

The 2010 Financial Year at a Glance



Key Figures in Overview

Income statement in €m	2010	Change	2009	2008
Net interest income	318.9	21.5%	262.4	300.7
Charges for losses on loans and advances	(103.8)	14.4%	(90.7)	(67.8)
Net commission income	101.2	14.3%	88.6	97.8
Administrative expenses	(220.7)	6.0%	(208.2)	(199.8)
Operating profit	218.3	19.4%	182.8	181.8
Profit for the year before tax	114.5	24.4%	92.0	114.0
Profit for the year after tax	98.4	27.2%	77.3	105.0

Balance sheet in €m	2010	Change	2009	2008
Assets	16,768.4	4.6%	16,031.4	15,314.0
Loans and advances to customers after provisioning charge	10,129.7	5.6%	9,594.0	9,248.6
Primary funds	11,135.3	2.0%	10,916.4	10,016.7
of which savings deposits	3,447.2	1.4%	3,399.2	3,301.9
of which securitised liabilities including subordinated capital	2,232.6	9.4%	2,040.2	1,897.4
Equity	1,160.9	12.1%	1,035.6	894.1
Customer funds under management	19,912.7	6.6%	18,686.8	17,039.1

Own funds within the meaning of BWC in €m	2010	Change	2009	2008
Assessment basis	9,795.8	(1.8%)	9,970.5	9,970.2
Own funds	1,635.1	6.6%	1,534.3	1,286.1
of which core capital (Tier 1)	1,028.7	7.7%	955.4	824.7
Surplus own funds	789.8	16.2%	679.5	436.5
Core capital ratio in %	10.50	0.92 ppt	9.58	8.27
Total capital ratio in %	16.69	1.30 ppt	15.39	12.90

Performance in %	2010	Change	2009	2008
Return on equity before tax	10.57	0.71 ppt	9.86	12.83
Return on equity after tax	9.08	0.8 ppt	8.28	11.82
Cost/income ratio	50.3	(3.0 ppt)	53.3	52.4
Risk/earnings ratio (credit risk in % of net interest income)	32.6	(2.0 ppt)	34.6	22.5

Resources	2010	Change	2009	2008
Average number of staff (weighted)	1,996	6	1,990	1,983
Branches	143	10	133	134

Outstanding development in all business lines

- Marked growth of lending and deposits
- Excellent earnings development notwithstanding a cautious risk policy
- Superb capital base; core capital ratio increase to 10.50%
- Uninterrupted prudent expansion course; establishment of new branches in every region

Earnings Profit from operating activities: new record value of EUR 218.3 million
Cautious risk policy: EUR 103.8 million allocated to loan loss provisions
Profit for the year before tax: up 24.4% to EUR 114.5 million
Better performance than the overall market

Growth Lending to customers: up 6.2% to EUR 10.4 billion
Primary deposits: up 2.0% to EUR 11.1 billion
Customer funds under management: up 6.6% to EUR 19.9 billion

Expansion Eleven new branches across all markets
143 bank branches in Austria, Bavaria, the Czech Republic, Hungary and Slovakia
26,000 new customers; 334,000 corporate and personal banking customers in total

Five countries, one bank

Reliability, stability and solidity have always been the backbone of Oberbank's business model. These values constitute the basis of the Bank's steady and continuous expansion and its successful activities in five countries – Austria, Germany, the Czech Republic, Hungary and Slovakia.

Oberbank has always lived up to its values and has thus been able to establish sound relations with its customers, which, over many years, and even generations, of intensive cooperation have often developed into enduring ties between Oberbank and companies, institutions and private individuals in the region. This also enables Oberbank to ensure the greatest possible safety even in turbulent times. A substantial increase in customer deposits in 2010 once again provided evidence of our customers' trust in the Bank. This solid deposit base enabled the Bank to unremittably fulfil its role of principal local banker and provide finance to businesses and individuals.

Oberbank has always concentrated on its particular strengths, notably the business model of a regional bank and the actual core business of a bank, namely the attraction of deposits and prudent lending. With this approach, Oberbank again outperformed the Austrian market in general in 2010, securing for itself further market shares and achieving the best result in the Company's history.

Excellent development in 2010

Oberbank posted excellent development and once again obtained a record result. We achieved this outstanding performance even though we were operating in a difficult environment: The financial crisis had evolved into a sovereign debt crisis, which for quite some time even seriously undermined public confidence in the European Union and the euro.

Notwithstanding this turbulent background, Oberbank's development was outstanding:

- We once again outperformed the market as a whole.
- We gained further market shares in terms of lending and deposits.
- We further consolidated our position as one of the most profitable and best capitalised banks in Austria.
- We are thus perfectly equipped for future challenges – without taking recourse to government assistance.

