



Success is for Sharing.

Interim Report to Shareholders as at 30 June 2016

Oberbank at a Glance

Income statement in €m	H1 2016	Change	H1 2015
Net interest income	175.7	-1.7%	178.8
Charges for losses on loans and advances	-17.2	-37.2%	-27.3
Net commission income	64.5	-5.1%	68.0
Administrative expenses	-131.1	8.9%	-120.5
Profit for the year before tax	104.8	9.2%	96.0
Profit for the year after tax	87.9	5.0%	83.7
Balance sheet in €m	30/06/2016	Change	31/12/2015
Assets	18,725.0	2.6 %	18,243.3
Loans and advances to customers	13,414.0	4.5 %	12,839.9
Primary funds	12,676.3	0.4 %	12,620.0
of which savings deposits	2,876.8	-1.2 %	2,912.6
of which securitised liabilities including subordinated capital	2,112.2	0.7 %	2,098.5
Equity	2,006.2	4.2 %	1,925.7
Customer funds under management	25,384.4	0.6 %	25,245.1
Capital resources CRR in €m	30/06/2016	Change	31/12/2015
Assessment basis	12,717.6	4.1 %	12,216.7
Own funds	2,210.3	2.4 %	2,158.0
of which core capital (CET1)	1,709.0	3.5 %	1,650.8
of which total core capital (CET1+AT1)	1,785.6	3.0 %	1,733.3
Common equity Tier 1 capital ratio	13.44 %	-0.07 ppt	13.51 %
Tier 1 capital ratio	14.04 %	-0.15 ppt	14.19 %
Total capital ratio	17.38 %	-0.28 ppt	17.66 %
Performance	H1 2016	Change	H1 2015
Cost/income ratio	51.82%	2.40 ppt	49.42%
Return on equity before tax	10.71%	-1.15 ppt	11.86%
Return on equity after tax	8.99%	-1.36 ppt	10.35%
Risk/earnings ratio (credit risk in % of net interest income)	9.78%	-5.51 ppt	15.29%
Resources	30/06/2016	Change	31/12/2015
Average number of staff (weighted)	2,053	28	2,025
Number of branches	158	2	156

Development of business of the Oberbank Group in the first half of 2016

Dear Readers,

The banking business has been undergoing the greatest change in history. While interest margins have come under enormous pressure, banks are also faced with the constant challenge of new regulatory requirements.

Despite these difficult framework conditions, Oberbank is able to present the seventh record result in succession and thus confirms its strong performance in the previous period.

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.

Excellent results confirm very successful course

- **Net profit before tax: EUR 104.8 million / + 9.2%**
- **Net profit after tax: EUR 87.9 million / + 5.0%**

22.6% lending growth in five years

The total lending volume increased by 22.6% to EUR 13.4 billion in the past five years. Corporate loan widened by 4.8% to 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.

Excellent growth in lending and primary deposits

- **Lending volume EUR 13.4 billion / + 5.4%**
- **Primary deposits EUR 12.7 billion / + 3.1%**

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 and Wien-Perchtoldsdorf, Jena, Erfurt, Ulm). By the end of the year, we plan to set up two further branches in Hungary.

Favourable cost/income ratio of 51.8%

Our branch network expansion policy 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.

Our success exemplified by key performance data

- **RoE before tax 10.71%, after tax 8.99%**
- **Cost/income ratio 51.82%**
- **Tier 1 capital ratio > 14 %, total capital ratio > 17%**

Capital requirements exceeded by a considerable margin

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 overall Austrian market is comparatively low. The Bank's total capital ratio has again increased substantially, namely from 16.48% to 17.38%.

Therefore, Oberbank clearly exceeds the regulatory capital requirements and is well above the Austrian industry average.

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 all turned out a big success both for the shareholders and the Bank. Investors who participated in last year's two capital increases benefited from an appreciation of 23.87% (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.

A further capital increase would help the Bank to pursue its vigorous growth course without restrictions. At a target equity ratio of 15%-15.5%, Oberbank ranks among the top capitalised banks not only in Austria, but on the European level as well.



CEO Franz Gasselsberger

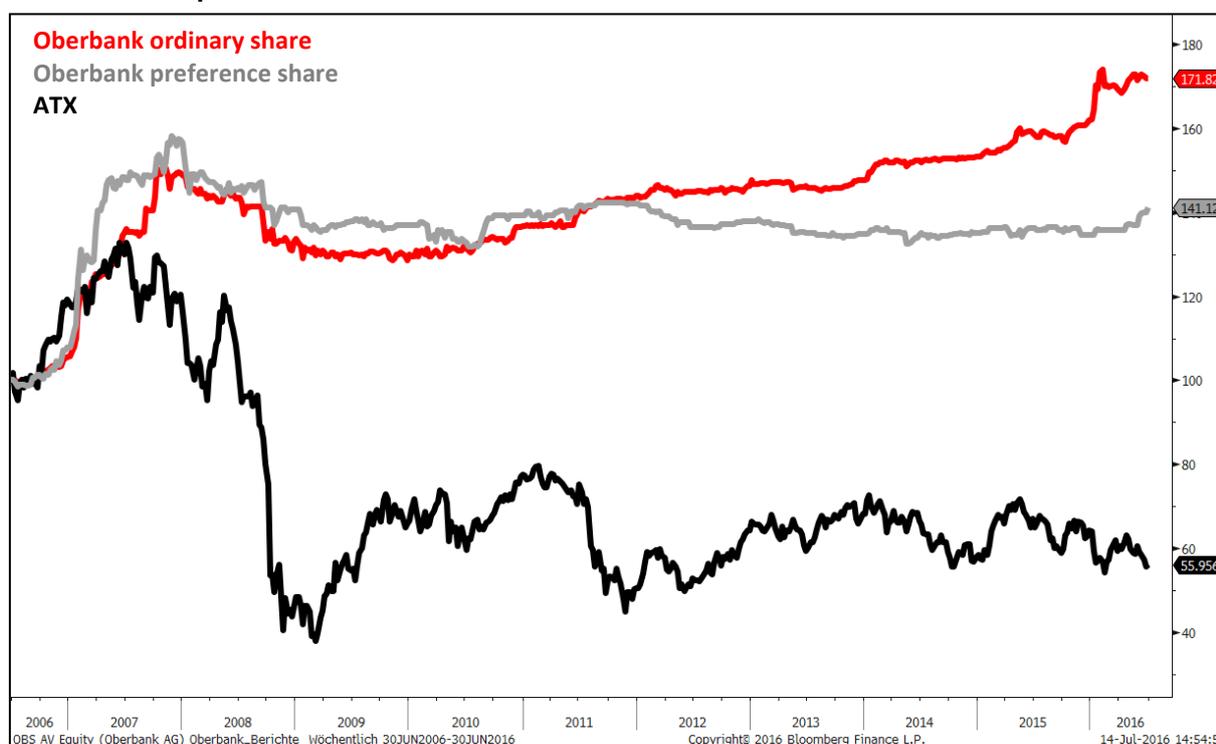
The Oberbank Share

The price of the Oberbank ordinary share reached a new all-time high in the first half of 2016 at EUR 56.70 and reflects the excellent performance of Oberbank.

Oberbank shares – key figures	H1 2016	H1 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 €	56.70/39.50	52.50/38.20
Low (ordinary/preference share) in €	52.90/37.70	50.13/37.55
Close (ordinary/preference share) in €	56.00/39.50	51.70/38.10
Market capitalisation in €m	1,755.78	1,546.49
IFRS earnings per share in €, annualised	5.47	5.70
P/E ratio, ordinary share	10.24	9.07
P/E ratio, preference share	7.22	6.68

Oberbank ordinary and preference shares versus ATX

Price trend in per cent



Source: Bloomberg, data as of 31/06/2016

The figures given are historical data. These cannot be used to derive future developments. This chart compares the development of the Oberbank ordinary share, the Oberbank preference share and the Austria stock index ATX. The prices in the chart have been adjusted by indexing the daily closing prices of the stocks and of the index to 100, i.e., all initial prices were 100% at the start. The chart shows the relative percentage development of the Oberbank ordinary share to the preference share and to the ATX.

