts	1,504	2,158
Interest rate contracts	55,991	42,777
Other contracts	0	415
Trading liabilities	57,495	45,350

23) Subordinated debt capital	30/09/2016	31/12/2015
Subordinated bonds issued including supplementary capital	606,331	595,993
Hybrid capital	60,690	59,128
Additional Tier 1 capital	0	0
Subordinated debt capital	667,021	655,121

24) Equity	30/09/2016	31/12/2015
Subscribed capital	96,659	96,431
Capital reserves	349,127	348,291
Retained earnings (incl. net profit)	1,559,698	1,424,511
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	4,588	4,559
Equity	2,061,944	1,925,664

25) Contingent liabilities and credit risk	30/09/2016	31/12/2015
Other contingent liabilities (guarantees and letters of credit)	1,440,379	1,345,954
Contingent liabilities	1,440,379	1,345,954
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	3,492,398	3,265,901
Credit risks	3,492,398	3,265,901

26) Segment report as at 30/09/2016 Core business areas in €k	Personal banking	Corporates	Financial markets	Other	Total
Net interest income	41.4	167.5	58.9	0.0	267.7
Charges for losses on loans and advances	0.5	-9.5	-5.0	0.0	-14.1
Net commission interest	43.7	52.4	0.0	0.0	96.0
Net trading income	0.0	0.0 ¹⁾	10.4	0.0	10.4
Administrative expenses	-67.9	-108.1	-5.9	-16.7	-198.6
Other operating profit	3.2	1.3	8.7	-19.9	-6.8
Extraordinary profit/loss	0.0	0.0	0.0	0.0	0.0
Profit before tax	20.80	103.44	67.06	-36.59	154.71
Average risk-weighted assets	1,474.3	8,498.6	5,369.5	0.0	15,342.3
∅ average allocated equity	190,2	1,096.4	692,7	0.0	1,979.3
Return on equity before tax	14.6%	12.6%	12.9%		10.4%
Cost/income ratio	77.0%	48.9%	7.5%		54.1%

As of the financial year 2016, equity bears interest derived from the average ten-year SWAP rate of the last 120 months.

The equity allocated was measured as at 30/09/2016 based on an interest rate of 2.72% (30/09/2015: 2.99%) and recognised in net interest income as income from equity investments.

In the financial year 2015, the interest rate applied was still 6%. This adjustment accounts for the lower interest rates. The previous year's values were adjusted accordingly.

27) Personnel	30/09/2016	31/12/2015
Salaried employees	2,049	2,025
Blue-collar	13	14
Total resources	2,062	2,039

28) Regulatory capital pursuant to Part 2 Reg. (EU) No 575/2013	30/09/2016	31/12/2015	30/09/2015
Subscribed capital	93,111	94,011	89,406
Capital reserves	349,127	349,127	280,002
Retained earnings	1,455,222	1,405,094	1,312,567
Minority interests	0	0	0
Accumulated other comprehensive income	22,547	3,269	-19,941
Regulatory adjustment items	-36,134	-38,685	-35,608
Deductions from common equity Tier 1 capital items	-162,471	-162,062	-163,343
COMMON EQUITY TIER 1 CAPITAL	1,721,402	1,650,754	1,463,083
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs. to national implementation rules	35,400	41,300	48,300
Deductions AT1 capital items	-8,767	-8,747	-24,542
Additional Tier 1 capital	76,633	82,553	73,758
TIER 1 CAPITAL	1,798,035	1,733,307	1,536,841
Qualifying supplementary capital instruments	346,839	352,505	357,316
Nominal capital preference shares purs. to transition rules	3,600	2,700	2,700
AT1 capital instruments purs. to transition rules	23,600	17,700	20,700
Supplementary capital items purs. to national impl. rules	54,929	56,224	59,959
General credit risk adjustments	0	0	0
Deductions from supplementary capital items	-14,655	-4,432	-4,620
Supplementary capital	414,313	424,697	436,055
CAPITAL RESOURCES	2,212,348	2,158,004	1,972,896
Total risk exposure purs. Art. 92 CRR			
Credit risk	11,754,428	11,213,348	11,071,291
Market risk, settlement risk and CVA risk	64,490	51,477	57,496
Operational risk	951,842	951,842	890,231
TOTAL EXPOSURE	12,770,760	12,216,667	12,019,018
Capital ratios purs. Art. 92 CRR			
Common Equity Tier 1 ratio	13.48%	13.51%	12.17%
Tier 1 capital ratio	14.08%	14.19%	12.79%
Total capital ratio	17.32%	17.66%	16.41%
Regulatory capital ratios purs. to transition rules in %			
Common Equity Tier 1 ratio	5.125%	4.500%	4.500%
Tier 1 capital ratio	6.625%	6.000%	6.000%
Total capital ratio	8.625%	8.000%	8.000%
Regulatory capital requirements purs. to transition rules in €k			
Common Equity Tier 1 capital	654,501	549,750	540,856
Tier 1 capital	846,063	733,000	721,141
Total capital	1,101,478	977,333	961,521
Free capital components			
Common Equity Tier 1 capital	1,066,901	1,101,004	922,227
Tier 1 capital	951,972	1,000,307	815,700
Total capital	1,110,870	1,180,671	1,011,375