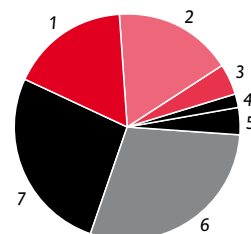
Oberbank Shares

Stable price development in 2010

After the outstandingly stable share price development of Oberbank shares in the turbulent stock market years 2008 and 2009, the stock exhibited a robust performance in 2010 as well. The Oberbank share reached its high at EUR 44.90 on 30 December 2010, the preference share at EUR 39.20 on 1 December 2010. The market capitalisation of Oberbank AG amounted to EUR 1,274.7 million (+4.8%) at the end of 2010. On an annual average, the Oberbank shares thus clearly outperformed the European industry benchmark, i.e. the DJ Euro Stoxx Banks.

The Oberbank ordinary share has been listed on the Vienna Stock Exchange since 1 July 1986 and has maintained a conspicuously steady value appreciation ever since: Shareholders who acquired the Oberbank share in 1986 and participated in all capital increases achieved an average annual yield of 9.11% gross of withholding tax and taking into account dividend distributions.

Oberbank shareholder structure at 31/12/2010	Ordinaries	Total
Bank für Tirol und Vorarlberg AG, Innsbruck ¹	18.51%	17.00%
BKS Bank AG, Klagenfurt ²	18.51%	16.95%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg ³	5.13%	4.62%
Generali 3 Banken Holding AG, Vienna ⁴	2.21%	1.98%
Staff shares ⁵	4.02%	3.73%
CABO Beteiligungsgesellschaft m. b. H., Vienna ⁶	32.54%	29.15%
Free float ⁷	19.08%	26.57%



Corporate Governance

Oberbank's business policy and its proven track record of success are based on a strong policy of good corporate governance and transparency. The Bank's corporate goals are defined with a view to sustainable long-term development and clearly communicated to the public. As an exchange-listed regional bank, top priority is given to preserving Oberbank's independence, an objective which is safeguarded by high earning power, a judicious risk policy, Oberbank's partnership with BKS and BTV – both autonomous regional banks – and shareholders committed to preserving the independence of Oberbank.

No single shareholder of Oberbank AG is in a position to assume direct or indirect control. A syndicate agreement between BKS, BTV and Wüstenrot Genossenschaft specifically aims at ensuring Oberbank's independence. Another stabilising element in the shareholder structure of Oberbank is the fact that some of the shares are held by the staff, the attached voting rights having been assigned to a collective syndicate called Oberbank Mitarbeitergenossenschaft. The commitment of both management and staff to Oberbank is a further stabilising factor, as are its long-standing alliances with dependable partners such as Wüstenrot or Generali.

As a listed Company, Oberbank AG complies with the rules of the Austrian Code of Corporate Governance and declares this according to Section 243b of the Austrian Enterprise Code (UGB). The Kodex can be viewed at www.oberbank.at. In its meeting of 26 November 2007, the Supervisory Board of Oberbank resolved to adopt the Code as amended. The most recent amendment of the Code became effective as of 1 January 2010 and is hence applicable for the business year 2010

Assuming Responsibility

Economic, ecological and social responsibility

A responsible approach to conducting a business is the only way to ensure that an enterprise will be effectively and enduringly integrated in the economic structure of a region, will contribute to enhancing the common weal and generate lasting value added for society. Oberbank is expressly committed to the goal of sustainable business development. The Bank's strategy, business policy, target planning and remuneration system put their focus on long-term business success and make sustainable, successful development the guiding principle of all corporate action.

Using resources responsibly is part and parcel of corporate social responsibility, which is why Oberbank strives for the highest levels of environmental compatibility in all its operations, processes and products. Emphasising environmental aspects in building and energy management as well as in the planning of business trips and in procurement policy sets the course towards reducing costs in the long term and achieving a lasting change in behaviour throughout the Bank.

Addressing social issues, where they relate to the Company's employees as well as in a more general social environment, constitutes a further important aspect of a company's commitment to sustainable development and corporate social responsibility. Oberbank therefore takes an active role in promoting cultural activities and in supporting institutions engaged in assisting disadvantaged individuals. Oberbank views these activities as a particularly valuable element of corporate social responsibility.

Responsibility in product design

Oberbank is making an effort to live up to its ecological responsibility on the product side as well. The sustainability criteria include a focus on clean and renewable energy, energy efficiency, health, water, sustainable consumption, sustainable mobility, environmental and educational services.

Timelessly modern values create a solid foundation

Values like reliability, stability and solidity have always formed the bedrock of all banking business. A partial departure from these values on the part of numerous players in the corporate and financial sector was one of the reasons for the financial and economic crisis of the past few years. Oberbank has never turned its back on these values. In our opinion, the banking business is still very much what it always has been: a bank's core mandates are to induce confidence and provide security, accept deposits from customers and extend bank loans to selected customers.