The Business Segments in the First Half of 2016

Corporate and Business Banking

Corporate and Business in €m	H1 2016	H1 2015	+ / - absolute	+ / - in %
Net interest income	111.6	107.2	4.3	4.1 %
Charges for losses on loans and advances	-13.8	-26.9	13.1	-48.6 %
Net commission income	34.8	33.6	1.2	3.5 %
Net trading income	0.0	0.0	-0.1	
Administrative expenses	-70.7	-62.0	-8.7	14.0 %
Other operating result	1.0	-3.3	4.3	
Profit for the year before tax	62.7	48.6	14.1	29.1 %
Risk equivalent	8,416.9	8,104.3	312.6	3.9 %
Average allocated equity	1,090.3	970.6	119.7	12.3 %
Return on equity before tax (ROE)	11.5 %	10.0 %	1.5 ppt	
Cost/income ratio	48.0 %	45.1 %	2.9 ppt	

Earnings development in Corporate and Business banking

In the Corporate and Business Banking segment, the profit for the period improved by EUR 14.1 million or 29.1% to a total of EUR 62.7 million.

Net interest income was up by EUR 4.3 million or 4.1% to EUR 111.6 million.

As regards charges for losses on loans and advances, the total volume of reversals was EUR 13.1 million after an amount of EUR 26.9 million for charges for losses on loans and advances in the first half of 2015.

Rising by EUR 1.2 million or 3.5% to EUR 34.8 million year on year, net commission income increased well above last year's level. Administrative expenses rose by EUR 8.7 million or 14.0% to EUR 70.7 million. Other operating income rose substantially, i.e. by EUR 4.3 million to EUR 1.0 million.

The return on equity in Corporate and Business Banking widened by 1.5 percentage points to 11.5%. The cost/income ratio improved by 2.9 percentage points from 45.1% to 48.0%.

Commercial lending

The Bank's commercial lending volume rose year on year by a very pleasing 4.8% or EUR 491.1 million to EUR 10,632.1.

Commercial loans		YoY change	
As at 30/06/2016	as at 30/06/2015	absolute	in %
€ 10,632.1 m	€ 10,141.0 m	€ 491.1 m	4.8 %

Investment finance

In the first half of 2016, the total number of applications submitted for subsidised loans and innovation projects in Austria and Germany increased by 16% year on year. A total of 582 projects were filed. In the first six months, the investment volume of applications for subsidised funding was slightly above the previous year's level, even though the propensity to invest in the business sector remained partly subdued. In terms of ERP business promotion loans, a segment of major importance for the Austrian business community, Oberbank, as in previous years, clearly leads the Austrian market: 24% of all approved business promotion loans both to industry and SMEs were based on applications filed by Oberbank. This is also reflected in the development of subsidised loans extended by Oberbank, which amounted to EUR 712 million as at 30 June 2016 and hence had risen by 11% year on year.

Investment finance		YoY change	
As at 30/06/2016	as at 30/06/2015	absolute	in %
€ 7,536.0 m	€ 7,138.0 m	€ 398.0 m	5.6 %

Leasing

The volume of new business in the first half of 2016 was 8.2% higher than in the previous year at EUR 356 million. This trend was once again driven by a solid volume of new business in vehicle leasing. Business volumes generated by the cooperation with Generali developed highly satisfactory. A breakdown by region reveals that Austria and Germany still remain the key growth markets.

Leasing receivables from customers		YoY change	
As at 30/06/2016	as at 30/06/2015	absolute	in %
€ 1,938.0 m	€ 1,806.0 m	€ 132.0 m	7.3 %

Structured finance

The robust demand for structured finance of the preceding year continued at a constantly high level in the first half of 2016 as well. Demand for real estate finance, above all, increased further, which may be seen as an indicator for continued favourable framework conditions. In the tourism sector, demand for Oberbank's expertise in customised financing solutions was also high in the first half of 2016.

While activities in the field of classical investment financing declined slightly in a year-on-year comparison, demand for structured finance for change of ownership projects picked up substantially. Apart from credit demand for company successions, financing activities in connection with classical M&A transactions and management buy-outs increased.

Oberbank Opportunity Fund

Since the start of the year, the Oberbank Opportunity Fund handled a total of 64 applications (as at 30/06/2016), which, at an unchanged quality of the projects, is in line with the very high level of the previous year. In the first half of 2016, three transactions were successfully finalised.

Since the founding of the Oberbank Opportunity Fund, 54 transactions for equity and mezzanine capital were supported financially by providing equity or mezzanine capital and nine supplementary financing projects were carried out. The total volume of committed amounts was EUR 109.0 million at a fund volume of EUR 150 million. The outstanding receivables as at 30 June 2016 of EUR 50.9 million break down into EUR 28.2 million for equity capital and EUR 22.7 million for mezzanine capital.

Syndicated loans and international lending

Compared to the same period of the preceding year, the development in syndicated and international loans in the first half of 2016 was marked by further growth, thanks, among other things, to Oberbank's appointment as lead manager in a number of large-volume investment finance projects of Austrian and German industrial and services companies. In the first half-year, activities in the line of borrower's notes also generated growth year-on-year.

Trade finance und international business

Notwithstanding difficult framework conditions, Austrian exports reached an all-time high of more than EUR 130 billion in 2015. This positive trend continued in 2016. The market environment remains generally challenging, among other things due to the sanctions against Russia and parts of the Ukraine, as well as the aftereffects of the sanctions on Iran, which have been partly lifted in the meantime, and the sluggish economic growth in the BRIC countries. The duration of defaults on payment lengthened, which means a tendency of a rising risk of default. Granting longer payment terms proved the method of choice that created an immediate competitive advantage for Austrian businesses over rising competition from Central Europe and the Far East. In this difficult environment, the business focus was again on Oberbank's classical foreign trade instruments to minimise risks, including letters of credit/documentary credits, documentary collections and guarantees, which permit an accurate risk assessment. Reliable payment services coupled with an optimised foreign currency strategy and individualised financing for buyers made Oberbank and its advisory services one of the first points of contact for importers and exporters.

Thus, Oberbank attained double-digit increases in the volume and number of transactions in the documentary business and a corresponding rise of earnings in this line in the first half 2016. The long-term uptrend continued also in revolving export finance programmes. As regards export fund loans, the market share of Oberbank was 11.54% at 30 June 2016 and in the Kontrollbank Credit Line procedure (KRR) relevant for Corporates it was 10.79%. Oberbank again achieved top rankings thereby corroborating its competence in this line of business.

Transfer of payments

The training and product promotion campaign started in 2015 was continued in the first half of 2016 and helped to boost sales activities in payment transactions for corporate customers. The training enhanced advisory competence and offered corporate customers additional value, thus creating the basis for success. The newly introduced products and services enjoyed high demand and made an important contribution to the successful earnings performance. At 12% earnings growth, corporate payment services developed very successfully in the first half of 2016.

International network of partner banks and institutions

Providing continuous support for export customers with operations in international markets continues to be one of the Bank's top priorities. In the first half of 2016 Oberbank's activities, not least because of sustained high customer demand, again focussed on the overall Asian banking market, compliance issues, the prevention of money laundering and terrorist financing as well as ensuring compliance with US and EU sanctions, US tax regulations and international know-your-customer principles being the key issues in bilateral cooperation. The potential that results from the elimination of the EU sanctions against Iran is still being closely monitored.