29) Fair value of financial instruments as at 30/09/2016 (€k)							
	HtM	FV/PL	HFT	AfS	L&R/Liabilities	Other	Total
Cash and balances at central banks						287,263	287,263
						287,263	287,263
Loans and advances to credit institutions					874,449		874,449
					875,561		875,561
Loans and advances to customers	42,398	63,425		71,916	13,489,441		13,667,180
	44,239	63,425		71,916	13,616,300		13,795,880
Impairment provisions					-466,518		-466,518
					-466,518		-466,518
Trading assets			76,782				76,782
			76,782				76,782
Financial investments	2,106,091	239,099		689,448		802,455	3,837,093
	2,311,419	239,099		689,448			
Intangible assets						1,069	1,069
Property, plant and equipment						238,372	238,372
Other assets			180,541			217,528	398,069
			180,541				
of which closed derivatives positions in the banking book			180,541				180,541
			180,541				180,541
Total assets	2,148,489	302,524	257,323	761,364	13,897,372	1,546,687	18,913,759
	2,355,658	302,524	257,323	761,364	14,025,343		
Amounts owed to credit institutions		67,769			2,922,101		2,989,870
		67,769			2,961,903		3,029,672
Amounts owed to customers		416,944			10,510,860		10,927,804
		416,944			10,528,844		10,945,788
Securitised liabilities		429,074			1,051,833		1,480,907
		429,074			1,064,742		1,493,816
Provisions for liabilities and charges						342,009	342,009
Other liabilities			78,333			365,871	444,204
			78,333				
of which closed derivatives positions in the banking book			20,838				20,838
			20,838				20,838
Subordinated debt capital		423,231			243,790		667,021
		423,231			248,134		671,365
Capital						2,061,944	2,061,944
Total equity and liabilities	-	1,337,018	78,333	-	14,728,584	2,769,824	18,913,759
	-	1,337,018	78,333	-	14,803,623		

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

Presentation of the fair value hierarchy of financial instruments as at 31/09/2016

	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
Financial assets carried at fair value in €k										
Loans and advances to customers	0	63,425	0	71,916	0	0	135,341	0	71,916	63,425
Trading assets	0	0	76,782	0	0	0	76,782	12,260	64,522	0
Financial assets FV/PL	0	239,099	0	0	0	0	239,099	53,521	185,578	0
Financial assets AfS ¹⁾	0	0	0	689,448	0	0	689,448	555,464	56,062	77,922
Other assets	0	0	180,541	0	0	0	180,541	0	180,541	0
of which closed derivatives positions in the banking book	0	0	180,541	0	0	0	180,541	0	180,541	0
Financial assets not carried at fair value										
Loans and advances to credit institutions	0	0	0	0	874,449	0	874,449	0	0	875,561
Loans and advances to customers	42,398	0	0	0	13,489,441	0	13,531,839	0	44,239	13,616,300
Financial assets HtM	2,106,091	0	0	0	0	0	2,106,091	2,228,870	82,549	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	67,769	0	0	0	0	67,769	0	12,254	55,515
Amounts owed to customers	0	416,944	0	0	0	0	416,944	0	416,944	0
Securitised liabilities	0	429,074	0	0	0	0	429,074	0	429,074	0
Other liabilities	0	0	78,333	0	0	0	78,333	0	78,333	0
of which closed derivatives positions in the banking book	0	0	20,838	0	0	0	20,838	0	20,838	0
Subordinated debt capital	0	423,231	0	0	0	0	423,231	0	423,231	0

This item consists 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).

Presentation of the fair value hierarchy of financial instruments as at 30/09/2016

	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
Financial liabilities not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	2,922,101	0	2,922,101	0	57,614	2,904,289
Amounts owed to customers	0	0	0	0	10,510,860	0	10,510,860	0	57,348	10,471,496
Securitised liabilities	0	0	0	0	1,051,833	0	1,051,833	0	1,064,742	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	243,790	0	243,790	0	248,134	0

The fair value corresponds to the price at which an asset can be sold or a liability settled by market participants in an orderly 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 refer to regularly performed measurements. There was no one-off fair value measurement in the reporting year.

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 conclusion of transactions. Trading book positions are marked-to-market daily at the close of business. The valuation is based on current stock exchange quoted 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 any and 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, 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 to 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 in conformity with the credit ratings are available.

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 94,452 are recognised at cost. There is no active market for these instruments and 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 01/01/2016	80,424
Additions (purchases)	0
Disposals (sales)	-2,502
Impairment (recognized in income)	0
Carrying value as at 30/09/2016	77,922

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

Realised gains	0
Impairment in the reporting year	0
	0

The item Other comprehensive income showed no effects from these types of instruments in the financial year.

The remaining Level 3 financial instruments assessed 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.

<u>Movements in the reporting year in €k:</u>		
	Loans and advances to customers	Amounts owed to customers
Carrying value as at 01/01/2016	67,811	55,112
Additions	0	0
Disposals	-5,023	0
Changes in fair value	637	403
of which disposals	26	0
of which portfolio instruments	611	403
Carrying value as at 30/09/2016	63,425	55,515

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 profit or loss of the Oberbank Group;
- these consolidated interim financial statements cover the first three quarters of 2016 (1 January 2016 to 30 September 2016) and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

Major transactions with individuals and companies as at 30 September 2016 were:

- Associated companies	€k	€ 0
- Subsidiaries	€k	€ 5,000
- Other related parties	€k	€ 0

Linz, 7 November 2016

The Management Board

Franz Gasselsberger, Chairman

Josef Weißl

Florian Hagenauer

Notes

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 date. 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. The information provided on market shares are based on the most recent data 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 of change arrived at by adding up component figures which have not been rounded off.

Financial calendar 2016

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

20 May 2016	Quarterly results for Q1 2016
23 August 2016	Quarterly results for Q1-2 2016
07 November 2016	Quarterly results for Q1-3 2016

All of the information is available electronically at www.oberbank.at under Investor Relations.

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