

Success.

Interim Report to Shareholders
as at 30 June 2014.



Oberbank at a Glance

Income statement in €m	H1 2014	Change	H1 2013
Net interest income	172.5	2.8%	167.8
Charges for losses on loans and advances	(35.8)	11.0%	(32.3)
Net commission income	59.5	2.5%	58.1
Administrative expenses	(116.4)	2.0%	(114.2)
Profit for the year before tax	87.2	11.0%	78.5
Profit for the year after tax	73.6	10.8%	66.4
Balance sheet in €m	H1 2014	Change	31/12/2013
Assets	17,543.8	0.1%	17,531.8
Loans and advances to customers	11,645.1	3.4%	11,277.9
Primary funds	11,742.5	(4.1%)	12,250.4
of which savings deposits	3,203.5	(4.5%)	3,352.1
of which securitised liabilities including subordinated capital	2,301.1	3.5%	2,224.4
Equity	1,489.3	4.8%	1,421.0
Customer funds under management	22,766.8	(0.1%)	22,787.5
Own funds within the meaning of BWG €m	H1 2014¹⁾	Change	31/12/2013²⁾
Assessment basis	11,748.8	9.4%	10,734.0
Own funds	1,852.9	1.5%	1,824.8
of which core capital (CET1)	1,225.2		n.a.
of which total core capital (CET1+AT1)	1,283.5	(2.8%)	1,320.6
Hard core capital ratio	10.43%		n.a.
Core capital ratio	10.92%	(1.4 ppt)	12.30%
Total capital ratio	15.77%	(1.2 ppt)	17.00%
Performance	H1 2014	Change	H1 2013
Return on equity before tax	12.05	0.5%	11.58
Return on equity after tax	10.18	0.4%	9.79
Cost/income ratio	48.62	(2.1%)	50.75
Risk/earnings ratio (credit risk in % of net interest income)	20.77	1.5%	19.23
Resources	H1 2014	Change	31/12/2013
Average number of staff (weighted)	2,010	9	2,001
Number of branches	153	3	150

¹⁾ Application of CRR/CRD IV (Basel III) from 1 Jan. 2014. The figures are therefore not comparable with previous periods.

²⁾ Computed in accordance with Basel II.

The Oberbank Group in the first half of 2014

Dear Readers,

Oberbank once again presents a highly satisfactory result of operations in the first half of 2014.

Our profit before and after taxes increased by comparison to the first half of 2013 and we posted further growth in terms of both lending and deposits; our capital base continues to be excellent.

Another very good performance

- **Operating profit at EUR 123.0 million (+11.0%)**
- **Profit for the period before tax EUR 87.2 million (+11.0%); after tax EUR 73.6 million (+10.8%)**
- **Growth in terms of net interest income and earnings from services**

Although the bar was set high after last year's excellent semi-annual result, we again boosted our operating profit by 11.0% to EUR 123.0 million. Our pre-tax profit equally improved by 11.0% to EUR 87.2 million, and our net profit for the period rose by 10.8% to EUR 73.6 million.

Net interest income widened by 2.8% to EUR 172.5 million year on year. At EUR 145.3 million, interest income from operating activities was 1.5% higher than in the first half of 2013. Income from equity investments increased to EUR 27.1 million, topping the previous year's figure by 10.6%. Net commission income widened by 2.5% to EUR 59.5 million, boosted above all by higher loan commissions (+8.6%) and a perceptible rise in commissions from payment transactions (+4.2%).

Considerable gain in productivity

Operating income widened by 6.4% to EUR 239.4 million in the first half of 2014; concurrently, costs rose by the moderate rate of 2.0% to EUR 116.4 million.

After 50.8% one year earlier, Oberbank's cost/income ratio was at 48.6% in the first half of 2014. This compares with a ratio of almost 67% in the general market in the first half of 2014.

Lending growth means further gains in market share

- **3.6% lending growth to EUR 12.1 billion**

Demand for commercial loans continues at subdued levels in the market in general: While stagnating in Austria (+0.3%), commercial lending has lately indeed declined by 3% in the euro area as a whole. Quite contrary to this trend, Oberbank again boosted its commercial lending volume by 2.7% to EUR 9,784.9 million and thus again expanded its market share in this line of business. Investment finance (+1.3%) accounts for EUR 6,635.1 million, and working capital loans (+5.8%) for EUR 3,149.8 million of this volume.

The volume of personal loans increased by 7.8% to EUR 2,313 million year on year, which also resulted in gains in market share. This growth was driven by higher demand in practically all regions covered by Oberbank. The strongest growth was seen in Vienna, where Oberbank substantially expanded its branch network in recent years, but the regions of Upper Austria, Salzburg and Lower Austria as well as Bavaria, the Czech Republic and Slovakia also showed themselves to be on a solid growth course.

EUR 22.8 billion in customer funds under management evidence investors' trust in Oberbank.

- **5.2% growth to EUR 1.1 billion**

Our deposit business – even against the backdrop of a historically low savings rate throughout Austria – continues to benefit from our excellent credit rating. At EUR 11.7 billion, primary deposits widened by EUR 3.7 million and thus again matched the previous year's high level; the volume of funds in customers' securities deposits actually rose by 11.3% to EUR 11.0 billion. The total volume of assets entrusted to us by our customers thus stood at almost EUR 23 billion, which corresponds to a rise of 5.2% or more than one billion euro year on year.

Favourable credit risk position as a key success factor

In terms of lending growth, Oberbank has outperformed the market for years; as a result, our credit risk is better than in the market in general. This has had a positive effect on the Bank's earnings position. Our impairment allowance ratio of 0.6% means that only EUR 6,000 out of a lending volume of one million euro requires impairment adjustment. Given a ratio of 3.5%, which corresponds to EUR 35,000, the impairment needs of Austrian banks in general are six times higher; in Eastern Europe, the impairment ratio is as high as 8%, which corresponds to EUR 80,000.

Branch/network expansion policy has proved effective

- **Growth strategy based on opening new branches is continued in 2014**

We are speeding up our pace of expansion by opening up to ten new branches in 2014

In the first half of 2014 Oberbank has already opened three new branches, namely in Jihlava (Czech Republic) as well as one each in Eggenfelden and Freising (Bavaria). Six further new branches will be set up in Vienna, the Czech Republic, Hungary and Germany. Preparations are under way for further new outlets to be set up in Erfurt and Jena in Thuringia as well as in Ulm, Baden-Württemberg.

Additionally, we are expanding our catchment area in Germany.

In Germany, we have an additional new expansion focus on the regions of Hesse and Thuringia. While the business potential in Bavaria continues to be attractive, Oberbank perceives additional market opportunities in the German states of Hesse and Thuringia. In expanding to these new regions, Oberbank can take advantage of its Bavarian structures and existing customer relations.

With our continued expansion policy, we are moving clearly counter to the mainstream.

Many banks are seeking their salvation in low-cost internet banking; branch closures have become frequent. Our dense network of branches has never been a cost problem, but an important factor in our success. Notwithstanding our rapid expansion course, we boast a cost/income ratio of 48%, which is substantially above the industry average. For this reason, we will steadfastly continue our expansion policy.

Linz, August 2014



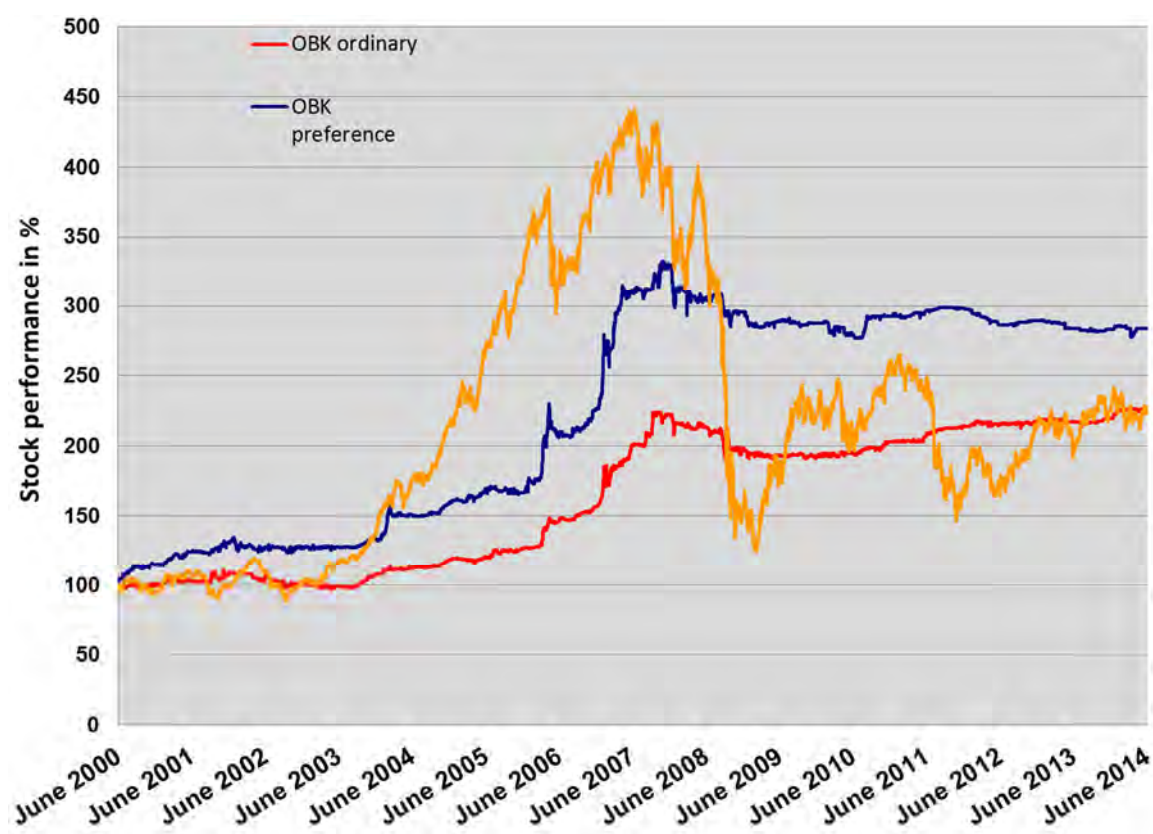
CEO Franz Gasselsberger
Chairman of the Management Board