Eight strategic goals of Oberbank

Guided by these basic values, Oberbank formulated eight strategic goals, which constitute the framework for the Bank's exceptionally successful business policy that has proved its worth over the years:

- Priority goal: safeguarding the independence and autonomy of Oberbank
- High quality of advisory services for corporate and personal banking customers
- Continuous organic growth
- Concentration on risk management
- Safeguarding long-term liquidity by securing continued high growth of primary funds
- No proprietary treasury trading detached from customer business
- Strategic staff development
- Ensuring long-term competitiveness by focusing on lean processes

Oberbank's investment portfolio

Oberbank only makes long-term investments in other companies if these investments serve to safeguard the survival of headquarters and locations of local enterprises or help enable the Bank to live up to its role of principal local banker, or if the activities of a potential joint venture partner are complimentary to the Bank's core banking business (real estate or investment fund companies). Oberbank does not engage in long-term private equity investments on its own accord, but rather uses this instrument to support customers in situations in which traditional finance solutions fail to fulfil their funding requirements.

Industry and commerce

When it comes to supporting decision makers of key Austrian enterprises and securing jobs in local markets, Oberbank offers its services as a strategic partner. Oberbank holds, among others, an interest in Austria's largest industrial concern, namely the steelmaker voestalpine AG (7.66%, www.voestalpine.com), as well as in the Upper Austrian energy provider Energie AG (4.13%, www.energieag.at), the pulp, paper and textile manufacturer Lenzing AG (3.24%, www.lenzing.com) and the lift operator Gasteiner Bergbahnen AG (32.62%, www.skigastein.com).

Private equity investments

The Oberbank Opportunity Fonds set up in 2006 creates the basis for Oberbank to act as a private equity finance partner. It offers an alternative when a customer needs a financing solution that goes beyond the scope of traditional credit and leasing financing. Investments in other mezzanine and equity capital providers are made with the objective of gaining access to their expertise and markets.

Real estate

In real estate business, Oberbank holds equity interests in companies set up for the construction or management of Oberbank-owned real estate, as well as in selected residential developers that feature as potentially important partners in residential construction finance issues.

Credit institutions and insurance companies

Oberbank's most significant investments include the stakes in its sister banks Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) and BKS Bank AG (BKS), each of which is below 20%. The cooperation with BTV and BKS also creates the basis for a number of jointly operated ventures: The three banks hedge their large loan risk through ALGAR (ALPENLAENDISCHE GARANTIE-GESELLSCHAFT); 3 Banken-Generali Investment-Gesellschaft acts as a shared investment fund company; Drei-Banken Versicherungs-Aktiengesellschaft provides property and personal insurance contracts in cooperation with the Generali insurance company. Oberbank also holds stakes in other companies with which the Bank closely cooperates in day-to-day business, among them Bausparkasse Wüstenrot, Oesterreichische Kontrollbank AG, Wiener Börse AG and PayLife Bank GmbH.

Leasing

Oberbank's leasing companies in Austria, Bavaria, the Czech Republic, Hungary and Slovakia are bundled in its leasing sub-group. This sub-group also includes companies established for the purpose of financing individual customer projects or Oberbank projects.

Other investments

Other investments include stakes in companies whose activities lie outside the core business of Oberbank and which either provide bank-related services (DREI-BANKEN-EDV Gesellschaft and Einlagensicherung der Banken und Bankiers GmbH, the deposit protection company of the Austrian commercial banks) or have specific regional significance in the catchment area of Oberbank (various technology or business incubation centres).

Human Resources

Attractive employer

Oberbank continuously manages to attract interesting job applications in the market and to achieve long-term job retention of qualified key employees, a fact that is impressively highlighted by an extremely low staff fluctuation rate of 6.1%. Oberbank's employer attractiveness is to some extent due to its business model, which encourages personal initiative and creativity and allows employees at all levels to assume responsibility, but also to the fact that Oberbank constantly works on the development and improvement of concepts to enhance this attractiveness. 2010 witnessed, among other things, the launch of two strategic initiatives with special significance for the future.

“Future Women 2020“ project

The emphasis of this investment project is on the targeted and active promotion of women with families. The objective is to open up better career opportunities for this target group at Oberbank. One of the goals is to double the share of women in executive positions from 20% at present to 40% in ten years' time. Moreover, the “Future Women 2020” project also constitutes an important step forward in preparations for demographic developments in the regions covered by Oberbank.

Gender-neutral wording (in German language)

An important component of the “Future Women 2020” project is gender-neutral communication at all levels, orally and in writing, within the Bank and externally, ensuring that men and women feel equally addressed by communications in words and in pictures. All letters, forms, publications, ads and pictorial material will be checked for compliance with this principle and adjusted where required.

“Asset Health” project

The autumn of 2010 witnessed the kick-off of a comprehensive healthcare project. This project, on the one hand, is Oberbank’s response to concrete wishes expressed by employees in the most recent employee survey and, on the other hand, is an attempt to support employees in maintaining and improving their general well-being and their productivity. As our working lives are likely to become longer in the future, measures have to be taken to ensure that people are able to enjoy good health as long as possible. Oberbank and its employees see this as a challenge for which they have begun to prepare today.