Despite all of its problems, the Middle East is still an attractive sales market for customers and requires professional banking assistance, which we provide in the form of consulting and risk hedging.

Interest rate and currency risk management

A number of international events, as for instance the Brexit vote, caused considerable fluctuations in foreign currencies. The related insecurity for deals transacted by the Bank's corporate customers prompted them to step up demand for foreign exchange transactions, the preferred currency of our export and import customers being the US dollar.

After a slightly sluggish start into the year, demand for foreign exchange transactions as well as related earnings took a dynamic development and in the months thereafter reached, and partly even surpassed, the previous year's level.

Personal Banking Segment

Personal Banking segment in €m	H1 2016	H1 2015	+ / - absolute	+ / - in %
Net interest income	27.5	26.0	1.5	5.6 %
Charges for losses on loans and advances	0.6	-1.8	2.4	
Net commission income	29.7	34.4	-4.7	-13.5 %
Administrative expenses	-44.9	-43.1	-1.8	4.1 %
Other operating result	2.2	-2.6	4.9	
Profit for the year before tax	15.1	12.9	2.3	17.7 %
Risk equivalent	1,443.4	1,306.2	137.2	10.5 %
Average allocated equity	187.0	156.4	30.5	19.5 %
Return on equity before tax (RoE)	16.2 %	16.4 %	-0.2 ppt	
Cost/income ratio	75.6 %	74.7 %	0.9 ppt	

Earnings development in Personal Banking

The pre-tax profit in the Personal Banking segment rose by EUR 2.3 million to EUR 15.1 million.

Net interest income increased by EUR 1.5 million or 5.6% to EUR 27.5 million.

As regards charges for losses on loans and advances, the total volume of reversals was EUR 2.4 million after EUR 0.6 million of charges for losses on loans and advances in the first quarter 2015.

Net commission income decreased by EUR 4.7 million or 13.5% to EUR 29.7 million.

Administrative expenses rose by EUR 1.8 million or 4.1% to EUR 44.9 million. Other operating income increased by EUR 4.9 million to EUR 2.2 million.

The return on equity in the Personal Banking segment remained stable at the high level of 16.2%, as did the cost/income ratio, which edged up slightly by 0.9 percentage points to 75.6%.

Personal accounts

Oberbank's portfolio of personal accounts has grown by 696 since the beginning of the year and as of 30 June 2016 the Bank had 180,366 personal accounts.

Number of personal accounts		YoY change	
As at 30/06/2016	as at 30/06/2015	absolute	in %
180,366	178,302	2,064	1.16 %

Personal loans

Compared to 30 June 2015, the volume of retail loans rose by 7.6% or EUR 196.0 million to EUR 2,782.0 million.

Especially pleasing was the volume of new personal loans, which posted 5.6% growth year on year. At EUR 48 million, new consumer loans were well above the previous year's level of EUR 42.2 million, meaning that after years of substantial declines, the Bank reported a reversal to EUR 5.6 million or 13.2% growth.

Personal loans		YoY change	
As at 30/06/2016	as at 30/06/2015	absolute	in %
€ 2,782.0 m	€ 2,586.0 m	€ 196.0 m	7.6 %

Primary funds

Primary funds increased by EUR 379.9 million or 3.1% to EUR 12.7 billion year on year. Owing to the low-interest environment, customers showed a preference for short-term investment forms.

Savings deposits

Compared with the level of 30 June 2015, the volume of savings deposits declined by EUR 133.0 million or 4.4%. The percentage of savings passbooks bearing fixed interest rates to total savings deposits is just over 40%. The low-interest

environment still fails to offer scope for more competitive interest rates, which is why the savings ratio is on a generally low level. Online saving products are increasingly gaining importance.

<i>Savings deposits</i>		YoY change	
As at 30/06/2016	as at 30/06/2015	absolute	in %
€ 2,876.8 m	€ 3,009.8 m	- € 133.0 m	- 4.4 %

Securities business

After the steep downtrend at the beginning of the year, stock markets, though fluctuating heavily, have been showing a clear tendency toward stabilisation. The British vote in favour of leaving the EU again triggered substantial turbulences towards the end of the first half of 2016, but then the markets calmed down quickly. Interest rates in the euro area have reached new lows; the ECB's bond purchase programmes had massive impacts also on corporate bond markets.

Against this backdrop, the market value of securities on customer securities accounts rose by EUR 165.7 million to EUR 12.7 billion versus 30 June 2015, which marks the highest quarterly balance ever. Compared to the year-end value of 2015, the volume rose slightly, namely by EUR 83.0 million.

Oberbank issues

In the first half of 2016, the Bank's intensive issuing activity continued underpinned by its excellent credit rating, with issues encompassing bonds of various grades of capital. All in all, the newly issued volume amounted to EUR 193.8 million, of which EUR 40.9 million in subordinated bonds contributing to enhance the capital base. Sales in the Czech Republic, where CZK bond issues for roughly EUR 50 million were placed in the market, developed excellently.

Private banking

Growth of assets under management in the private banking segment continued. As at 30 June 2016, the value of assets under management was EUR 5.4 billion, which corresponds to an increase by EUR 80 million as compared to the end of 2015. Hence, the management unit has weathered the impact of the marked decline on European markets very well (DAX -11.6%, Eurostoxx 50 -16.3%, ATX -13.1%),

The individual portfolio management segment posted 4.4% year-on-year growth to EUR 471.2 million. Gold and commodity positions (excluding agricultural commodities) had a positive performance impact.

3 Banken-Generali

The 3 Banken-Generali Investment-Gesellschaft with a volume of assets under management of EUR 8.34 billion and a market share of 5.14% features as the number 6 in a ranking of Austrian fund management companies. The fund's volume of assets under management decreased by 2.3% year on year and the overall market in Austria also declined by 1.8%.

Oberbank's share in the company's total volume amounted to EUR 2.86 billion, which, quite contrary to the market trend, corresponds to an increase of 1.8% year on year and of 1.4% in the first half of 2016. This growth is attributable to net inflows both from retail funds and special funds. From April 2016, the Brexit debate caused investors to exercise greater restraint.

Bond funds and mixed funds showed a positive performance in the first half of 2016, while the majority of equity funds posted a slightly falling tendency. The volume of funds that mirrors the asset allocation of Oberbank continued to take a very positive development, reaching a new high of EUR 126.6 million.

The Bank's approach to investment-fund-based saving was thoroughly overhauled and newly presented in the first half of 2016. The marketing campaign launched for this purpose gained first place in the online voting of the newspaper *Der Standard*.

In the ranking by the trade magazine *Der Börsianer*, the investment fund company came out first and was awarded the title of "Best Investment Fund Company" in Austria. The rating was based on three factors, namely product quality, editorial quality of publications and an evaluation by competitors.

Savings in building and loan associations

In the first half of 2016, 4,565 building and loan contracts were concluded, which is a decline of 17.3% year on year. Saving money in building and loan associations is nevertheless still an attractive and popular option for savers. Overall, the Wüstenrot partner banks recorded a decline of 11.3% in the first half of 2016.

Insurance services

Oberbank successfully withstood the declining general market trend in the segment of life insurance policies and managed to boost sales of insurance products.

In the corporates segment, sales efforts in the line of company pension scheme products turned out extraordinarily successful, resulting in a rise of 46.22% year on year.

In the retail business, production was maintained at a stable level as compared to the first half of 2015. Sales of unit-linked and unit-based life insurance contracts took a very gratifying development.

As regards the risk insurance business, this line posted 4.75% growth year on year.

Overall, the number of life insurance policies sold in the first half of 2016 was up by 6.33% year on year.

Posting 18.5% growth, the accident insurance segment also reported a very positive development.