The Oberbank Shares

The price of the Oberbank ordinary share reached a new all-time high of EUR 50.00 in the first half of 2014. The price development of the Oberbank ordinary share hence reflects the excellent business performance of Oberbank.

Oberbank stock – key figures	H1 2014	H1 2013
Number of ordinary no-par shares	25,783,125	25,783,125
Number of no-par preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	50.00/38.11	48.50/38.70
Low (ordinary/preference share) in €	48.45/37.00	47.70/37.80
Close (ordinary/preference share) in €	50.00/37.80	48.00/37.80
Market capitalisation in €m	1,402.6	1,351.0
IFRS earnings per share in €, annualised	5.12	4.62
P/E ratio (ordinary share)	9.77	10.39
P/E ratio (preference share)	7.38	8.18

Oberbank ordinary and preference shares compared with the ATX



The Business Segments in the First Half of 2014

Corporate and Business Banking Segment

Corporate and Business Banking in €m	H1 2014	H1 2013	+ / - absolute	+ / - in %
Net interest income	116.7	112.8	3.9	3.5%
Charges for losses on loans and advances	(26.4)	(11.0)	(15.4)	>100%
Net commission income	30.8	29.4	1.4	4.8%
Net trading income	0.0	(0.1)	0.2	
Administrative expenses	(59.0)	(57.4)	(1.6)	2.8%
Other operating profit	1.3	0.6	0.6	>100%
Extraordinary profit	0.0	0.0	0.0	
Profit for the period before tax	63.5	74.4	(10.9)	(14.6%)
Risk equivalent	8,289.9	8,180.0	109.9	1.3%
Average allocated equity	904.0	857.0	47.0	5.5%
Return on equity before tax (RoE)	14.0%	17.4%	(3.4 ppt)	
Cost/income ratio	39.6%	40.2%	(0.6 ppt)	

Earnings development in Corporate and Business Banking

The pre-tax profit in the Corporate and Business Banking segment declined by EUR 10.9 million or 14.6% to EUR 63.5 million. Net interest income widened by 3.5% or EUR 3.9 million to EUR 116.7 million. Charges for losses on loans and advances increased by EUR 15.4 million to EUR 26.4 million. Net commission income rose by EUR 1.4 million to EUR 30.8 million year on year.

Administrative expenses widened by EUR 1.6 million to EUR 59.0 million. Other operating profit improved by EUR 0.6 million to EUR 1.3 million. The return on equity in Corporate and Business Banking declined by 3.4 percentage points to 14.0%; the cost/income ratio improved marginally by 0.6 percentage points to 39.6%.

42,491 corporate and business banking customers

The positive trend in new customer acquisition continued in the first half of 2014, with Oberbank gaining 3,067 new corporate and business banking customers in this period. Currently, Oberbank services 42,491 corporate and business banking customers.

Commercial lending

The Bank's commercial lending volume increased by the gratifying rate of 2.7% or EUR 255.2 million to EUR 9,784.9 million.

Commercial loans		YoY change	
as at 30/06/2014	as at 30/06/2013	absolute	in %
€ 9,784.9 m	€ 9,529.7 m	€ 255.2 m	2.7%

Investment finance

In the first six months of 2014, the number of applications for subsidised loans for investment projects and innovation projects filed by business customers in the Bank's Austrian branch offices was again 16% above the level observed one year earlier. Oberbank, as hitherto, continues to hold a top position among Austrian banks in this field of business, featuring, for instance, as the number one bank in terms of applications for ERP business promotion loans. Despite businesses' generally low propensity to invest, the investment volume behind these applications for funding again rose by 12% year on year in the first half of 2014. This trend is also reflected by the development of subsidised loans extended by Oberbank, which, having risen by 2% year on year, amounted to EUR 584 million as at 30 June 2014.

Investment finance		YoY change	
as at 30/06/2014	as at 30/06/2013	absolute	in %
€ 6,635.1 m	€ 6,552.6 m	€ 82.5 m	1.3%

Leasing

At EUR 265 million, the volume of new business in this business line was almost 20% above the previous year's level. Key growth drivers this year are Austria and Bavaria; the expansion market of Hungary more or less matches last year's high level. A principle source of growth was vehicle leasing, which increased by 22.5%.

Leasing receivables from customers		YoY change	
as at 30/06/2014	as at 30/06/2013	absolute	in %
€ 1,606.0 m	€ 1,524.0 m	€ 82.0 m	5.4%

Structured finance

While demand for refinancing facilities remained more or less at the level of the previous year in the first half of 2014, demand for finance for various forms of change of ownership was brisk throughout this period. In the field of receivables management, demand for special financing solutions declined somewhat in comparison with the first half of 2013, which is an indication that liquidity is abundantly available in large parts of the corporate sector. Driven by year-end accounting adjustments, demand for this type of financing solution is likely to increase notably in the fourth quarter. In the field of real estate finance, Oberbank looks back on a satisfactory first half, even though this business line failed to attain the previous year's high project volume.

Oberbank Opportunity Fonds

The Oberbank Opportunity Fonds received 68 new applications for financing solutions in the reporting period, which, given a constantly high level of quality of applications, almost comes up to the very high level of the previous year. One financing project was successfully concluded in the first half of the year, while a number of others are pending finalisation. Based on this well-filled pipeline, the Oberbank Opportunity Fonds is confident of concluding attractive private equity and mezzanine capital deals in the months to come.

Since the launch of the Oberbank Opportunity Fonds, the Bank has facilitated a total of 41 transactions by providing equity and/or mezzanine capital support. The committed fund volume amounted to approximately EUR 91.4 million (of a total of EUR 150 million) as at 30 June 2014. At the same date, equity participation capital accounted for EUR 22.8 million and mezzanine capital finance for EUR 18.1 million of the outstanding exposure of EUR 40.9 million.

Syndicated loans and bonded loans

Compared with the first half of 2013, business dynamics in the field of syndicated loans and bonded loans was restrained in the first six months of 2014. Numerous issuers of bonded loans took advantage of the current market situation and repaid their loans prematurely. What is more, new loans were issued at much lower rates.

Export and trade finance

Although Austrian exports of goods already rose to a record high in 2013, the Austrian Economic Chamber (WKO) expects exports to rise further to some EUR 130 billion this year.

The development of exports in the first half of 2014 confirms this expectation, thus transactions in the field of trade finance increased by 11.3% year on year. As regards export finance, demand for revolving loans also continues unbroken at a high level.

Austrian exporters exhibited a very low propensity to invest in the first half of 2014. Demand for finance for expansion projects abroad remained below expectations. Bolstered by the currently very attractive long-term interest rates offered by OeKB, however, demand for finance to support projects implemented abroad has increased in the recent past.

In spite of a very challenging market environment and weak demand, Oberbank further strengthened its position in terms of the main export finance procedures. As at 30 June 2014, the Bank's market share in export finance under Export Fund procedures was at roughly 11.8% (about 30% in Upper Austria) and at 10.7% in KRR export promotion loans targeted at large corporates. These results place Oberbank in the top tier of the industry ranking; in second place, for instance, in the SME-relevant segment of Export Fund loans.

SEPA

As the time limit for SEPA implementation had been extended, activities in the first half of 2014 still focused on customer support services in this field. The Bank's service staff once again contacted customers who continued to use the old data format after the initial transition date of 1 February 2014. Oberbank stopped accepting payments and direct debits in the old data format as of 21 July 2014.