Based on a holistic approach that integrates physical training, healthy nutrition and mental fitness, the programme aims at encouraging people to take greater personal responsibility for their own health and well-being. Keynote events and presentations in cooperation with healthcare experts and medical professionals have been organised to enhance awareness and foster interest and greater understanding. These measures will be followed by broadly-based analyses of the actual situation and fitness checks for all employees as well as agreements on measures to be taken by the individual employees and follow-up controls of the success achieved. A broad range of additional events rounds off the programme.

Learning and training

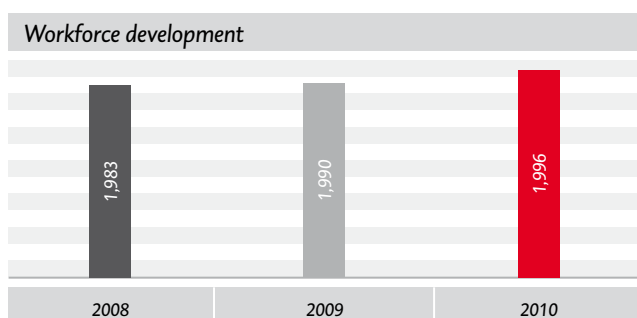
Oberbank has always been committed to the principle of life-long learning. Continuous learning and refreshing and expanding professional and social competences has always been part of the service and performance obligation of Oberbank employees. Only excellently trained employees are able to offer customers top-level professional advice and services.

Employee Stock Option Plan

A highly gratifying sign of the close bonds between Oberbank employees and their employer, and their sense of solidarity, is the fact that they have been making intensive use of the employee stock option plan introduced in 1994. Oberbank offers employees the opportunity of direct participation in their own company by buying shares at a preferential subscription price. This attractive investment option met with lively demand also in 2010. In the meantime, the employees of Oberbank hold more than 4% of the voting rights, which are bundled in a syndicate, and together thus constitute the fourth-largest individual shareholder.

Number of employees

Ongoing streamlining of internal processes and taking advantage of the effects of natural fluctuation helped to keep the number of employees in the internal departments and in the core markets on an unchanged level or even achieve a slight decrease. However, as further business branches were opened in the Bank’s expansion markets, Oberbank’s overall workforce as at 31. December 2010 had increased by 37 to 2,013 year on year. The average number of employees increased by six to 1,996 in 2010.



Outstanding Results

Oberbank achieved outstanding results in the financial year 2010, the operating profit soared by 19.4% to EUR 218.3 million. Notwithstanding the Bank's continued cautious risk policy, the profit for the year before tax widened by a remarkable 24.4% to EUR 114.5 million and net profit climbed 27.2% to EUR 98.4 million.

Net interest income

Net interest income surged by 21.5% to EUR 318.9 million in the financial year 2010. This development was due to a 10.5% rise in profit from credit operations to EUR 275.4 million and a more than 100% increase in the contribution attributable to earnings from equity investments to EUR 43.5 million.

Charges for losses on loans and advances

Within the framework of the Bank's credit risk strategy, adequate provisions were set up for all discernable risks. Besides specific valuation allowances, a general allowance for impairment of the portfolio in accordance with IAS 39 was also recognised. In addition, guarantee commissions were paid to ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT, the 3 Banken Group's jointly owned large-loan guarantee company. Taking into account write-offs of receivables, the Group's net charges for losses on loans and advances came to EUR 103.8 million in 2010, after EUR 90.7 million in the previous year, resulting in an increase of the Bank's impairment allowance ratio from 0.92% to 0.99%. These high charges for impairment losses keep Oberbank comfortably cushioned against credit risk.

Net commission income

Net commission income mirrors the effects of a recovery in securities business

Net commission income improved by 14.3% to EUR 101.2 million in 2010. A particularly pleasant aspect was the change of trend in the securities business, where commission income rose by 16.5% to EUR 33.4 million and thus almost matched the excellent result of 2008. Good results from payment services, credit operations, dealing in foreign coins and notes and precious metals as well as other services and advisory business also contributed to the steep increase of net commission income.

Net trading income

The net trading income comprises earnings from securities and derivatives in the trading book as well as earnings from dealings in foreign exchange, foreign bank notes and precious metals. On balance, the net trading income declined by 42.5% to EUR 6.5 million. Earnings from foreign currency dealings increased slightly, while earnings from securities and derivatives dealings decreased.

Administrative expenses

Development of administrative expenses shows impact of strong expansion

Administrative expenses increased by 6.0% to EUR 220.7 million year on year owing to continued expansion activities and the establishment of eleven new branches. Staff costs increased by 5.3% to EUR 126.2 million, while other administrative costs widened by 6.5% to EUR 70.2 million. Due to higher depreciation in the Leasing subgroup (increase of property, plant and equipment in operating leases), depreciation increased by 8.3% to EUR 24.3 million. The Bank's cost/income ratio came to 50.28% and thus improved by 2.98 percentage points compared to the previous year.

