

Press Release of 23 Aug. 2016

Oberbank again achieved a record result in the first half of 2016

23 Aug 2016

The banking business has been undergoing the greatest changes in history. While interest margins have come under enormous pressure, banks are also faced with the constant challenge of new regulatory requirements. Despite the pressure, Oberbank CEO Franz Gasselsberger again presents an excellent result for the first half of 2016. Profit before tax rose by 9.2% or EUR 96.0 million to EUR 104.8 million. Profit after tax increased by 5.0% to EUR 87.9 million. Oberbank's Tier 1 capital ratio has increased from 8.3% to 14.0% since 2008. At 12.71%, the Tier 1 capital ratio in the Austrian market in general is comparatively low.

22.6% lending growth in five years

The Bank's total lending volume increased by 22.6% in the past five years. Corporate loans widened by 4.8% to EUR 10.6 billion, with investment finance loans rising by as much as 5.6% to EUR 7.5 billion. The growth driver in the field of subsidised investment and export finance is the Bank's outstanding advisory competence. Posting 7.6% growth at EUR 2.8 billion, Oberbank also sustained its hitherto rapid expansion in the personal lending business. Customers' readiness to recommend Oberbank again earned the Bank the Recommender Award for the current year.

Outstanding risk situation is a key success factor

Notwithstanding above average lending growth, the Bank's credit risk position continues to be highly favourable. In the first half of 2016, charges for losses on loans and advances of EUR 17.2 million were 37.2% below the comparable value of 2015. At last count, the impairment ratio was at 0.26%, i.e. for one million euros in loans, the Bank had to set up a mere EUR 2,600 in impairment provisions. In addition, at 2.88%, the proportion of non-performing loans was substantially below the average of the 157 banks under direct ECB supervision (5.7%).

Growth of customer assets under management confirms high customer confidence

Customer assets under management surged by EUR 545.5 million to a new high of EUR 25.4 billion.

Expansion strategy continued with great success

While other banks are still closing down branches, we have set up five new locations alone in the first half of 2016 (Wien-Donauspital und Wien-Perchtoldsdorf, Jena, Erfurt, Ulm). By the end of the year, we plan to open two further branches in Hungary.

Our policy of expanding our branch network has proved to be the right one and this is reflected in the attractive cost/income ratio of 51.8%, which puts Oberbank almost 15 percentage points below the comparable figure for the total of 157 banks under direct supervision by the ECB and almost 20 percentage points below the value for the overall Austrian market.

Further capital increase being considered

The Management Board has made the basic decision to examine and evaluate the feasibility of a capital increase in the fourth quarter of 2016. The capital increases carried out in the past have proven a big success both for shareholders and the Bank.

Investors who participated in last year's two capital increases have benefited from an appreciation of about 23.5% (since the first capital increase on 4 May 2015) and 17.43% (since

the second increase on 6 October 2015), (performance data from 4 May 2015 to 18 August 2016 excluding fees and taxes, including dividends before tax; source: own calculations). Naturally, a similar development cannot be guaranteed for the future. According to Gasselsberger, a further capital increase would help the Bank to pursue its vigorous growth course without restrictions. At a target equity ratio of 15% to 15.5%, Oberbank ranks among the top capitalised banks not only in Austria, but on the European level as well. The Bank is also considering to raise the share capital from currently EUR 96.7 million to a level between EUR 102 and EUR 103.

ECB policy is quite rightly controversial

Oberbank CEO Gasselsberger considers the ECB's low-interest rate policy to be increasingly problematic, as it puts considerable pressure on savers as well as banks, insurance companies and pension funds. Up to now, the ECB' strategy has achieved only one thing, a weaker euro, but has fallen short of all its other objectives. Inflation failed to increase perceptibly, credit demand has remained unchanged and the positive impulses for business failed to materialise. Nonetheless, the ECB refuses to rethink its strategy and is even quickening the pace of its controversial bond purchases. Although the long-term damage is all too obvious, the issue is not given sufficient room for discussion.

Outlook on the second half of 2016

Gasselsberger is nonetheless confident for the future. Oberbank will be successful in mastering the challenging environment of 2016. The Bank expects total lending to increase further by some 5% to 6% and deposits to widen between 1.5% and 2.0% year on year. Credit risk is expected to take a favourable development again in the second half of 2016. After the exceptional year 2015 and considering the difficult framework conditions of 2016, it would be a notable success to come approximately close to matching the previous year's earnings.