In Germany, framework conditions were extremely difficult for Oberbank in the first half of 2016. Generali Versicherung Deutschland, the Bank's long-standing partner in the insurance business segment, thoroughly restructured its range of products. For this reason, Oberbank entered into a cooperation agreement also with Bayerische Beamten Lebensversicherung AG and thus is in a position to offer customers the full range of retirement provisioning products again.

Overall, Oberbank's insurance business widened by 2.35% year on year.

Insurance contracts – premium volume		YoY change	
As at 30/06/2016	as at 30/06/2015	absolute	in %
€ 46.2 m	€ 45.2 m	€ 1 m	2.35 %

Financial Markets Segment

Financial Markets in € m	H1 2016	H1 2015	+ / - absolute	+ / - in %
Net interest income	36.6	45.5	-8.9	-19.6 %
Charges for losses on loans and advances	-4.0	1.4	-5.3	
Net trading income	7.5	6.1	1.4	22.4 %
Administrative expenses	-4.0	-3.4	-0.6	17.8 %
Other operating result	5.0	-3.7	8.7	
Profit for the year before tax	41.1	45.9	-4.8	-10.4 %
Risk equivalent	5,244.2	4,102.5	1,141.7	27.8 %
Average allocated equity	679.3	491.3	188.0	38.3 %
Return on equity before tax (RoE)	12.1 %	18.7 %	-6.6 ppt	
Cost/income ratio	8.1 %	7.1 %	1.0 ppt	

Earnings development in the Financial Markets segment

The pre-tax profit in the Financial Markets segment dropped by EUR 4.8 million or 10.4% from EUR 45.9 million to EUR 41.1 million.

Net interest income decreased by EUR 8.9 million to EUR 36.6 million.

Charges for losses on loans and advances increased year on year by EUR 5.3 million to EUR 4.0 million.

Net trading income improved by 22.4% or EUR 1.4 million from EUR 6.1 million to EUR 7.5 million.

Administrative expenses increased slightly by EUR 0.6 million to EUR 4.0 million; other operating income rose by EUR 8.7 million to EUR 5.0 million.

The return on equity (RoE) in the Financial Markets segment shrunk by 6.6 percentage points from 18.7% to 12.1%; the cost/income ratio rose by 1.0 percentage points from 7.1% to 8.1%.

Proprietary trading

A strong decline of the oil price and insecurity with regard to further economic developments in China overshadowed developments on financial markets in the first few months of the year.

Vigorous central bank measures reduced the caustic effect of these impact factors and caused market sentiment to brighten considerably.

Markets were characterised by rising equity prices accompanied by low or even falling interest rates.

The surprise outcome of the Brexit vote in the United Kingdom, however, triggered renewed pronounced turbulences on financial markets. The ups and downs on markets created opportunities for profitable trading activities.

Liquidity

The historic low of interest rates, bond purchase programmes by central banks (quantitative easing) and long-term tenders have put the ECB in a position to provide almost unlimited amounts of liquidity.

In the euro area, these liquidity injections resulted in a liquidity surplus in the amount of more than EUR 850 billion, which failed to be matched by corresponding demand.

The focus of activities was therefore on the short-term management and limitation of possible excess liquidity.

Efficient liquidity management and control continues to pose challenges as demand for long-term finance needs to be satisfied by also ensuring appropriate long-term refinancing.

Capital resources

Own funds were EUR 2,210.3 million as at 30 June 2016 which is a ratio of 17.38% or, as hitherto, nearly twice as much as the regulatory capital requirement. Tier 1 capital amounted to EUR 1,785.6 million and the common equity Tier 1 capital ratio was 14.04%. The common equity Tier 1 capital of EUR 1,709.0 million corresponds to a ratio of 13.44%.

Risk

The risk policy of Oberbank accommodates all types of risk situations of all business areas including the new markets. The risk management of the Bank is focused on safeguarding the customer funds entrusted to it, 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 in the balance sheet.

Oberbank can rely on its long years of experience in assessing creditworthiness and collateral. Additionally, its business model as 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 in the 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 June 2016: EUR 13.4 billion) with the primary deposits of customers and other long-term refinancing facilities (OeKB, LfA, KfW) with a volume of EUR 14.0 billion (as at 30/06/2016). 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 in the year 2016.

Outlook for 2016

- **Low interest rates continue to pose the biggest challenge**
- **Oberbank: growth in corporate and retail lending, expansion strategy continued**

despite

- massive pressure on interest rates due to the ECB's low interest rate policy
- highly volatile securities markets after the worst start into the year in history,
- the Brexit,
- the political turbulences in Turkey,
- the sweeping changes in the Austrian banking industry,
- the continued banking crisis in Italy and
- the extraordinarily high burden on banks from charges and taxes

Oberbank is still on a fast way to success and will be successful in mastering the challenging environment of 2016. In 2016 as a whole, the Bank expects total lending to increase further by some 5% to 6% year on year, although credit demand in the overall market continues to be low. Deposits are also expected to increase by 1.5% to 2.0%. The positive development of credit risk is expected to continue in the second half of 2016.

Interst-rate and services business continues to face huge challenges against the backdrop of the ECB's interst rate policy and weak securities markets.

Contrary to the long-term trend, equity earnings from investments and, owing to insecurity on the part of customers in the securities market business, commission income is expected to drop in a year-on-year comparison. In addition, no earnings-boosting impulses from one-time effects are expected for 2016.

The expansion course will be continued with two new branches being set up in the second half of 2016. Preparations to open further branches in Budapest and Nagykanisza are under way.

Oberbank stands by its earnings outlook

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.

3 Banken Group in the first half of 2016

The 3 Banken Group, notwithstanding a difficult market environment, once again achieved a solid performance in the first half of 2016. Year on year, the joint total assets of the banks increased by 2.2% to EUR 35.5 billion, while the lending volume (after charges for losses) went up by 3.6% to EUR 24.9 billion and primary deposits rose by 0.6% to EUR 24.9 billion. After an extraordinary positive result in the like period of 2015, the joint net profit after tax declined by 11.8% to EUR 159.5 million.

As at 30 June 2016, the 3 Banken Group operated 254 branches and employed 4,522 persons on average in the first half of the year.

Consolidated Interim Financial Statements prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 01/01/2016 to 30/06/2016

Consolidated income statement in €k		H1 2016	H1 2015	Change in €k	Change in %
1. Interest and similar income	(1)	203,133	207,381	-4,248	-2.0
2. Interest and similar expenses	(1)	-50,335	-58,247	7,912	-13.6
3. Income from entities accounted for using the equity meth.	(1)	22,860	29,629	-6,769	-22.8
Net interest income	(1)	175,658	178,763	-3,105	-1.7
4. Charges for losses on loans and advances	(2)	-17,174	-27,330	10,156	-37.2
5. Commission income	(3)	72,193	76,064	-3,871	-5.1
6. Commission expenses	(3)	-7,697	-8,097	400	-4.9
Net commission income	(3)	64,496	67,967	-3,471	-5.1
7. Net trading income	(4)	7,425	6,129	1,296	21.1
8. Administrative expenses	(5)	-131,143	-120,459	-10,684	8.9
9. Other operating income	(6)	5,497	-9,116	14,613	
a) Net income from financial assets - FV/PL	(6)	9,129	260	8,869	>100.0
b) Net income from financial assets - AfS	(6)	-5,617	-2,437	-3,180	>100.0
c) Net income from financial assets - HtM	(6)	0	243	-243	-100.0
d) Other operating profit	(6)	1,985	-7,182	9,167	
Profit for the year before tax		104,759	95,954	8,805	9.2
10. Income taxes	(7)	-16,847	-12,240	-4,607	37.6
Profit for the year after tax		87,912	83,714	4,198	5.0
of which attributable to equity holders of the parent		87,769	83,676	4,093	4.9
of which attributable to minority interests		143	38	105	276.3