Excellent profit situation notwithstanding cautious risk policy

Operating profit +19.4%, profit before tax +24.4%, net profit +27.2%

Oberbank improved the profit from operating activities – the sum total of net interest income, net commission income, net trading income and other operating profit or loss less administrative expenses – by 19.4% to EUR 218.3 million in 2010. At EUR 114.5 million, the profit before tax and after charges for losses on loans and advances increased by 24.4% year on year. Income taxes amounted to EUR 16.1 million, which corresponds to an increase of 9.6% year on year. On balance, the consolidated net profit for the year including minority interests was EUR 98.4 million, which is 27.2% above the previous year's level. After EUR 29,436.75 in minority interests, the Oberbank Group showed a consolidated net profit for the year of EUR 98.3 million (+27.2%).

The total number of shares issued by Oberbank AG came to 28,783,125 as at the balance sheet date. Earnings per share amounted to EUR 3.43 in 2010, after EUR 2.83 one year earlier.

Proposed appropriation of profit

Distributable profit is determined on the basis of the Annual Financial Statements of the Group parent, Oberbank AG. At the level of Oberbank AG, the net profit for 2010 totalled EUR 81.5 million. After a net allocation of EUR 67.1 million to reserves and adding a profit carried forward of EUR 0.1 million, the distributable net profit amounted to EUR 14.5 million. Subject to approval by the Annual General Meeting, the Company will distribute a dividend of EUR 0.50 per eligible share on the share capital of EUR 86.3 million. Given a total of 28,783,125 shares, the distribution will amount to EUR 14,391,562.50. The Management Board will propose to carry forward to new account the remainder of EUR 83,596.88.

Key performance indicators

In 2010, the operating profit ratio – profit from operating activities as a percentage of average assets – increased by 0.17 percentage points from 1.16% to 1.33%, which marks a top-level ratio in the Austrian banking industry.

As Oberbank substantially boosted net profit for the year, the return on equity (ROE) before tax also increased from 9.86% in 2009 to 10.57% in 2010, while the ROE after tax rose from 8.28% to 9.08%. For the same reason, IFRS earnings per share improved significantly, rising from EUR 2.83 in 2009 to EUR 3.43 in 2010.

At 50.28%, Oberbank's cost/income ratio continued to be excellent and clearly better than the banking industry average in 2010. The risk/earnings ratio decreased from 34.58% to 32.55%, notwithstanding the Bank's cautious provisioning policy and high allocations to impairment provisions. Oberbank's own funds ratio, a key parameter for bank ratings, rose from 15.39% to 16.69%, the core capital ratio from 9.58% to 10.50%.

Equity

On 31 December 2010, own funds within the meaning of Sections 23 and 24 of the Austrian Banking Act (BWG) amounted to EUR 1,635.1 million as compared to EUR 1,534.3 million as at the previous year's balance sheet date. Hence, the surplus of own funds over the applicable own funds requirement of EUR 845.3 million pursuant to Section 22(1) of the Austrian Banking Act (BWG) amounted to EUR 789.8 million, which is 8.69 percentage points above the regulatory requirement of 8%. Consequently, the own funds ratio increased from 15.39% to 16.69%, the core capital ratio from 9.58% to 10.50%.

<i>Segment overview 2010 in €m</i>	Corporate and Business Banking	Personal Banking	Financial Markets	Other	Consolidated income statement for 2010
Net interest income	175.3	53.1	90.5		318.9
Charges for losses on loans and advances	(71.4)	(9.6)	(22.8)		(103.8)
Net commission income	53.4	47.8			101.2
Net trading income	(0.4)		6.9		6.5
Administrative expenses	(100.7)	(86.4)	(5.4)	(28.4)	(220.7)
Other operating profit (loss)	7.3	(2.1)	9.8	(2.5)	12.4
Profit (loss) for the year before tax	63.5	2.9	79.1	(30.9)	114.5
Return on equity before tax (ROE)	10.1%	2.9%	22.2%		10.6%
Cost/income ratio	42.7%	87.4%	5.0%		50.3%

Corporate and Business Banking Segment

4,900 new customers gained in 2010

The Corporate and Business Banking segment encompasses business with companies and self-employed customers as well as the leasing business. At year-end 2010 this segment was servicing some 37,000 customers, almost 5,000 of which had been newly acquired in 2010.

Performance overview for 2010

The weaker performance in Corporate and Business Banking is mainly attributable to a cautious risk policy resulting in higher allocations to impairment provisions, which were stocked up by 39% to EUR 71.4 million. Net interest income rose by 7.9% to EUR 175.3 million. This improvement is due to the expansion of the business volume and an increase in interest margins for corporate loans. Against the backdrop of higher commission income from credit operations and payment transactions, net commission income increased by 12% to EUR 53.4 million. Administrative expenses rose by 5.4% to EUR 100.7 million. Other operating profit widened by EUR 1.2 million to EUR 7.3 million. In Corporate and Business Banking, the return on equity declined by 2.5 percentage points to 10.1%, whereas the cost/income ratio improved by 1.4 percentage points to 42.7%.