Payment services

In the first half of 2014, earnings from payment services in Corporate and Business Banking increased by 4.2% year on year. This gratifying development was made possible by a 5% rise in payment transactions and a 5% rise in the number of payment accounts. At 97%, the volume of electronic payments by the Bank's customers remains at a constantly high level.

International network of banks and institutions

While Austrian external trade statistics, against the backdrop of weakening economic activity, reported a decline in sales in the first half of 2014, services in this field and, above all, continued support of export and import customers concurrently witnessed brisk demand.

As economic activity stagnated in a number of European countries, foreign trade growth focused primarily on Asia, but also the United States and other countries.

For Oberbank, accompanying and supporting customers in this area is a top priority. For this reason, the Bank sets great store by strengthening personal contacts with partner banks, which on the one hand enables Oberbank to offer its customers the best possible level of service, and on the other helps to raise the partner banks' interest in Austria as a business location.

This year, some 250 bank representatives from 30 countries accepted the invitation to convene at the traditional Oberbank Day organised biennially at the Oberbank Donau Forum in Linz. This event has for many years featured as a successful platform for discussion and exchange of views and ideas.

Primary funds

The ECB's persisting expansionary monetary policy course continued to keep interest rates in the short-term segment low in the first half of 2014. Short-term margins came under further pressure after the ECB cut the key rate from 0.25% to 0.15% at the beginning of June.

The three-month Euribor thus declined from a high of just below 0.35% (April 2014) to a level just above 0.2% by the end of the first half of 2014.

As in the previous reporting periods, customers' high preference for liquidity affected the development of deposits. In view of the fact that differences at the short end of the interest rate curve have almost disappeared, customers prefer to invest liquid funds at slightly lower rates and thus have their funds readily available.

The time-tested Cash Garant product line enjoyed a high level of demand from customers.

The issuing volume increased by more than EUR 100 million in the first half of 2014; further new issues are in the pipeline for the second half of the year.

Management of interest rate risk and currency risk

The international business environment evolved along stable lines thanks to the low volatility of the US dollar and – in the wake of the intervention by the Czech National Bank – the stable Czech crown.

Many customers postponed exchange-rate hedging projects in expectation of better opportunities. Export-oriented companies, in particular, would welcome a strengthening of the US dollar against the euro.

As yet, the EUR/USD exchange rate fails to adequately reflect the solid US economic data and the clearly more favourable business development in the United States as compared with Europe.

Direct customer services

Besides supporting customers in short-term investment and credit transactions, the focus of activities in this business line was on solutions for hedging import and export transactions against adverse movements in currency markets. Limit orders were once again seen to provide a simple and efficient instrument for successful currency hedging. In addition, time-tested hedging instruments such as forward exchange contracts were used to hedge the majority of the transactions.

Personal Banking Segment

Personal Banking in €m	H1 2014	H1 2013	+ / - absolute	+ / - in %
Net interest income	27.7	28.5	(0.7)	(2.6%)
Charges for losses on loans and advances	1.1	(1.5)	2.7	
Net commission income	28.6	28.7	(0.1)	(0.3%)
Administrative expenses	(41.3)	(41.6)	0.3	(0.8%)
Other operating profit	1.6	1.5	0.1	5.4%
Profit for the period before tax	17.7	15.5	2.2	14.5%
Risk equivalent	1,245.2	1,192.4	52.9	4.4%
Average allocated equity	135.8	124.9	10.9	8.7%
Return on equity before tax (RoE)	26.1%	24.7%	1.4 ppt	
Cost/income ratio	71.4%	71.0%	0.4 ppt	

Earnings development in Personal Banking

The pre-tax profit in Personal Banking increased by EUR 2.2 million or 14.5% to EUR 17.7 million. Net interest income declined by EUR 0.7 million to EUR 27.7 million. Charges for losses on loans and advances decreased by EUR 2.7 million to EUR 1.1 million year on year. Net commission income declined by EUR 0.1 million to EUR 28.6 million. Administrative expenses were EUR 0.3 million or 0.8% down to EUR 41.3 million. Other operating income edged up by EUR 0.1 million to EUR 1.6 million. The Personal Banking segment's return on equity increased by 1.3 percentage points to 26.1%; the cost/income ratio deteriorated by 0.4 percentage points to 71.4%.

Personal banking customers

As at 30 June 2014, Oberbank was servicing a total of 305,809 personal banking customers across all lines of business in Austria and abroad. 10,759 of these were newly acquired in the first half of 2014. Vienna, one of Oberbank's growth markets, as well as the Bank's foreign markets showed a particularly positive development in this respect.

Personal accounts

Oberbank's portfolio of personal accounts grew by 1,436 accounts to a total of 175,904 in the first nine months of the year. This growth was partly propelled by a broadly-based promotion of personal accounts, which, besides using classical advertising instruments, was also based on target-group-specific activities. Additionally, special sales training focusing on the newly introduced account models and the new "Bankomatkarte Gold" bank card was organised for sales personnel.

Number of personal accounts		YoY change	
as at 30/06/2014	as at 30/06/2013	absolute	in %
175,904	174,468	1,436	0.8%

Personal loans

The volume of personal loans widened by 7.8% or EUR 167.1 million to EUR 2,313.1 million year on year. New lending totalled EUR 332.9 million in the first half of 2014; this is 23.0% above the level observed in the first half of 2013. A key driver of this positive development was the Vienna regional division, but the other Austrian business regions also posted encouraging results. The Bank's foreign markets also continued to develop well; Slovakia and the Czech Republic posted 17% and 7% growth, respectively.

Personal loans		YoY change	
as at 30/06/2014	as at 30/06/2013	absolute	in %
€ 2,313.1 m	€ 2,146.0 m	€ 167.1 m	7.8%

Savings deposits

Compared with the level on 30 June 2013, the volume of savings deposits declined by 3.8% or EUR 127.8 million to EUR 3,203.5 million.

The ratio of variable-rate savings accounts to fixed-rate capital savings accounts was seen to reverse again in favour of variable-rate accounts. The Austrian savings rate continues to be at a very low level. After a slight rise to 6.6% in the fourth quarter of 2013, the savings rate declined again to 6.1% in the early months of 2014.

Savings deposits		YoY change	
as at 30/06/2014	as at 30/06/2013	absolute	in %
€ 3,203.5 m	€ 3,331.3 m	(€ 127.8 m)	(3.8%)

Securities business

Developments on the financial markets were conspicuous for two reasons: pronounced price gains on bonds issued by peripheral euro area states and the US equity markets rising to historic highs. These developments remained quite unaffected by geopolitical crises such as the situations in Ukraine and Syria and the renewed escalation in Israel. Further notable developments were the persistent weakness of the Vienna stock exchange as well as the Chinese equity market. The euro declined slightly against the US dollar, the Swiss franc, the British pound sterling and the Japanese yen. In the first half of 2014, gold regained about 10% of the value losses suffered in the previous year.

Overall, developments in the first half of 2014 were positive for Oberbank. The market value of securities in customer deposits rose to a new record high of EUR 11 billion, which corresponds to a rise of EUR 1.1 billion or 11.3% as compared with the end-of-June level of 2013. Thus the trend of record volume developments in all areas continued. Given the lack of a comparable deal flow in the field of corporate bond activities, commissions earned from transactions came out below the previous year's level. Overall, securities commissions totalled EUR 18.8 million in the first half of 2014.

Oberbank issues

With Oberbank placing a volume of EUR 303.7 million in the market, issuing activity in 2014 has taken a very positive development in the year to date. Two issues of the MinMax-Floater, a product innovation, contributed EUR 40.4 million to this result. Standard products issued include Oberbank bonds targeted at medium-term to long-term investors and products from the Cash Garant product line designed for short-term investors.

Private Banking

The very gratifying and dynamic development of Oberbank's Private Banking activities continued unbroken in the first half of 2014. The volume of assets under management in the Bank's iPM (individual portfolio management) unit increased to a new high of EUR 344.9 million, topping the level observed one year earlier by EUR 79.6 million. New money growth and the rise in special fund mandates were equally satisfactory. The brokerage unit, reporting a volume increase of 18.9% from EUR 152.7 million to EUR 181.5 million, also attained new record highs.

3 Banken-Generali in the first half of 2014

3 Banken-Generali Investment-Gesellschaft looks back on continued very dynamic development in the first half of 2014. The volume of funds managed by the company increased by EUR 537 million or 8.3% to EUR 7.2 billion. This growth is distributed evenly between net inflows of money and the gratifying performance of the individual mutual funds. The company thus substantially outperformed the 4.5% value growth observed in the market in general.