Income and expenses recognised directly in equity in €k		H1 2016	H1 2015
Profit for the year after tax		87,912	83,714
Items not reclassified to profit or loss for the year		-796	-18,492
+/- Actuarial gains/losses IAS 19		-2,102	0
		526	0
+/- Deferred taxes on actuarial gains/losses IAS 19			
+ / - Share from entities accounted for using the equity method		780	-18,492
Items reclassified to profit or loss of the year		11,388	23,120
+ / - Unrealised gains and losses not recognised in the income		19,040	18,353
Amounts recognised in equity		19,180	19,050
Reclassification adjustments		-140	-697
+ / - Deferred tax on items recognised directly in equity under IAS 39		-4,760	-4,588
Amounts recognised in equity		-4,795	-4,762
Reclassification adjustments		35	174
+ / - Exchange differences		170	132
+ / - Share from entities accounted for using the equity method		-3,062	9,223
Total income and expenses recognised directly in equity		10,592	4,628
Total comprehensive income for the period from net profit and income/expenses recognised directly in equity		98,504	88,342
of which attributable to equity holders of the parent		98,361	88,304
of which attributable to minority interests		143	38

Performance	H1 2016	H1 2015
Cost/income ratio in %	51.82%	49.42%
Return on equity before tax in %	10.71%	11.86%
Return on equity after tax in %	8.99%	10.35%
Risk/earnings ratio (credit risk to net interest income) in %	9.78%	15.29%
Earnings per share in €	5,47	5,70

Consolidated Interim Financial Statements Prepared in Accordance with IFRS

Consolidated statement of comprehensive income for the period 01/04/2016 to 30/06/2016

Consolidated income statement in €k		01/04/- 30/06/20	01/04/- 30/06/20	Change in €k	Change in %
1. Interest and similar income	(1)	102,101	103,713	-1,612	-1.6
2. Interest and similar expenses	(1)	-24,406	-28,093	3,687	-13.1
3. Income from entities accounted for using the equity meth.	(1)	14,283	16,608	-2,325	-14.0
Net interest income	(1)	91,978	92,228	-250	-0.3
4. Charges for losses on loans and advances	(2)	-15,260	-6,891	-8,369	>100.0
5. Commission income	(3)	35,310	36,772	-1,462	-4.0
6. Commission expenses	(3)	-3,766	-3,955	189	-4.8
Net commission income	(3)	31,544	32,817	-1,273	-3.9
7. Net trading income	(4)	5,053	1,200	3,853	>100.0
8. Administrative expenses	(5)	-65,705	-60,772	-4,933	8.1
9. Other operating income	(6)	4,645	-11,480	16,125	
a) Net income from financial assets - FV/PL	(6)	3,497	-6,304	9,801	
b) Net income from financial assets - AfS	(6)	-443	-2,972	2,529	-85.1
c) Net income from financial assets - HtM	(6)	0	44	-44	-100.0
d) Other operating profit	(6)	1,591	-2,248	3,839	
Profit for the year before tax		52,255	47,102	5,153	10.9
10. Income taxes	(7)	-6,840	-4,001	-2,839	71.0
Profit for the year after tax		45,415	43,101	2,314	5.4
of which attributable to equity holders of the parent		45,331	43,100	2,231	5.2
of which attributable to minority interests		84	1	83	>100.0

Income and expenses recognised directly in equity in €k	01/04/- 30/06/2016	01/04/- 30/06/2015
Profit for the year after tax	45,415	43,100
Items not reclassified to profit or loss for the year	-1,761	-16,103
+/- Actuarial gains/losses IAS 19	-2,102	0
	526	0
+/- Deferred taxes on actuarial gains/losses IAS 19		
+ / - Share from entities accounted for using the equity method	-185	-16,103
Items reclassified to profit or loss of the year	12,310	9,060
+ / - Unrealised gains and losses not recognised in the income	20,265	142
Amounts recognised in equity	20,288	206
Reclassification adjustments	-23	-65
+ / - Deferred tax on items recognised directly in equity under IAS 39	-5,066	-35
Amounts recognised in equity	-5,072	-51
Reclassification adjustments	6	16
+ / - Exchange differences	22	470
+ / - Share from entities accounted for using the equity method	-2,911	8,483
Total income and expenses recognised directly in equity	10,549	-7,043
Total comprehensive income for the period from net profit and income/expenses recognised directly in equity	55,964	36,057
of which attributable to equity holders of the parent	55,880	36,057
of which attributable to minority interests	84	0

Balance sheet as at 31/06/2016 / Assets

in €k		30/06/2016	31/12/2015	Change in €k	Change in %
1.	Cash and balances at central banks (9)	294,795	354,023	-59,228	-16.7%
2.	Loans and advances to credit institutions (10)	979,943	1,065,913	-85,970	-8.1%
3.	Primary funds (11)	13,414,082	12,839,944	574,138	4.5%
4.	Impairment provisions (12)	-480,839	-488,292	7,453	-1.5%
5.	Trading assets (13)	74,725	46,173	28,552	61.8%
6.	Financial investments (14)	3,791,105	3,771,209	19,896	0.5%
	a) Financial assets - FV/PL (14)	240,539	237,662	2,877	1.2%
	b) Financial assets - AfS (14)	764,863	709,536	55,327	7.8%
	c) Financial assets - HtM (14)	2,086,449	2,134,565	-48,116	-2.3%
	d) Interest in entities accounted for using (14)	699,254	689,446	9,808	1.4%
7.	Intangible assets (15)	1,107	1,248	-141	-11.3%
8.	Property, plant and equipment (16)	239,633	246,449	-6,816	-2.8%
	a) Investment property (16)	98,023	99,501	-1,478	-1.5%
	b) Other property, plant and equipment (16)	141,610	146,948	-5,338	-3.6%
9.	Other assets (17)	410,471	406,682	3,789	0.9%
	Deferred tax assets (17)	50,774	55,984	-5,210	-9.3%
	b) Positive fair values of closed out derivatives in the banking book (17)	190,598	170,644	19,954	11.7%
	c) Other (17)	169,099	180,054	-10,955	-6.1%
	Total assets	18,725,022	18,243,349	481,673	2.6%

Balance sheet as at 30/06/2016 / Equity and liabilities

in €k		30/06/2016	31/12/2015	Change in €k	Change in %
1.	Amounts owed to credit institutions (18)	3,295,703	2,995,503	300,200	10.0%
2.	Amounts owed to customers (19)	10,564,091	10,521,547	42,544	0.4%
3.	Securitised liabilities (20)	1,449,224	1,443,376	5,848	0.4%
4.	Provisions for liabilities and charges (21)	331,084	329,176	1,908	0.6%
5.	Other liabilities (22)	415,703	372,962	42,741	11.5%
	a) Trading liabilities (22)	57,178	45,350	11,828	26.1%
	b) Tax liabilities (22)	19,773	7,846	11,927	> 100.0%
	ba) Current tax liabilities (22)	16,007	2,569	13,438	> 100.0%
	bb) Deferred tax liabilities (22)	3,766	5,277	-1,511	-28.6%
	c) Negative fair values of derivatives in the banking book (22)	26,255	26,960	-705	-2.6%
	d) Other (22)	312,497	292,806	19,691	6.7%
6.	Subordinated debt capital (23)	662,997	655,121	7,876	1.2%
7.	Equity (24)	2,006,220	1,925,664	80,556	4.2%
	a) Equity after minorities (24)	1,951,627	1,871,105	80,522	4.3%
	b) Minority interests in equity (24)	4,593	4,559	34	0.7%
	c) Additional equity capital components (24)	50,000	50,000	0	
	Total equity and liabilities	18,725,022	18,243,349	481,673	2.6%