Corporate and business loans

Oberbank increased its total volume of loans to corporate and business customers by 6.6% to EUR 8.5 billion in 2010. Thanks to its solid business model, Oberbank was at all times able to supply its customers with sufficient liquidity and, despite the turmoil on international financial markets, the Bank was at no time compelled to reduce any of its credit lines.

Investment finance

The total volume of Oberbank's investment finance facilities grew at the notable rate of 10.8% to EUR 6.7 billion in 2010. The increase in the rate of demand for subsidised investment finance was particularly high: The number of project applications rose by 16.4% (the Bank obtained guarantees granted by support agencies for almost one quarter of the loan applications); the total volume of subsidised investment finance loans surged by 10% to EUR 451.7 million, while the number of customers with subsidised loans increased by an outstanding 34%. Oberbank features as Austria's most successful applicant for ERP funding. In 2010, applications filed by Oberbank for its customers accounted for 20% of all approved ERP business promotion loans.

Oberbank's private equity network

The Oberbank Opportunity Fonds handled a total of 154 enquiries; four of these projects were successfully concluded. Since its inception in November 2006, the Oberbank Opportunity Fonds has provided equity and/or mezzanine capital support for a total of 25 projects. The total financing volume of concluded projects amounts to about EUR 330 million.

Leasing: Pronounced earnings growth, market position successfully defended

Thanks to its broadly-based activities, the Oberbank Leasing group, which not only provides the full range of leasing products (vehicle, movable property and real estate leasing) but is active throughout all regions covered by Oberbank, once again generated good results in the third year of the financial and economic crisis.

Export finance

Export business in 2010 was characterised by considerable degree of volatility. Along with the still elevated default risk of receivables, fluctuating order book levels entailing varying financing requirements posed challenges that Oberbank's export customers were able to master well thanks to continuous comprehensive advisory services provided by the Bank. A 10.48% increase in the Bank's market share in SME-relevant export finance under Export Fund procedures clearly reflects these close relations with customers. With a market share of 8.71% of large corporate loans extended under the KRR Kontrollbank Credit Line, Oberbank achieved an excellent position among regional banks. A gratifying feature is the 11.70% increase in equity financing.

Payment services

In the early months of 2010, efforts still focused on optimisation measures related to the implementation of the Austrian Payment Services Act (Zahlungsdienstegesetz, ZaDiG), which had entered into force on 1 November 2009 and which transposes the legal framework conditions for harmonised European payment transactions set forth in the Payment Services Directive (PDS) into Austrian law. A further emphasis in 2010 was to ensure the sustainability of positive earnings and volume growth in the field of payment services. These efforts were consistently successful, as a rise by 6.6% of income from payment services clearly evidences. Commission income from cross-border payment transactions rose by a significant margin, thanks, above all, to the rapid recovery of business customers' import and export activities. The number of payment transactions in Corporate and Business Banking also attests to the fact that the economic crisis has been overcome; by the end of 2010, the order volume had regained the level achieved in 2009. Incidentally, Oberbank also resolved to participate in the planned payment clearing system launched by the Austrian central bank OeNB, the so-called Clearing Service Austria (CSA).

Personal Banking Segment

21,000 new Personal Banking customers

The Personal Banking segment encompasses business relations with wage and salary earners and private individuals. In 2010 Oberbank serviced roughly 297,000 customers in this segment; 21,000 customers were newly acquired.

Performance overview for 2010

Lower margins in the deposit banking business caused net interest income to decrease by 6.9% to EUR 53.1 million. In commission business, earnings increased robustly both from securities and payment transactions. Overall, net commission income widened by 16.9% to EUR 47.8 million. Administrative expenses in the Personal Banking segment went up moderately by 3% to EUR 86.4 million. The line item Other operating result declined by EUR 2.4 million to minus EUR 2.1 million, as the Bank needed set up provisions for operational risks connected with securities advisory services. The return on equity in the Personal Banking segment declined by 2.3 percentage points to 2.9%; the cost/income ratio edged up by 2.0 percentage points to 87.4%.

Deposit banking: Volume increase evidences customer trust

Even though the savings rate generally declined in Austria and customers exhibited a preference for overnight (sight) deposits, Oberbank, on balance, once again boosted deposits inclusive of capitalisation by the rate of 1.4% or EUR 48.3 million to EUR 3,438.8 million. Deposits on capital savings books showed particularly gratifying development, increasing by EUR 138 million. Investments in the "Oberbank Vorteilskonto spar" savings account also posted a notable increase, growing by 12% to EUR 69.9 million.

Personal loans: 19% more new personal loans

The volume of personal loans (including personal accounts and private leases) increased by 4.7% or EUR 89.4 million to EUR 2 billion, notwithstanding subdued demand for residential construction loans and a decrease of 5.0% in the consumer loan volume to EUR 261.6 million. The volume of newly extended personal loans came to EUR 365 million, which translates to an increase of 19% year on year. The Bank's foreign markets already accounted for as much as 60% of new loans in the personal accounts portfolio. Long-term mortgage-backed loans totalled EUR 1,261.9 million at the end of 2010.