The investment approach most in demand in the area of mutual funds was all-inclusive asset management strategies. Special funds and funds for large-scale investors again posted substantial growth. In this line of business, investment concepts are individually tailored to the needs and the risk inclination of the respective customer group. Considering the macro-economic environment and the ECB's statements in June 2014, interest rates may be expected to remain low, particularly at the short end of maturities. High-quality investment strategies therefore remain a growth market.

Building and loan association saving

At 6,307 contracts, the number of building and loan contracts brokered by Oberbank dropped by 7.1% year on year in the first half of 2014.

Although government-sponsored building and loan association saving continues to be very popular in Austria, this line of business is also feeling the brunt of the generally low propensity to save. In the market in general, new contracts brokered on behalf of Bausparkasse Wüstenrot by the building and loan association's partner banks actually declined by 8.9% year on year.

Insurance services

In the first half of 2014, this line of business boosted production by 28.2% year on year.

In Austria, endowment life insurance business, which reported 63.9% growth year on year, developed along particularly excellent lines. Sales of single-premium policies, in particular, benefited from an amendment to the law. Classical life insurance products again feature among the top sellers in 2014.

Other lines such as risk insurance policies (+8.4%) and property insurance policies (+27.9%) also reported a positive development.

Insurance contracts – premium volume		YoY change	
as at 30/06/2014	as at 30/06/2013	absolute	in %
€ 57.3 m	€ 44.5 m	€ 12.8 m	28.8%

eBanking

The trend towards transacting payments via electronic banking continues unabated. The number of customers with access to electronic banking increased by 4.6% in the first half of 2014. In 2013, Oberbank successfully launched its Oberbank app and in the first half of 2014 worked intensely on further developing this application for introduction in the Bank's foreign markets. The launch of the app in the Bank's German and Czech markets is scheduled for the third quarter.

Financial Markets Segment

Financial Markets in € m	H1 2014	H1 2013	+ / - absolute	+ / - in %
Net interest income	28.0	26.5	1.5	5.6%
Charges for losses on loans and advances	(10.5)	(19.7)	9.2	(46.7%)
Commission income	0.1	0.0	0.1	
Net trading income	1.9	2.5	(0.6)	(24.5%)
Administrative expenses	(3.0)	(3.0)	0.0	0.9%
Other operating profit (loss)	1.8	(6,0)	7.8	
Profit for the period before tax	18.2	0.2	18.0	>100%
Risk equivalent	3,735.5	3,581.1	154.4	4.3%
Average allocated equity	407.3	375.2	32.2	8.6%
Return on equity before tax (RoE)	8.9%	0.1%	8.8 ppt	
Cost/income ratio	9.6%	13.2%	(3.6 ppt)	

Earnings development in the Financial Markets segment

The Financial Markets segment closed the period with a pre-tax profit of EUR 18.2 million, which corresponds to a year-on-year improvement of EUR 18.0 million. Net interest income posted EUR 1.5 million growth to EUR 28.0 million. Charges for losses on loans and advances decreased by EUR 9.2 million to EUR 10.5 million in comparison with the same period in the previous year. Net trading income increased by EUR 0.6 million to EUR 1.9 million. Other operating profit widened by EUR 7.8 million to EUR 1.8 million. The return on equity in the Financial Markets segment rose by 8.8 percentage points to 8.9%; the cost/income ratio improved by 3.6 percentage points to 9.6%.

As profit transfers from the Leasing sub-group were consolidated in the Financial Markets Segment starting from the financial year 2013, the previous year's net interest income and consequently the period result were reduced by EUR 7.1 million (restructuring and transfer to the Corporate and Business Customers segment) for reasons of comparability.

Oberbank issues

Given a stable environment unaffected by any major fluctuations, it proved rather difficult to generate attractive returns while maintaining a conservative risk policy course. Nevertheless, this business line generated a positive profit contribution to the overall result of Oberbank.

Capital resources

Effective from 1 January 2014, capital and Tier 1 capital ratios must be calculated in accordance with the significantly stricter Basel III provisions. Hence, the figures presented now are not comparable with the previous year's ratios computed in line with the Basel II regime.

In accordance with the new standard, total capital in the amount of EUR 1,852.9 million as at 30 June 2014 translates into a total capital ratio of 15.77%, which is almost double the statutorily required rate. Based on Tier 1 capital of EUR 1,283.5 million, the Tier 1 capital ratio came to 10.92%. Common equity Tier 1 capital in the amount of EUR 1,225.2 million corresponds to a common equity Tier 1 capital ratio of 10.43%.

Risk

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

Credit risk constitutes the most important risk category. Oberbank mitigates this risk by recognising adequate allowances and provisions in the balance sheet. As regards customer ratings and collateralisation policy, Oberbank boasts long years of experience and know-how. Additionally, the Bank's regional business model, professional credit management, and a well-balanced distribution of the overall exposure across the individual customer segments all ensure that the possible impact of this risk component on Oberbank's overall performance is always kept within manageable bounds. We therefore do not expect any extraordinary credit risks to occur in 2014 as a whole

Further risk components are the equity risk (risk of potential losses of value and/or earnings in the Bank's equity portfolio), the market risk (possible losses due to changes in interest rates, exchange rates or stock prices), operational risk and liquidity risk.

In line with the principle of prudence, these risks are also backed by appropriate levels of capital. In terms of liquidity risk, Oberbank is in an excellent position insofar as the entire lending volume (€ 12.1 billion as at 30 June 2014) can be refinanced from customers' primary deposits and other long-term refinancing facilities available from OeKB, LfA and KfW (€ 12.9 billion as at 30 June 2014). In addition, Oberbank has a permanent risk controlling system, stringent process management and other efficient control and monitoring instruments in place.

For 2014 as a whole, Oberbank therefore does not expect any extraordinary risk to arise from these risk components.

Outlook for 2014

- **Economic forecasts revised slightly downwards**
- **Solid credit growth, deposit policy hinges on loan developments**
- **Net interest income at previous year's level; solid earnings from services**
- **Very good risk position**

Recent slight downward revision of economic forecasts.

Economic researchers have become slightly less optimistic. Negative factors giving rise to uncertainty are a number of crises, above all the situation in Ukraine. Entrepreneurs obviously share the expectations of the economists, a fact that is reflected by subdued credit demand and companies' reluctance to make investments, which is particularly pronounced among SMEs.

In this setting, Oberbank expects further solid lending growth in 2014 as a whole.

Oberbank's policy in deposit-taking business will depend on the development of the Bank's lending volume. Net interest income is expected to remain more or less at the previous year's level, while further growth is anticipated in the services business. Oberbank's risk situation continues to be excellent. Taking advantage of its favourable earnings position, the Bank nevertheless plans to continue its cautious credit risk policy.

The higher bank levy will significantly affect earnings developments in 2014.

Notwithstanding this additional burden, the Management Board of Oberbank will strive to maintain Oberbank's profits in an order of magnitude that allows the Bank to strengthen its capital base by making allocations to reserves, finance growth from own resources and pay an attractive dividend to its shareholders.

3 Banken Group in the first half of 2014

The 3 Banken Group continued to show a satisfactory development in the first half of 2014. At EUR 33.8 billion, joint total assets of the three banks within the 3 Banken Group increased by EUR 0.2 billion to EUR 33.8 billion year on year, while lending in terms of volume (after charges for losses on loans and advances) increased by 2.1% to EUR 22.6 billion and primary deposits posted a 2.2% rise to EUR 23.1 billion. Joint net profit for the period grew by 8.0% to EUR 135.0 million. As at 30 June 2014, the three banks were operating a total of 246 branches; they had an average of 4,253 employees on their payrolls in the first half of 2014.

Consolidated Interim Financial Statements

Prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 1 Jan. 2014 to 30 June 2014

Consolidated income statement in €k	01/01- 30/06/ 2014	1.1- 30/06/ 2013 ¹⁾	Change in €k	Change in %	01/01- 30/06/ 2013 ²⁾
1. Interest and similar income	216,933	226,237	(9,304)	(4.1)	226,237
2. Interest and similar expenses	(71,604)	(83,017)	11,413	(13.7)	(83,017)
3. Income from entities accounted for using the equity method	27,145	24,551	2,594	10.6	24,551
Net interest income	172,474	167,771	4,703	2.8	167,771
4. Charges for losses on loans and advances	(35,817)	(32,255)	(3,562)	11.0	(32,255)
5. Commission income	66,509	64,123	2,386	3.7	64,123
6. Commission expenses	(7,008)	(6,057)	(951)	15.7	(6,057)
Net commission income	59,501	58,066	1,435	2.5	58,066
7. Net trading income	1,918	2,364	(446)	(18.9)	2,364
8. Administrative expenses	(116,404)	(114,164)	(2,240)	2.0	(119,767)
9. Other operating income	5,507	(3,234)	8,741	>(100.0)	2,369
a) Net income from financial assets – FV/PL	7,900	(114)	8,014	>(100.0)	(114)
b) Net income from financial assets – Afs	(666)	(2,422)	1,756	(72.5)	(2,422)
c) Net income from financial assets – HtM	(498)	0	(498)		
d) Other operating income	(1,229)	(698)	(531)	76.1	4,905
Profit for the year before tax	87,179	78,548	8,631	11.0	78,548
10. Income taxes	(13,550)	(12,119)	(1,431)	11.8	(12,119)
Profit for the year after tax	73,629	66,429	7,200	10.8	66,429
of which attributable to the owners of the parent company	73,616	66,408	7,208	10.9	66,408
of which attributable to minority interests	13	21	(8)	(38.1)	21

¹⁾ Previous year's values after the change in the disclosure of write-offs of fixed operating leases.