Consolidated statement of changes in equity as at 30/06/2016

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			61,813	132	13,765	0	12,594	88,304	38		88,342
Net annual profit (loss)			61,813				21,863	83,676	38		83,714
Other comprehensive income				132	13,765		-9,269	4,628			4,628
Dividend distribution			-15,822					-15,822			-15,822
Coupon payments on additional equity capital											
Capital increase	5,757	85,256						91,013			91,013
Issuance of additional equity capital components										50,000	50,000
Reacquired own shares	163	385						548			548
Unrealised gains and losses not recognised in the income statement			131				9,121	9,252	1,210		10,462
As at 30/06/2015	91,844	279,233	902,164	-2,447	41,095	-44,688	436,933	1,704,134	4,486	50,000	1,758,620
As at 01/01/2016	96,431	348,291	935,787	-1,995	47,822	-21,808	466,577	1,871,105	4,559	50,000	1,925,664
Consolidated net profit			74,412	170	14,280	-1,576	11,075	98,361	143		98,504
Net annual profit (loss)			74,412				13,357	87,769	143		87,912
Other comprehensive income				170	14,280	-1,576	-2,282	10,592			10,592
Dividend distribution			-17,692					-17,692			-17,692
Coupon payments on additional equity capital			-1,725					-1,725			-1,725
Capital increase											0
Issuance of additional equity capital components											0
Reacquired own shares	132	836	-1,836					-868			-868
Unrealised gains and losses not recognised in the income statement			3,715				-1,267	2,448	-109		2,339
As at 30/06/2016	96,563	349,127	992,661	-1,825	62,102	-23,384	476,385	1,951,627	4,593	50,000	2,006,220

¹⁾ The presentation of reacquired own shares was modified in line with the 2014 Amendment to the Act on Accounting .

Consolidated statement of cash flows in €k	H1 2016	H1 2015
Profit for the year	87,912	83,676
Non-cash positions in profit for the year and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	1,306	16,217
Change in provisions for staff benefits and other provisions for liabilities and charges	1,908	1,586
Change in other non-cash items	-7,192	-34,297
Gains and losses on financial investments, property, plant and equipment and intangible assets	-113	-287
Subtotal	83,821	66,895
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	104,470	347,822
- Loans and advances to customers	-577,542	-443,736
- Trading assets	-21,250	6,793
- Other current assets	-33,591	-927
- Other assets arising from operating activities	40,098	1,114
- Amounts owed to credit institutions	291,377	-68,269
- Amounts owed to customers	14,217	103,745
- Securitised liabilities	-10,703	-62,326
- Other liabilities arising from operating activities	6,545	-1,594
Net cash from operating activities	-102,557	-50,483
Proceeds from the sale of		
- financial investments	220,234	111,245
- property, plant and equipment and intangible assets	1,749	2,248
Outlay on purchases of		
- financial investments	-146,636	-139,054
- property, plant and equipment and intangible assets	-7,518	-10,511
Net cash from investing activities	67,828	-36,072
Capital increase	0	141,012
Dividend distributions	-17,692	-15,822
Coupon payments on additional equity capital components	-1,725	0
Subordinated liabilities and other financing activities	-5,081	-51,891
Net cash from financing activities	-24,498	73,299
Cash and cash equivalents at the end of previous period	354,023	147,009
Net cash from operating activities	-102,557	-50,483
Net cash from investing activities	67,828	-36,072
Net cash from financing activities	-24,498	73,299
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 the period	294,795	133,753
Interest received	210,837	201,911
Dividends received	15,641	12,817
Interest paid	-47,761	-58,470
Coupon payments on additional equity capital components	-1,725	0
Income taxes paid	-7,918	-13,092

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.

Notes

Changes to accounting policies 2016

This half year report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31/12/2015.

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)

These interim financial statements were neither fully audited nor subjected to an audit-like examination.

The actuarial assumptions for calculating the present value of defined benefit obligations were updated as follows:

	30/06/2016	31/12/2015
Interest rate applied	1.75 %	2.25 %
Rate of increase under collective agreements	2.97 %	3.25 %
Pension increase	1.53 %	1.86 %

The Oberbank group of consolidated companies

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

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

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

Details of the income statement in €k

1) Net interest income	H1 2016	H1 2015
Interest income from		
Credit and money market business	160,418	162,925
Shares and other variable-yield securities	2,830	2,586
Other equity investments	1,886	749
Subsidiaries	1,423	1,716
Fixed-interest securities and bonds	36,576	39,405
Interest and similar income	203,133	207,381
Interest expenses for		
Deposits	-28,972	-34,845
Securitised liabilities	-12,067	-13,803
Subordinated liabilities	-9,296	-9,599
Interest and similar expenses	-50,335	-58,247
Income from entities accounted for using the equity method	22,860	29,629
Net interest income	175,658	178,763
2) Charges for losses on loans and advances	H1 2016	H1 2015
Allocated to loan loss provisions	-64,758	-52,753
Direct write-offs	-1,524	-628
Reversals of loan loss provisions	48,181	25,126
Recoveries of written-off receivables	927	925
Charges for losses on loans and advances	-17,174	-27,330
3) Net commission income	H1 2016	H1 2015
Payment services	23,377	22,319
Securities business	19,847	23,728
Foreign exchange, foreign bank note and precious metals business	6,251	6,458
Credit operations	12,760	13,507
Other service and advisory business	2,261	1,955
Net commission income	64,496	67,967
4) Net trading income	H1 2016	H1 2015
Gains (losses) on interest rate contracts	961	1,152
Gains (losses) on foreign exchange, foreign bank note and numismatic	1,967	5,496
Gains (losses) on derivatives	4,497	-519
Net trading income	7,425	6,129
5) Administrative expenses	H1 2016	H1 2015
Staff costs	76,820	73,068
Other administrative expenses	48,069	41,293
Write-offs and valuation allowances	6,254	6,098
Administrative expenses	131,143	120,459
6) Other operating income	H1 2016	H1 2015
a) Net income from financial assets - FV/PL	9,129	260
b) Net income from financial assets - AfS	-5,617	-2,437
c) Net income from financial assets - HtM	0	243
d) Other operating profit	1,985	-7,182
thereof stability fee	-7,156	-7,167
thereof from operating leases	1,430	824
thereof from other	7,711	-839
Other operating income net of other operating expenses	5,497	-9,116

7) Income taxes	H1 2016	H1 2015
Current income tax expense	17,396	16,193
Deferred income tax expenses (income)	-549	-3,953
Income taxes	16,847	12,240

8) Earnings per share in €	H1 2016	H1 2015
Number of shares as at 30/06	32,237,100	30,702,000
Average number of shares in issue	32,170,161	29,382,244
Consolidated profit for the year after tax	87,912	83,714
Earnings per share in €	2.73	2.85
Annualised values	5.47	5.70

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	30/06/2016	31/12/2015
Cash in hand	72,226	76,263
Credit balances with central banks of issue	222,569	277,760
Cash and balances at central banks	294,795	354,023

10) Loans and advances to credit institutions	30/06/2016	31/12/2015
Loans and advances to Austrian credit institutions	508,889	592,742
Loans and advances to foreign credit institutions	471,054	473,171
Loans and advances to credit institutions	979,943	1,065,913

11) Loans and advances to customers	30/06/2016	31/12/2015
Loans and advances to Austrian customers	8,160,120	7,814,965
Loans and advances to foreign customers	5,253,962	5,024,979
Loans and advances to customers	13,414,082	12,839,944

12) Impairment provisions	30/06/2016	31/12/2015
Impairment provisions for banks	0	0
Impairment provisions for customers	480,839	488,292
Impairment provisions for other assets	0	0
Impairment provisions	480,839	488,292