Implementation of the Consumer Credit Directive

A particular challenge in the year under report was the implementation of the EU Consumer Credit Directive, which was transposed into Austrian law with the passage of the Austrian Consumer Credit Act. Comprehensive preparatory work and area-wide training sessions had to be carried out under great time pressure, because the new consumer credit law was passed just a short time prior to its coming into effect on 11 June 2010 in Austria and in most of the Bank's foreign markets. Additionally, the staff charged with implementing the required changes had to take care that the national differences in the transposition of the Directive in Oberbank's foreign markets were duly taken into account.

Personal accounts

In the year under review, the Bank's portfolio of personal accounts grew by the gratifying number of 3,019 to 165,694 accounts. A transparent and easily comprehensible interest rate adjustment scheme for personal accounts was introduced in compliance with the newly effective Consumer Credit Act.

Positive developments in securities business: Prices at record highs

The securities business gained considerable momentum in 2010: Both the market value of assets under management and net commission income, as well as the volume of securitised liabilities, posted a substantial increase year on year.

Oberbank issues

In total, Oberbank placed a volume of EUR 538 million distributed across 30 issues of bonds of all types in 2010. At all times throughout the year, investors were offered a wide choice of covered and uncovered bonds as well as supplementary capital bonds with maturities between three and ten years.

3 Banken-Generali Investment GmbH: Growth clearly above market average

2010 proved to be an excellent year for 3 Banken-Generali Investment GmbH. The volume of funds managed by the company widened by EUR 540 million or 11.6% to EUR 5.13 billion. This is almost double the growth rate of 6.1% achieved by the Austrian investment fund industry in general. Inflows of new funds amounted to EUR 300 million on balance, which was a highly satisfactory result, due, to some extent, to new acquisitions, notably of institutional investors.

Financial Markets Segment

The Financial Markets segment covers earnings from equity investments and trading activities as well as income from maturity transformation and structural earnings. The improvement of earnings by 88% to EUR 79.1 million was primarily due to net interest income surging by 110.9% to EUR 90.5 million as well as higher income from equity participations and a further improvement of structural earnings. Charges for losses on loans and advances were down by 22.4% to EUR 22.8 million, as last year's balance had included a one-off allocation made for an ÖVAG supplementary capital bond. Net trading income decreased by 36.5% to EUR 6.9 million. Other operating profit declined by EUR 12.9 million to EUR 9.8 million, as the previous year's balance had included an improvement from assets measured at fair value (which previously had been affected by a decline in credit spreads).

Focal points of Oberbank's business activities

In Corporate and Business Banking, the Bank's management expects demand for export finance facilities to pick up and dynamics in the field of documentary and guarantee business to improve against the backdrop of sturdy export growth. Stepped up investment activity in the corporate sector is likely to boost demand for investment finance. In both these areas, Oberbank will be able to benefit from its strong franchise in the field of subsidised investment finance.

In Personal Banking, Oberbank will continue to direct its efforts towards attracting savings and other deposits to maintain the Bank's healthy liquidity and funding position. In personal lending, the management expects demand to increase thanks to improved economic prospects and the continued low level of interest rates. Given that residential construction and refurbishment will continue to boom, the management perceives a notable potential in particular in the field of residential construction finance, a core competence area of Oberbank.

As to Financial Markets operations, the Management Board expects income from equity investments to improve further. As regards trading and proprietary trading, the Bank will continue on its conservative path.

Overall, Oberbank expects to expand loans and advances to customers by about the previous year's margin in 2011. Customer deposits are expected to widen at a somewhat higher rate than in the year under report. In 2010 deposit growth showed the impact of investors' reallocating funds from savings books to securities investments, but this trend is expected to weaken perceptibly in 2011.

Oberbank will continue on its expansion course and expects to establish eight new branches, which would bring the total number of branches to 151 by the end of 2011. Four new branches will be set up in Vienna and two each in Bavaria and Slovakia.

Earnings development in 2011

Spread-related business will continue to be one of the mainstays of a stable performance path in 2011. Oberbank expects a further slight improvement of profit from credit operations in comparison with the previous year, and anticipates a marked rise in profit contributions from equity investments. For the services business, the management anticipates a perceptible improvement of results, mainly because the situation on securities markets is expected to improve further.

Operating expenses, on balance, will rise moderately as compared to 2010. Despite its strong expansion course, Oberbank expects only a minor increase in staff costs and other administrative expenses. Depreciation is expected to remain at more or less the level seen in 2010.

Considering that the credit risk situation has been improving throughout the past few quarters, capital charges for credit risk should be lower in the current year than in 2010.