²⁾ Figures published as at 30 June 2013.

Income and expenses recognised directly in equity in €k	01/01- 30/06/2014	01/01- 30/06/2013
Profit for the period after tax	73,629	66,429
Items not reclassified to profit or loss for the year	(2,892)	(11,428)
+/- Actuarial gains/losses IAS 19	0	(447)
+/- Deferred taxes on actuarial gains/losses IAS 19	0	112
+/- Share from entities accounted for using the equity method	(2,892)	(11,093)
Items reclassified to profit or loss of the year	6,648	(14,303)
+ / - Unrealised gains and losses not recognised in the income statement under IAS 39	7,028	(23,670)
+ / - Deferred taxes on items recognised directly in equity under IAS 39	(1,757)	5,917
+ / - Exchange differences	(1,945)	(829)
+ / - Share from entities accounted for using the equity method	3,322	4,279
Total income and expenses recognised directly in equity	3,756	(25,732)
Total comprehensive income for the period of net profit for the period and income and expenses recognised directly in equity	77,385	40,697
of which attributable to the owners of the parent company	77,441	40,681
of which attributable to minority interests	(56)	16

Performance indicators	H1 2014	H1 2013
Cost/income ratio in %	48.62%	50.75%
Return on equity before tax in %	12.05%	11.58%
Return on equity after tax in %	10.18%	9.79%
Risk/earnings ratio (credit risk to net interest income) in %	20.77%	19.23%
Earnings per share in €	5.12	4.62

Consolidated Interim Financial Statements - Prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 1 April 2014 to 30 June 2014

<i>Consolidated income statement in €k</i>	01/01- 30/06/ 2014	01/01- 30/06/ 2013¹⁾	Change in €k	Change in %	01/01- 30/06/ 2013²⁾
1. Interest and similar income	108,243	112,754	(4,511)	(4.0)	112,754
2. Interest and similar expenses	(34,697)	(40,151)	5,454	(13.6)	(40,151)
3. Income from entities accounted for using the equity method	16,521	14,800	1,721	11.6	14,800
Net interest income	90,067	87,403	2,664	3.0	87,403
4. Charges for losses on loans and advances	(17,673)	(17,442)	(231)	1.3	(17,442)
5. Commission income	32,423	32,175	248	0.8	32,175
6. Commission expenses	(3,558)	(2,933)	(625)	21.3	(2,933)
Net commission income	28,865	29,242	(377)	(1.3)	29,242
7. Net trading income	501	664	(163)	(24.5)	664
8. Administrative expenses	(58,506)	(57,779)	(727)	1.3	(60,654)
9. Other operating income	1,032	(4,429)	5,461	>(100.0)	(1,554)
a) Net income from financial assets – FV/PL	2,553	(3,300)	5,853	>(100.0)	(3,300)
b) Net income from financial assets – AfS	336	(1,200)	1,536	>(100.0)	(1,200)
c) Net income from financial assets – HtM	(498)	0	(498)		0
d) Other operating income	(1,359)	71	(1,430)	>(100.0)	2,946
Profit for the year before tax	44,286	37,659	6,627	17.6	37,659
10. Income taxes	(6,281)	(4,550)	(1,731)	38.0	(4,550)
Profit for the year after tax	38,005	33,109	4,896	14.8	33,109
of which attributable to the owners of the parent company	37,997	33,106	4,891	14.8	33,106
of which attributable to minority interests	8	3	5	>100.0	3

¹⁾ Previous year's values after the change in the disclosure of write-offs of fixed operating leases.

²⁾ Figures published as at 30 June 2013.

<i>Income and expenses recognised directly in equity in €k</i>	01/01- 30/06/2014	01/01- 30/06/2013
Profit for the period after tax	38,005	33,109
Items not reclassified to profit or loss for the year	(2,180)	(10,364)
+/- Actuarial gains/losses IAS 19	0	(447)
+/- Deferred taxes on actuarial gains/losses IAS 19	0	112
+/- Share from entities accounted for using the equity method	(2,180)	(10,029)
Items reclassified to profit or loss of the year	8,959	(12,372)
+ / - Unrealised gains and losses not recognised in the income statement under IAS 39	9,756	(20,665)
+ / - Deferred taxes on items recognised directly in equity under IAS 39	(2,439)	5,166
+ / - Exchange differences	(116)	(748)
+ / - Share from entities accounted for using the equity method	1,758	3,875
Total income and expenses recognised directly in equity	6,779	(22,736)
Total comprehensive income for the period of net profit for the period and income and expenses recognised directly in equity	44,784	10,373
of which attributable to the owners of the parent company	44,828	10,375
of which attributable to minority interests	(44)	(2)

Balance sheet as at 30/06/2014 / Assets

in €k	30/06/2014	31/12/2013 ¹⁾	Change in €k	Change in %	31/12/2013 ²⁾
1. Cash and balances at central banks	207,911	174,599	33,312	19.1%	174,599
2. Loans and advances to credit	1,472,499	1,692,787	(220,288)	(13.0%)	1,692,787
3. Loans and advances to customers	12,097,909	11,713,262	384,647	3.3%	11,713,262
4. Impairment provisions	(452,837)	(435,327)	(17,510)	4.0%	(396,201)
5. Trading assets	49,582	38,964	10,618	27.3%	38,964
6. Financial investments	3,581,317	3,829,359	(248,042)	(6.5%)	3,829,359
a) Financial assets – FV/PL	259,529	249,924	9,605	3.8%	249,924
b) Financial assets – AfS	786,522	780,504	6,018	0.8%	780,504
c) Financial assets – HtM	1,936,970	2,227,199	(290,229)	(13.0%)	2,227,199
d) Interest in entities accounted for	598,296	571,732	26,564	4.6%	571,732
7. Intangible assets	1,522	1,994	(472)	(23.7%)	1,994
8. Property, plant and equipment	255,313	236,039	19,274	8.2%	236,039
a) Investment property	100,294	92,750	7,544	8.1%	92,750
b) Other property, plant and	155,019	143,289	11,730	8.2%	143,289
9. Other assets	330,612	280,123	50,489	18.0%	280,123
a) Deferred tax assets	50,054	49,013	1,041	2.1%	49,013
b) Other	280,558	231,110	49,448	21.4%	231,110
Total assets	17,543,828	17,531,800	12,028	0.1%	17,570,926

¹⁾ Figures as at 31/12/2013 following first application of IFRS 11 after direct recognition of impairment provisions.

²⁾ Figures published as at 31/12/2013.

Balance sheet as at 30/06/2014 / Equity and liabilities

in €k	30/06/2014	31/12/2013 ¹⁾	Change in €k	Change in %	31/12/2013 ²⁾
1. Amounts owed to credit institutions	3,632,817	3,238,957	393,860	12.2%	3,238,957
2. Amounts owed to customers	9,441,402	10,026,006	(584,604)	(5.8%)	10,026,006
3. Securitised liabilities	1,623,391	1,592,867	30,524	1.9%	1,592,867
4. Provisions for liabilities and charges	351,233	352,275	(1,042)	(0.3%)	391,401
5. Other liabilities	328,007	269,173	58,834	21.9%	269,173
a) Trading liabilities	45,777	37,281	8,496	22.8%	37,281
b) Tax liabilities	19,067	4,496	14,571	>100.0%	4,496
c) Other	263,163	227,396	35,767	15.7%	227,396
6. Subordinated debt capital	677,718	631,551	46,167	7.3%	631,551
7. Equity	1,489,260	1,420,971	68,289	4.8%	1,420,971
a) Equity after minorities	1,486,356	1,418,011	68,345	4.8%	1,418,011
b) Minority interests in equity	2,904	2,960	(56)	(1.9%)	2,960
Total equity and liabilities	17,543,828	17,531,800	12,028	0.1%	17,570,926

¹⁾ Figures as at 31/12/2013 following first application of IFRS 11 after direct recognition of impairment provisions.

²⁾ Figures published as at 31/12/2013.