13) Trading assets	30/06/2016	31/12/2015
Bonds and other fixed-interest securities		
Listed	12,378	857
Stocks and other variable-yield securities		
Listed	318	351
Positive fair values of derivative financial instruments		
Currency contracts	1,659	2,158
Interest rate contracts	60,349	42,807
Other contracts	21	0
Trading assets	74,725	46,173

14) Financial investments	30/06/2016	31/12/2015
Bonds and other fixed-interest securities	2,566,255	2,576,539
Stocks and other variable-yield securities	313,582	291,442
Equity investments/shares		
In subsidiaries	88,571	88,207
in entities accounted for using the equity method		
Banks	308,189	306,425
Non-banks	391,065	383,021
Other equity investments		
Banks	13,246	13,246
Non-banks	110,197	112,329
Financial investments	3,791,105	3,771,209
a) Financial assets - FV/PL	240,539	237,662
b) Financial assets - AfS	764,863	709,536
c) Financial assets - HtM	2,086,449	2,134,565
d) Interest in entities accounted for using the equity method	699,254	689,446
Financial investments	3,791,105	3,771,209
15) Intangible assets	30/06/2016	31/12/2015
Other intangible assets	574	682
Customer base	533	566
Intangible assets	1,107	1,248
16) Property, plant and equipment	30/06/2016	31/12/2015
Investment property	98,023	99,501
Land and buildings	57,433	51,220
Business equipment and furnishings	76,095	77,598
Other property, plant and equipment	8,082	18,130
Property, plant and equipment	239,633	246,449
17) Other assets	30/06/2016	31/12/2015
Deferred tax assets	50,774	55,984
Other items	165,378	175,427
Positive fair values of closed out derivatives in the banking book	190,598	170,644
Deferred items	3,721	4,627
Other assets	410,471	406,682
18) Amounts owed to credit institutions	30/06/2016	31/12/2015
Amounts owed to Austrian banks	1,415,619	1,692,571
Amounts owed to foreign banks	1,880,084	1,302,932
Amounts owed to credit institutions	3,295,703	2,995,503
19) Amounts owed to customers	30/06/2016	31/12/2015
Savings deposits	2,876,806	2,912,646
Other	7,687,285	7,608,901
Amounts owed to customers	10,564,091	10,521,547
20) Securitised liabilities	30/06/2016	31/12/2015
Bonds issued	1,436,137	1,424,158
Other securitised liabilities	13,087	19,218
Securitised liabilities	1,449,224	1,443,376

21) Provisions for liabilities and charges	30/06/2016	31/12/2015
Provisions for termination benefits and pensions	179,725	178,698
Provisions for anniversary bonuses	11,862	11,619
Loan loss provisions	91,364	95,114
Other provisions	48,133	43,745
Provisions for liabilities and charges	331,084	329,176
22) Other liabilities	30/06/2016	31/12/2015
Trading liabilities	57,178	45,350
Tax liabilities	19,773	7,846
Current tax liabilities	16,007	2,569
Deferred tax liabilities	3,766	5,277
Other liabilities	249,314	234,761
Negative fair values of closed out derivatives in the banking book	26,255	26,960
Deferred items	63,183	58,045
Other liabilities	415,703	372,962
Other liabilities (trading liabilities)	30/06/2016	31/12/2015
Currency contracts	1,680	2,158
Interest rate contracts	55,496	42,777
Other contracts	2	415
Trading liabilities	57,178	45,350
23) Subordinated debt capital	30/06/2016	31/12/2015
Subordinated bonds issued including supplementary capital	602,834	595,993
Hybrid capital	60,163	59,128
Additional Tier 1 capital	0	0
Subordinated debt capital	662,997	655,121
24) Equity	30/06/2016	31/12/2015
Subscribed capital	96,563	96,431
Capital reserves	349,127	348,291
Retained earnings (incl. net profit)	1,504,065	1,424,511
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	4,593	4,559
Equity	2,006,220	1,925,664
25) Contingent liabilities and commitments	30/06/2016	31/12/2015
Other contingent liabilities (guarantees and letters of credit)	1,451,311	1,345,954
Contingent liabilities	1,451,311	1,345,954
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	3,424,708	3,265,901
Credit risks	3,424,708	3,265,901

26) Segment report as at 31/03/2016	Personal	Corporate	Financial		
Core business segments in €k	Banking	s	Markets	Others	Total
Net interest income	27.5	111.6	36.6	0.0	175.7
Charges for losses on loans and advances	0.6	-13.8	-4.0	0.0	-17.2
Net commission income	29.7	34.8	0.0	0.0	64.5
Net trading income	0.0	0.0	7.5	0.0	7.4
Administrative expenses	-44.9	-70.7	-4.0	-11.5	-131.1
Other operating profit	2.2	1.0	5.0	-2.7	5.5
Extraordinary profit/loss	0.0	0.0	0.0	0.0	0.0
Profit for the year before tax	15.1	62.7	41.1	-14.2	104.8
Average risk-weighted assets	1,443.4	8,416.9	5,244.2	0.0	15,104.5
Average allocated equity	187.0	1,090.3	679.3	0.0	1,956.6
Return on equity before tax	16.2 %	11.5 %	12.1 %		10.7 %
Cost/income ratio	75.6 %	48.0 %	8.1 %		51.8 %

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 June 2016 based on an interest rate of 2.76% (30/06/2015: 3.01%) 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) Human resources	30/06/2016	31/12/2015
Salaried employees	2,053	2,025
Blue-collar	13	14
Total resources	2,066	2,039

28) Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013	30/06/2016	31/12/2015	30/06/2015
Subscribed capital	93,111	94,011	89,406
Capital reserves	349,127	349,127	280,002
Retained earnings	1,440,283	1,405,094	1,292,567
Minority interests	0	0	0
Accumulated other comprehensive income	14,675	3,269	-15,565
Regulatory adjustment items	-28,758	-38,685	-35,706
Deductions from common equity Tier 1 capital items	-159,414	-162,062	-160,671
COMMON EQUITY TIER 1 CAPITAL	1,709,024	1,650,754	1,450,033
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs.to national implementation rules	35,400	41,300	55,300
Deductions from AT1 capital items	-8,787	-8,747	-24,532
Additional Tier 1 capital	76,613	82,553	80,768
TIER 1 CAPITAL	1,785,637	1,733,307	1,530,801
Qualifying supplementary capital instruments	357,304	352,505	370,656
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	23,700
Supplementary capital items purs. to national impl. rules	55,560	56,224	57,349
General credit risk adjustments	0	0	0
Deductions from supplementary capital items	-15,443	-4,432	-4,672
Supplementary capital	424,621	424,697	449,733
CAPITAL RESOURCES	2,210,258	2,158,004	1,980,534
Total risk exposure purs. Art. 92 CRR			
Credit risk	11,702,585	11,213,348	11,063,835
Market risk, settlement risk and CVA risk	63,163	51,477	62,817
Operational risk	951,842	951,842	890,231
Total exposure	12,717,590	12,216,667	12,016,883
Capital ratios purs. Art. 92 CRR			
Common equity Tier 1 capital ratio	13,44%	13,51%	12,07%
Core Tier 1 capital ratio	14,04%	14,19%	12,74%
Total capital ratio	17,38%	17,66%	16,48%
Regulatory capital ratios purs. to transition rules in %			
Common equity Tier 1 capital ratio	5.125%	4.500%	4.500%
Core 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	651,776	549,750	540,760
Tier 1 capital	842,540	733,000	721,013
Total capital	1,096,892	977,333	961,351
Free capital components			
Common equity Tier 1 capital	1,057,248	1,101,004	909,273
Tier 1 capital	943,097	1,000,307	809,788
Total capital	1,113,366	1,180,671	1,019,183