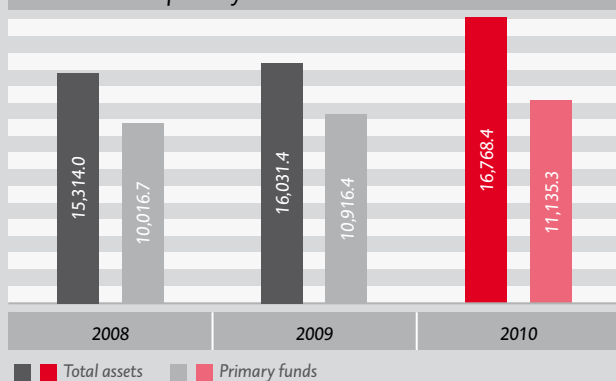
There is still considerable insecurity regarding the depth and breadth of the current economic recovery; therefore, it is not possible to formulate precise earnings projections for 2011. The Management Board of Oberbank plans to match the excellent result achieved in 2010 in terms of both profit from operating activities and profit for the year before and after taxes. The profit situation expected for 2011 will again be in an order of magnitude that permits Oberbank to make high allocations to the Bank's reserves, strengthen its capital base and propose an attractive dividend at the Annual General Meeting.

Key Figures in Overview

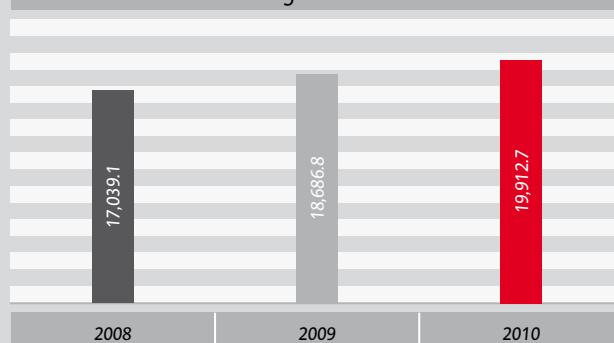
Oberbank shares, key figures

	2010	2009	2008
Number of ordinary no-par shares	25,783,125	25,783,125	24,090,000
Number of no-par preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	44.90/39.20	43.88/39.40	49.67/43.90
Low (ordinary/preference share) in €	42.50/36.90	42.20/37.90	42.60/38.00
Close (ordinary/preference share) in €	44.90/39.00	42.70/38.30	44.20/39.40
Market capitalisation in €m	1,247.7	1,215.8	1,183.0
IFRS earnings per share in €	3.43	2.83	3.91
Dividend per share in €	0.50	0.50	0.50
P/E ratio (ordinary share)	13.1	15.1	11.3
P/E ratio (preference share)	11.4	13.5	10.1

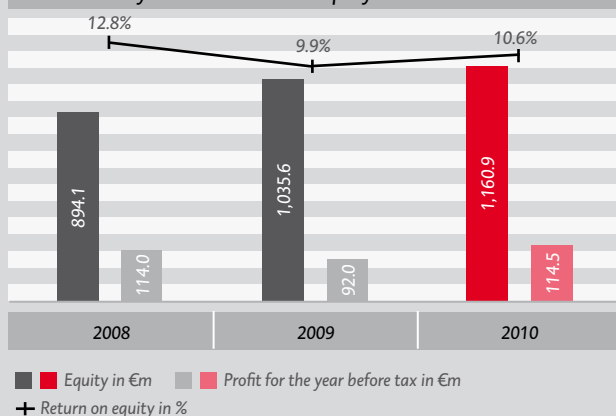
Total assets and primary funds in €m



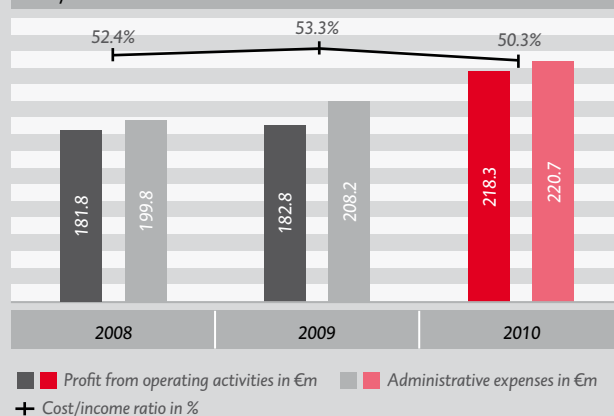
Customer funds under management in €m



Profit for the year and return on equity



Cost/income ratio



Imprint: Proprietor and Publisher

Oberbank AG, Untere Donaulände 28, 4020 Linz, Phone: ++43-732-7802-0, Telefax: ++43-732-785810, Bank sort code: 15000, www.oberbank.at, sek@oberbank.at

Management Board: Franz Gasselsberger, CEO and Chairman of the Management Board; Ludwig Andorfer, Deputy CEO; Josef Weissl, Director; Florian Hagenauer, Deputy Director

Chairman of the Supervisory Board: Hermann Bell

Investor Relations: Frank Helmkamp

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