Consolidated statement of changes in equity as at 30/06/2014

in €k	Subscribed capital	Capital reserves	Retained earnings	Translation reserve	Gains (losses) rec. in equity acc. to IAS 39	Actuarial gains (losses) acc.to IAS 19	Associated companies	Equity after minorities	Minorities	Equity
As at 01/01/2013	86,096	194,041	703,345	221	33,240	(22,227)	344,803	1,339,519	2,925	1,342,444
Consolidated net profit			48,545	(829)	(17,753)	(335)	11,053	40,681	16	40,697
Dividend distribution			(14,354)					(14,354)		(14,354)
Capital increase										
Reacquired own shares	82	221						303		303
Unrealised gains and losses not recognised in the income statement							6,379	6,379		6,379
As at 30/06/2013	86,178	194,262	737,536	(608)	15,487	(22,562)	362,235	1,372,528	2,941	1,375,469
As at 01/01/2014	86,034	194,038	777,319	(543)	17,618	(21,887)	365,432	1,418,011	2,960	1,420,971
Consolidated net profit			53,902	(1,945)	5,271	0	20,213	77,441	(56)	77,385
Dividend distribution			(14,372)					(14,372)		(14,372)
Capital increase										
Reacquired own shares	(307)	(767)						(1,074)		(1,074)
Unrealised gains and losses not recognised in the income statement							6,350	6,350		6,350
As at 30/06/2014	85,727	193,271	816,849	(2,488)	22,889	(21,887)	391,995	1,486,356	2,904	1,489,260

Consolidated statement of cash flows

In €k	01/01-30/06/2014	01/01-30/06/2013 ¹	01/01-30/06/2013 ²
Cash and cash equivalents at the end of previous period	174.599	182.793	182.793
Net cash from (used in) operating activities	(275.916)	50.389	55.691
Net cash from (used in) investing activities	299.575	46.629	60.675
Net cash from (used in) financing activities	9.653	(51.681)	(51.681)
Effects of changes in the scope of consolidation and revaluation	0	0	(18.519)
Effects of foreign exchange rate changes	0	0	(829)

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

¹ Previous year's values after changes in the presentation of effects from changes in the consolidated group, valuations and exchange rates not recognised in the income statement.

² Figures published as at 30/06/2013.

Notes

Summary of accounting policies

This Interim Report of Oberbank AG has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) as adopted by and in force within the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC).

This Interim Report covers the first half of 2014 (1 January 2013 to 30 June 2014) and compares this period with the same period of the previous year. These consolidated interim financial statements for the first half of 2014 have been drawn up in compliance with IAS 34 ("Interim Financial Reporting")

Changes in accounting policies in 2014

This Interim Report of Oberbank AG has been drawn up using the same recognition and measurement policies applied as at 31 December 2013. This applies with the exception of standards and interpretations applicable for periods beginning on or after 1 January 2014. The list given below shows only those standards and interpretations that are of relevance with regard to the business activity of Oberbank. Application of the following standards and interpretations as amended has become mandatory from January 2014.

- Amendment IAS 27, Consolidated Financial Statements
- Amendment IAS 28, Investments in Associates and Joint Ventures
- Amendment IAS 36, Impairment of Assets
- Amendment IAS 39, Financial Instruments: Recognition and Measurement
- IFRS 10, 11 and 12, Consolidated Financial Statements, Joint arrangements and Disclosure of Interests in Other Entities

Scope of consolidation of Oberbank

In addition to Oberbank AG, the scope of consolidation as at 30 June 2014 included 26 Austrian and 21 foreign subsidiaries. Compared to 31 December 2013, the consolidated group changed owing to the first-time inclusion of the following company:

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

Oberbank Sterneckstraße 28 Immobilien-Leasing Gesellschaft m.b.H., Linz was no longer included in the consolidated financial statements due to the sale of the company.

Starting with the 2014 financial year, provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. are no longer shown in the item Provisions for liabilities and charges, but rather on the assets side in the item Impairment provisions. The previous year's figure has been adjusted accordingly.

Details of the income statement in €k

1) Net interest income	01/01 -30/06/2014	01/01-30/06/2013
Interest income from		
Credit and money market business	172,036	174,450
Shares and other variable-yield securities	2,858	3,066
Other equity investments	768	740
Subsidiaries	1,692	1,662
Fixed-interest securities and bonds	39,579	46,319
Interest and similar income	216,933	226,237
Interest expenses on		
Deposits	(45,991)	(56,503)
Securitised liabilities	(16,083)	(17,372)
Subordinated liabilities	(9,530)	(9,142)
Interest and similar expenses	(71,604)	(83,017)
Income from entities accounted for using the equity method	27,145	24,551
Net interest income	172,474	167,771

2) Charges for losses on loans and advances	01/01-30/06/2014	01/01-30/06/2013
Allocated to loan loss provisions	57,350	46,780
Direct write-offs	1,307	952
Reversals of loan loss provisions	(22,099)	(12,674)
Recoveries of written-off receivables	(741)	(2,803)
Charges for losses on loans and advances	35,817	32,255

3) Net commission income	01/01-30/06/2014	01/01-30/06/2013
Payment services	21,734	20,855
Securities business	18,815	18,726
Foreign exchange, foreign bank note and precious metals business	4,923	5,288
Credit operations	12,418	11,439
Other service and advisory business	1,611	1,758
Net commission income	59,501	58,066

4) Net trading income	01/01-30/06/2014	01/01-30/06/2013
Gains (losses) on interest rate contracts	695	1,606
Gains (losses) on foreign exchange, foreign bank note and numismatic	1,666	1,303
Gains (losses) on derivatives	(443)	(545)
Net trading income	1,918	2,364

5) Administrative expenses	01/01-30/06/2014	01/01-30/06/2013
Staff costs	70,446	69,325
Other administrative expenses	39,870	38,783
Write-offs and valuation allowances	6,088	6,056
Administrative expenses	116,404	114,164

In the item Write-offs and valuation allowances the previous year's value was adjusted by €k 5,603 because write-offs on operating leases are shown in the item Other operating income from the financial year 2013 onwards

6) Other operating income	01/01-30/06/2014	01/01-30/06/2013
a) Net income from financial assets – FV/PL	7,900	(114)
b) Net income from financial assets – AfS	(666)	(2,422)
c) Net income from financial assets – HtM	(498)	0
d) Other operating income	(1,229)	(698)
Other operating income net of other operating expenses	5,507	(3,234)

The previous year's value of the item Other operating income was adjusted by €k 5,603, as write-offs on operating leases are shown in this item from the financial year 2013 onwards (also see note to the item Administrative expenses).

7) Income taxes	01/01-30/06/2014	01/01-30/06/2013
Current income tax expense	16,733	15,392
Deferred income tax expenses (income)	(3,183)	(3,273)
Income taxes	13,550	12,119

8) Earnings per share in €	01/01-30/06/2014	01/01-30/06/2013
Number of shares as at 30/06	28,783,125	28,783,125
Average number of shares in issue	28,746,900	28,739,584
Profit of the year after tax	73,629	66,429
Number of shares as at 31/12	2.56	2.31
Average number of shares in issue	5.12	4.62

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.

9) Cash and balances at central banks	30/06/2014	31/12/2013
Cash in hand	62,692	77,430
Credit balances with central banks of issue	145,219	97,169
Cash and balances at central banks	207,911	174,599

10) Loans and advances to credit institutions	30/06/2014	31/12/2013
Loans and advances to Austrian credit institutions	846,441	851,249
Loans and advances to foreign credit institutions	626,058	841,538
Loans and advances to credit institutions	1,472,499	1,692,787

11) Loans and advances to customers	30/06/2014	31/12/2013
Loans and advances to Austrian customers	7,640,502	7,357,964
Loans and advances to foreign customers	4,457,407	4,355,298
Loans and advances to customers	12,097,909	11,713,262

12) Impairment provisions	30/06/2014	31/12/2013
Impairment provisions for banks	10,000	0
Impairment provisions for customers	442,818	435,302
Impairment provisions for other assets	19	25
Impairment provisions	452,837	435,327

The previous year's value in the item Impairment provisions was adjusted by an amount of €k 39,126, because from the financial year 2014 provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. are no longer shown in this item (see also note on Provisions for liabilities and charges).