29) Fair value of financial instruments as at 31/06/2016 €k							
	HtM	FV/PL	HFT	AfS	L&R/Liabilities	Other	Total
Cash and balances at central banks						294,795	294,795
						294,795	294,795
Loans and advances to credit institutions					979,943		979,943
					981,071		981,071
Loans and advances to customers	43,137	65,774		70,054	13,235,117		13,414,082
	44,837	65,774		70,054	13,356,100		13,536,765
Impairment provisions					-480,839		-480,839
					-480,839		-480,839
Trading assets			74,725				74,725
			74,725				74,725
Financial investments	2,086,449	240,539		670,244		793,873	3,791,105
	2,294,682	240,539		670,244			
						1,107	1,107
Intangible assets							
Property, plant and equipment						239,633	239,633
Other assets			190,598			219,873	410,471
			190,598				
of which closed derivatives positions in the banking book			190,598				190,598
			190,598				190,598
Total assets	2,129,586	306,313	265,323	740,298	13,734,221	1,549,281	18,725,022
	2,339,519	306,313	265,323	740,298	13,856,332		
Amounts owed to credit institutions		67,945			3,227,758		3.295.703
		67,945			3,265,948		3.333.893
Amounts owed to customers		415,036			10,149,055		10.564.091
		415,036			10,167,875		10.582.911
		438,690			1,010,534		1.449.224
Securitised liabilities		438,690			1,024,748		1.463.438
Provisions for liabilities and charges						331,084	331.084
			83,433			332,270	415.703
Other liabilities			83,433				
			26,255				26.255
of which closed derivatives positions in the banking book			26,255				26.255
		432,404			230,593		662.997
Subordinated debt capital		432,404			234,381		666.785
						2,006,220	2.006.220
Total equity and liabilities	-	1,354,075	83,433	-	14,617,940	2,669,574	18.725.022
	-	1,354,075	83,433	-	14,692,952		

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 31/06/2016

	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	65,774	0	70,054	0	0	135,828	0	70,054	65.774
Trading assets	0	0	74,725	0	0	0	74,725	12,527	62,198	0
Financial assets - FV/PL	0	240,539	0	0	0	0	240,539	54,162	186,377	0
Financial assets - AfS	0	0	0	670,244	0	0	670,244	534,015	55,805	80.424
Other assets	0	0	190,598	0	0	0	190,598	0	190,598	0
of which closed derivatives positions in the banking book	0	0	190,598	0	0	0	190,598	0	190,598	0
Financial assets not carried at fair value										
Loans and advances to credit institutions	0	0	0	0	979,943	0	979,943	0	0	981.071
Loans and advances to customers	43,137	0	0	0	13,235,117	0	13,278,254	0	44,837	13.356.100
Financial assets - HtM	2,086,449	0	0	0	0	0	2,086,449	2,211,308	83,374	0
Financial liabilities carried at fair value										
Amounts owed to credit institutions	0	67,945	0	0	0	0	67,945	0	12,293	55.652
Amounts owed to customers	0	415,036	0	0	0	0	415,036	0	415,036	0
Securitised liabilities	0	438,690	0	0	0	0	438,690	0	438,690	0
Other liabilities	0	0	83,433	0	0	0	83,433	0	83,433	0
of which closed derivatives positions in the banking book	0	0	26,255	0	0	0	26,255	0	26,255	0
Subordinated debt capital	0	432,404	0	0	0	0	432,404	0	432,404	0

1) 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 30/06/2016

	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	
Financial liabilities not carried at fair value										
Amounts owed to credit institutions	0	0	0	0	3,227,758	0	3,227,758	0	57,350	3,208,598
Amounts owed to customers	0	0	0	0	10,149,055	0	10,149,055	0	58,795	10,109,080
Securitised liabilities	0	0	0	0	1,010,534	0	1,010,534	0	1,024,748	0
Other liabilities	0	0	0	0	0	0	0	0	0	0
Subordinated debt capital	0	0	0	0	230,593	0	230,593	0	234,381	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 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 for the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue.

The fair value of level 3 assets is measured using generally-accepted valuation models. In level 3, the discounted cash flow method is used to calculate the fair values of receivables and liabilities. Discounted cash flows are calculated on the basis of future payment flows and the reference interest rate applicable on the respective closing date. The interest rates used for discounting are derived from the discount curve applicable for the respective currency. The 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 90,024 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:

Movements in the reporting year in €k:

Carrying value as at 01/01/2016	80,424
Additions (purchases)	0
Disposals (sales)	0
Impairment (recognized in income)	0
Carrying value as at 01/03/2016	80,424

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 this type of instruments in the financial year.

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

<u>Movements in the reporting year:</u>		Loans and advances to customers
Carrying value as at 01/01/2016	67,811	55,112
Disposals	-2,772	0
Changes in fair value	735	540
of which disposals	19	0
of which portfolio instruments	716	540
Carrying value as at 30/06/2016	65,774	55,652

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 half of 2016 (1 January 2016 to 30 June 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 June 2016 were:

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

Linz, 23. August 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
26 August 2016	Quarterly results for Q1-2 2016
30 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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3 Banken Group at a Glance

	Oberbank		BKS Bank		BTV	
Income statement in €m	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Net interest income	175.7	178.8	77.3	79.5	68.2	87.4
Charges for losses on loans and	-17.2	-27.3	-12.4	-12.3	-9.5	-4.4
Net commission income	64.5	68.0	25.4	26.9	23.3	25.9
Administrative expenses	-131.1	-120.5	-54.3	-53.0	-96.5	-91.2
Other operating profit (expenses)	5.5	-9.1	-6.3	-3.6	69.4	57.9
Profit for the period before tax	104.8	96.0	30.5	41.2	57.1	80.9
Profit for the period year after tax	87.9	83.7	24.7	31.7	46.9	65.5

Balance sheet in €m	30/06/2016	31/12/2015	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Total assets	18,725.0	18,243.3	7,099.9	7,063.4	9,673.0	9,426.3
Loans and advances to customers after charges for losses on loans and Primary funds	12,933.2	12,351.7	4,984.2	4,920.1	6,560.8	6,359.6
of which savings deposits	2,876.8	2,912.6	1,595.5	1,629.8	1,229.0	1,200.8
of which securitised liabilities incl. subordinated debt capital	2,112.2	2,098.5	763.3	758.1	1,476.6	1,377.9
Equity	2,006.2	1,925.7	877.1	860.2	1,195.6	1,148.7
Customer funds under management of which in cust. security accounts	25,384.4	25,245.1	13,009.5	13,212.1	12,846.5	12,732.4
	12,708.1	12,625.1	7,889.5	8,102.3	5,736.5	5,711.6

Capital resources CRR in €m	30/06/2016	31/12/2015	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Assessment basis	12,717.6	12,216.7	4,933.1	4,883.4	6,525.4	6,262.7
Own funds	2,210.3	2,158.0	597.1	599.9	964.2	977.8
of which CET1	1,709.0	1,650.8	545.8	575.6	927.8	950.9
of which total capital CET1+AT1	1,785.6	1,733.3	545.8	575.6	927.8	950.9
Common equity Tier 1 ratio in %	13.44	13.51	11.06	11.79	14.22	15.18
Tier 1 capital ratio in %	14.04	14.19	11.06	11.79	14.22	15.18
Total capital ratio in %	17.38	17.66	12.10	12.28	14.78	15.61

Performance	30/06/2016	31/12/2015	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Return on equity before tax	10.71	11.20	6.09	7.33	9.80	15.88
Return on equity after tax	8.99	9.73	5.31	6.48	8.05	12.77
Cost/income ratio	51.82	50.49	55.77	48.65	58.80	58.55
Risk/earnings ratio	9.78	12.35	16.04	29.17	13.90	9.73

Resources	30/06/2016	31/12/2015	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Average number of staff (weighted)	2,053	2,025	926	923	1,543	1,354
Branches	158	156	60	59	36	36