13) Trading assets	30/06/2014	31/12/2013
Bonds and other fixed-interest securities		
Listed	3,850	661
Stocks and other variable-yield securities		
Listed	82	1,404
Positive fair values of derivative financial instruments		
Currency contracts	2,930	2,602
Interest rate contracts	42,720	34,280
Other contracts	0	17
Trading assets	49,582	38,964

14) Financial investments	30/06/2014	31/12/2013
Bonds and other fixed-interest securities	2,413,995	2,687,383
Stocks and other variable-yield securities	290,924	281,934
Equity investments/shares		
In subsidiaries	224,406	235,045
In entities accounted for using the equity method		
Banks	256,923	246,370
Non-banks	341,373	325,363
Other equity investments		
Banks	13,434	13,434
Non-banks	40,262	39,830
Financial investments	3,581,317	3,829,359
a) Financial assets – FV/PL	259,529	249,924
b) Financial assets – AfS	786,522	780,504
c) Financial assets – HtM	1,936,970	2,227,199
d) Interest in entities accounted for using the equity method	598,296	571,732
Financial investments	3,581,317	3,829,359
15) Intangible assets	30/06/2014	31/12/2013
Other intangible assets	891	1,332
Customer base	631	662
Intangible assets	1,522	1,994
16) Property, plant and equipment	30/06/2014	31/12/2013
Investment property	100,294	92,750
Land and buildings	69,696	58,233
Business equipment and furnishings	75,024	68,198
Other property, plant and equipment	10,299	16,858
Property, plant and equipment	255,313	236,039
17) Other assets	30/06/2014	31/12/2013
Deferred tax assets	50,054	49,013
Other items	130,686	113,845
Positive fair values of derivatives in the banking book	146,242	113,851
Other deferrals	3,630	3,414
Other assets	330,612	280,123
18) Amounts owed to credit institutions	30/06/2014	31/12/2013
Amounts owed to Austrian banks	2,159,417	1,560,875
Amounts owed to foreign banks	1,473,400	1,678,082
Amounts owed to credit institutions	3,632,817	3,238,957
19) Amounts owed to customers	30/06/2014	31/12/2013
Savings deposits	3,203,506	3,352,082
Other	6,237,896	6,673,924
Amounts owed to customers	9,441,402	10,026,006
20) Securitised liabilities	30/06/2014	31/12/2013
Issued bonds	1,602,088	1,541,676
Other securitised liabilities	21,303	51,191
Securitised liabilities	1,623,391	1,592,867

21) Provisions for liabilities and charges	30/06/2014	31/12/2013
Provisions for termination benefits and pensions	208,265	208,892
Provisions for anniversary bonuses	9,117	8,988
Loan loss provisions	87,407	89,371
Other items	46,444	45,024
Provisions for liabilities and charges	351,233	352,275

The previous year's value in the item Provisions for liabilities and charges was adjusted by an amount of €k 39,126, because from the financial year 2014 provisions of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. are shown in the asset-side item Impairment provisions (see also note on Impairment provisions).

22) Other liabilities	30/06/2014	31/12/2013
Trading liabilities	45,777	37,281
Tax liabilities	19,067	4,496
Current tax liabilities	15,256	159
Deferred tax liabilities *	3,811	4,337
Other obligations	205,764	139,698
Negative market values from closed derivatives positions in the banking book	17,990	45,847
Deferred items	39,409	41,851
Other liabilities	328,007	269,173

Other liabilities (trading liabilities)	30/06/2014	31/12/2013
Currency contracts	2,933	2,869
Interest rate contracts	42,844	34,119
Other contracts	0	293
Trading liabilities	45,777	37,281

23) Subordinated debt capital	30/06/2014	31/12/2013
Issued subordinated bonds incl. Supplementary capital	596,782	552,232
Hybrid capital	80,936	79,319
Subordinated debt capital	677,718	631,551

24) Equity	30/06/2014	31/12/2013
Subscribed capital	85,727	86,034
Capital reserves	193,271	194,038
Retained earnings (including net profit)	1,185,471	1,116,051
Untaxed reserves	20,015	20,016
Negative goodwill	1,872	1,872
Minorities	2,904	2,960
Equity	1,489,260	1,420,971

25) Contingent liabilities and commitments	30/06/2014	31/12/2013
Other contingent liabilities (guarantees and letters of credit)	828,977	1,285,148
Contingent liabilities	828,977	1,285,148
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	2,443,717	2,351,793
Commitments	2,443,717	2,351,793

26) Segment report as at 30/06/2014					
Core business segments in €k	Personal	Corporate	Financial Markets	Other	Total
Net interest income	27,735	116,744	27,995	0	172,474
Charges for losses on loans and advances	1,124	(26,424)	(10,516)	0	(35,817)
Net commission income	28,591	30,791	119	0	59,501
Net trading income	0	43	1,875	0	1,918
Administrative expenses	(41,316)	(58,950)	(3,049)	(13,090)	(116,404)
Other operating profit	1,566	1,270	1,758	913	5,507
Extraordinary profit	0	0	0	0	0
Profit for the period before tax	17,700	63,474	18,183	(12,177)	87,179
Average risk-weighted assets	1,245,238	8,289,909	3,735,525	0	13,270,672
Average allocated equity	135,785	903,957	407,333	0	1,447,075
Return on equity before tax	26.1%	14.0%	8.9%		12.0%
Cost/income ratio	71.4%	39.6%	9.6%		48.6%

27) Human resources	30/06/2014	31/12/2013
Salaried	2,010	2,001
Blue-collar	18	19
Total resources	2,028	2,020

28) Consolidated capital resources in €k	30/06/2014¹⁾	31/12/2013²⁾	30/06/2013²⁾
Subscribed capital	84,549	86,349	86,349
Capital reserves	194,746	194,746	194,746
Retained earnings	960,004	962,861	886,087
Regulatory adjustment items	(14,098)	(2,360)	(3,964)
Common equity Tier 1	1,225,201		
Additional Tier 1 capital instruments	63,200	79,000	79,000
Deductions from Additional Tier 1 items	(4,892)		
Additional Tier 1 capital	58,308		
TIER 1 CAPITAL	1,283,509	1,320,596	1,242,218
Qualifying Tier 2 capital instruments	437,037	414,534	430,248
Nominal capital preference shares purs. to transition rules	1,800		
Additional Tier 1 capital instruments purs. to transition rules	15,800		
Supplementary capital items purs. to national impl. measures	136,807	169,009	160,560
Deductions from Tier 2 capital items	(22,034)		
Tier 2 capital	569,410	583,543	590,808
Qualifying Tier 3 capital		778	1,363
Deductions of interest in banks/other FIs		(80,146)	(80,092)
TOTAL CAPITAL (CAPITAL RESOURCES)	1,852,919	1,824,771	1,754,297
Total risk exposure purs. to Art. 92 CRR			
Credit risk	10,886,275	10,726,897	10,694,353
Market risk, settlement risk and CVA risk	16,105	7,063	9,663
Operational risk	846,414		
Total risk exposure	11,748,794	10,733,960	10,704,016
Capital ratios pursuant to Art. 92 CRR			
Common equity Tier 1 capital ratio	10.43%		
Tier 1 capital ratio	10.92%	12.30%	11.61%
Total capital ratio	15.77%	17.00%	16.39%
Regulatory capital ratio requirement purs. to transition rules			
Common equity Tier 1 capital ratio	4.00%		
Tier 1 capital ratio	5.50%	4.00%	4.00%
Total capital ratio	8.00%	8.00%	8.00%
Non-appropriated capital components			
Common equity Tier 1 capital	755,249		
Tier 1 capital	637,325		
Total capital	913,015	898,128	832,434

¹⁾ From 1 Jan. 2014 application of CRR/CRD IV (Basel III); hence, no comparability with previous periods. ²⁾ Calculated purs. to Basel II.

29) Fair value of financial instruments as at 30/06/2014

In €k	HtM	FV/PL	Trading Book	AfS	L&R/ liabilities	Other	Total
Cash and balances at central banks						207,911	207,911
						207,911	207,911
Loans and advances to credit institutions					1,472,499		1,472,499
					1,472,924		1,472,924
Loans and advances to customers	62,613	85,146		107,205	11,842,945		12,097,909
	63,057	85,146		107,205	11,912,049		12,167,457
Impairment provisions					(452,837)		(452,837)
					(452,837)		(452,837)
Trading assets			49,582				49,582
			49,582				49,582
Financial investments	1,936,970	259,529		786,522		598,296	3,581,317
	2,122,230	259,529		786,522			
Intangible assets						1,522	1,522
Property, plant and equipment						255,313	255,313
Other assets			146,242			184,370	330,612
			146,242				
Of which closed derivatives positions in the banking book			146,242				146,242
			146,242				146,242
Total assets	1,999,583	344,675	195,824	893,727	12,862,607	1,247,412	17,543,828
	2,185,287	344,675	195,824	893,727	12,932,136		
Amounts owed to credit institutions		88,734			3,544,083		3,632,817
		88,734			3,582,238		3,670,972
Amounts owed to customers		418,570			9,022,832		9,441,402
		418,570			9,033,624		9,452,194
Securitised liabilities		556,023			1,067,368		1,623,391
		556,023			1,079,721		1,635,744
Provisions for liabilities and charges						351,233	351,233
Other liabilities			63,767			264,240	328,007
			63,767				
Of which closed derivatives positions in the banking book			17,990				17,990
			17,990				17,990
Subordinated debt capital		465,166			212,552		677,718
		465,166			215,443		680,609
Capital						1,489,260	1,489,260
Total equity and liabilities	-	1,528,493	63,767	-	13,846,835	2,104,733	17,543,828
	-	1,528,493	63,767	-	13,911,026		

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

Presentation of the fair value hierarchy for financial instruments as at 30/06/2014

	HtM BV	FV/PL BV	HFT BV	AfS BV	L&R/ liabilities Book value	Other BV	Total Book value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial assets carried at fair value in €k										
Loans and advances to customers	0	85,146	0	107,205	0	0	192,351	0	107,205	85,146
Trading assets	0	0	49,582	0	0	0	49,582	3,138	46,444	0
Financial assets – FV/PL	0	259,529	0	0	0	0	259,529	53,798	205,731	0
Financial assets – AfS	0	0	0	786,522	0	0	786,522	487,291	57,082	242,149 ¹
Other assets	0	0	146,242	0	0	0	146,242	0	146,242	0
Of which closed derivatives positions in the banking book	0	0	146,242	0	0	0	146,242	0	146,242	0
Financial assets not carried at fair value										
Loans and advances to credit institutions	0	0	0	0	1,472,499	0	1,472,499	0	0	1,472,924
Loans and advances to customers	62,613	0	0	0	11,842,945	0	11,905,558	0	63,058	11,912,049
Financial assets – HtM	1,936,970	0	0	0	0	0	1,936,970	2,122,230	0	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	88,734	0	0	0	0	88,734	0	0	88,734
Amounts owed to customers	0	418,570	0	0	0	0	418,570	0	0	418,570
Securitised liabilities	0	556,023	0	0	0	0	556,023	0	556,023	0
Other liabilities	0	0	63,767	0	0	0	63,767	8	63,759	0
Of which closed derivatives positions in the banking book	0	0	17,990	0	0	0	17,990	0	17,990	0
Subordinated debt capital	0	465,166	0	0	0	0	465,166	0	465,166	0

Presentation of the fair value hierarchy for financial instruments as at 30/06/2014

	HtM BV	FV/PL BV	HFT BV	AfS BV	L&R/ liabilities Book value	Other BV	Total Book value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial liabilities not carried at fair value										
Liabilities to credit institutions	0	0	0	0	3,544,083	0	3,544,083	0	0	3,582,238
Liabilities to customers	0	0	0	0	9,022,832	0	9,022,832	0	0	9,033,624
Securitised liabilities	0	0	0	0	1,067,368	0	1,067,368	0	1,079,721	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	212,552	0	212,552	0	215,443	0

¹⁾ This item is made up of equity investments in the amount of €k 47,086 and non-consolidated shares in associated companies in the amount of €k 195,063, which were measured at cost.

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

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

Valuation method

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

Changes in the fair value hierarchy or classification take place whenever there is any change in the quality of the parameters used in the valuation method. The fair value of instruments in level 2 is measured using generally accepted valuation models, with measurements being made under market conditions. Fair values are calculated applying present values (discounted cash flow method). Own debt securities are measured 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 foreign exchange rates used are the reference rates published by the ECB. Symmetrical products (e.g. IRS) are also measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes option price model).

Underlying market data including volatilities are procured from the Reuters Market Data System. Listed derivative instruments are measured at quoted prices. The fair value of level 3 assets is measured using generally accepted valuation models. Fair values are calculated applying present values (discounted cash flow method). Receivables and liabilities are measured using the reference interest rate applicable on the respective closing date.

The interest rates used for discounting are derived from the discount curve applicable for the respective currency. The foreign exchange rates used are the reference rates published by the ECB. Underlying market data including volatilities are procured from the Reuters Market Data System.

Financial assets in the AfS portfolio assigned to hierarchy level 3 consist solely of unlisted participating interests and shares in affiliated companies, which are not intended to be sold and for which there is no active market. For the reasons stated, these assets must be recognised at cost.

A different valuation method cannot be used as there are no suitable input factors. Hence, the fair value of these instruments cannot be reliably established.

Movements in the reporting period in €k:

Carrying value as at 01/01/2014	250,500
Additions (purchases)	35
Disposals (sales)	(8,386)
Impairment (recognised in income)	0 (contained in income from financial assets – AfS)
Carrying value as at 30/06/2014	242.149

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

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

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

Movements in the reporting period in €k:

	Loans and advances to customers	Amounts owed to credit institutions	Amounts owed to customers
Carrying value as at 01/01/2014	83,127	86,308	380,484
Additions	4,506	0	26,000
Disposals	(2,344)	0	(10,000)
Change in market value	-143	2,426	22,086
Carrying value as at 30/06/2014	<u>85,146</u>	<u>88,734</u>	<u>418,570</u>

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

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

The Management Board confirms that

- the present condensed Interim Report to the Shareholders of Oberbank AG has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) as adopted by and in force within the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC) and gives a true and fair view of the assets, liabilities, financial position and the profit or loss of the Oberbank Group.
- these consolidated interim financial statements cover the first half of 2014 (1 January 2014 to 30 June 2014) and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the IFRS standards governing interim financial reporting.

As at 30 June 2014, major transactions with individuals and companies considered to be related parties amounted to:

- associated companies €k 0
- subsidiaries €k 7,100
- other related parties €k 0

Linz, 22 August 2014

The Management Board

Franz Gasselsberger, Chairman

Josef Weissl

Florian Hagenauer

Notes

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

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

Financial calendar 2014

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

23 May 2014	Quarterly results for Q1 2014
22 August 2014	Quarterly results for Q1-Q2 2014
28 November 2014	Quarterly results for Q1-Q3 2014

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3 Banken Group at a Glance

	Oberbank		BKS Bank		BTV	
Income statement in €m	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013
Net interest income	172.5	167.8	78.3	70.5	89.4	89.6
Charges for losses on loans+advances	(35.8)	(32.3)	(27.0)	(21.9)	(17.3)	(21.9)
Net commission income	59.5	58.1	23.6	22.3	21.7	22.6
Administrative expenses	(116.4)	(114.2)	(52.0)	(50.2)	(76.0)	(48.0)
Other operating income (expenses)	5.5	(3.2)	(1.8)	(0.5)	31.3	(1.0)
Profit for the period before tax	87.2	78.5	24.6	23.3	49.2	45.5
Consolidated net profit for the period	73.6	66.4	21.1	20.8	40.3	37.8
Balance sheet in €m	30/06/2014	31/12/2013	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Total assets	17,543.8	17,531.8	6,900.0	6,743.8	9,341.7	9,588.5
Loans and advances to customers after charges for losses on loans+advances	11,645.1	11,277.9	4,873.0	4,874.2	6,071.6	6,197.4
Primary funds	11,742.5	12,250.4	4,943.7	4,597.5	6,384.0	6,715.9
of which savings deposits	3,203.5	3,352.1	1,721.9	1,741.2	1,147.7	1,175.8
of which securitised liabilities incl. subordinated capital	2,301.1	2,224.4	839.3	813.9	1,365.2	1,288.3
Equity	1,489.3	1,421.0	732.8	714.2	956.8	913.1
Customer funds under management	22,766.8	22,787.5	12,634.4	11,383.4	11,541.5	11,545.8
of which in cust. security accounts	11,024.3	10,537.1	7,690.7	6,785.9	5,157.5	4,829.9
Capital resources CRR (PrY BWG) in €m	30/06/2014	31/12/2013	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Assessment basis	11,748.8	10,734.0	4,912.8	4,423.3	6,242.7	6,055.4
Capital	1,852.9	1,824.8	738.5	707.6	1,115.1	964.4
of which CET1	1,225.2	n.a.	606.7	n.a.	783.4	n.a.
of which total capital CET1 + AT1	1,283.5	1,320.6	616.4	662.5	848.2	807.0
Common equity Tier 1 ratio in %	10.43	n.a.	12.35	n.a.	12.55	n.a.
Tier 1 capital ratio in %	10.92	12.30	12.55	13.92	13.59	13.33
Total capital ratio in %	15.77	17.00	15.03	16.00	17.86	15.93
Performance in %	30/06/2014	31/12/2013	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Return on equity before tax	12.05	10.31	6.92	6.49	10.61	9.34
Return on equity after tax	10.18	8.91	6.08	5.79	8.69	7.32
Cost/income ratio	48.62	52.11	51.42	54.25	53.40	43.70
Risk/earnings ratio	20.77	21.05	34.50	29.21	19.30	26.70
Resources	30/06/2014	31/12/2013	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Average number of staff (weighted)	2,010	2,001	915	910	1,328	793
Branches	153	150	56	56	37	37

¹⁾ From 1 Jan. 2014 application of CRR/CRD IV (Basel III); hence, no comparability with previous periods.

²⁾ Calculated pursuant to Basel II.