

Interim Report to Shareholders  
as at 30 June 2012

Success needs  
growth

2012

150 branches in five European countries.  
Oberbank – more than just a bank.

**Oberbank**  
3 Banken Gruppe

## OBERBANK AT A GLANCE

<b>Income statement in €m</b>	<b>H1 2012</b>	<b>+/-</b>	<b>H1 2011</b>
Net interest income	145.2	(13.5%)	167.8
Charges for losses on loans and advances	(24.7)	(51.3%)	(50.7)
Net commission income	55.1	4.0%	53.0
Administrative expenses	(116.6)	3.7%	(112.4)
Profit from operating activities	97.7	(18.7%)	120.1
Profit for the period before tax	73.0	5.1%	69.5
Consolidated net profit for the period	59.5	(1.4%)	60.3

<b>Balance sheet in €m</b>	<b>30/06/2012</b>	<b>+/-</b>	<b>31/12/2011</b>
Assets	17,717.5	1.3%	17,483.7
Loans and advances to customers after provisioning charge	10,939.9	3.6%	10,563.9
Primary funds	11,433.6	1.0%	11,315.2
of which savings deposits	3,432.3	0.7%	3,407.6
of which securitised liabilities including subordinated capital	2,223.3	-1.2%	2,250.9
Equity	1,282.7	5.0%	1,222.0
Customer funds under management	20,346.2	2.9%	19,764.5

<b>Own funds within the meaning of BWG in €m</b>	<b>30/06/2012</b>	<b>+/-</b>	<b>31/12/2011</b>
Assessment basis	10,641.5	4.9%	10,146.2
Own funds	1,639.6	(2.0%)	1,673.1
of which core capital (Tier 1)	1,162.3	(0.5%)	1,167.6
Surplus of own funds	725.4	(9.1%)	798.0
Core capital ratio in %	10.92	(0.59ppt)	11.51
Total capital ratio in %	15.41	(1.08ppt)	16.49

<b>Performance in %</b>	<b>H1 2012</b>	<b>+/-</b>	<b>H1 2011</b>
Return on equity before tax	11.62	(0.14ppt)	11.76
Return on equity after tax	9.47	(0.74ppt)	10.21
Cost/income ratio	54.42	6.08ppt	48.34
Risk/earnings ratio (credit risk in % of net interest income)	16.99	(13.22ppt)	30.21

<b>Resources</b>	<b>H1 2012</b>	<b>+/-</b>	<b>FY 2011</b>
Average number of staff (weighted)	2,020	(34)	2,054
Number of branches at the end of quarter/year	149	1	150

# THE OBERBANK GROUP IN THE FIRST HALF OF 2012



Dear Readers,

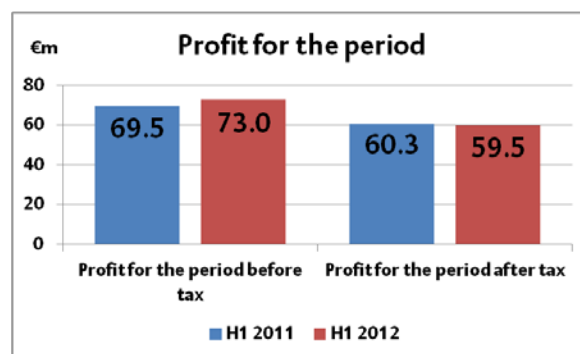
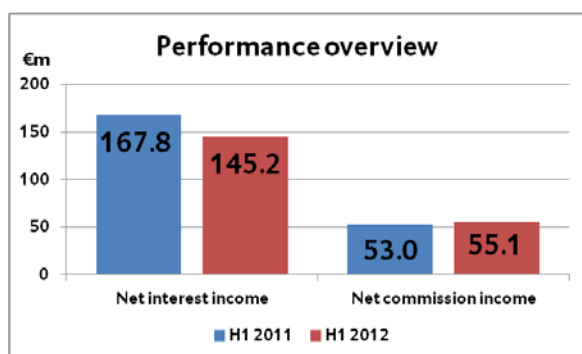
**Following the particularly good results we achieved in 2011, developments in the first half of 2012 have once more fulfilled our high expectations.**

We started into the year with the ambitious goal of matching last year's excellent result despite the sovereign debt crisis and weaker economic growth.

Developments in the first half of the year show us perfectly on track towards this goal: The pre-tax profit for the period improved by 5.1% or € 3.5 million, i.e. from € 69.5 million to € 73.0 million, while the consolidated net profit for the period, at € 59.5 million, almost matched the previous year's high level, even though the tax burden had virtually doubled.

## Lending volume growth made up for low interest margin

Interest income from operating activities remained stable thanks to the fact that the sturdy expansion of the Bank's lending volume largely offset the effects of massive pressure on interest margins. Income from equity investments, however, was depressed owing to lower profit contributions from portfolio companies. On balance, net interest income declined by 13.5% or € 22.6 million from € 167.8 million to € 145.2 million.



## Excellent development of credit risk

Credit risk has shown truly excellent development thanks to our cautious lending policy, allowing us to reduce allocations to loan loss provisions by 51.3% or € 26.0 million from € 50.7 million to € 24.7 million as compared with the first half of 2011.

## Loan commissions and payments services commissions boost profit in services business

Commissions from payment transactions increased by 8.1% or € 1.4 million from € 18.0 million to € 19.4 million, while loan commissions edged up by 2.8% or € 0.3 million from € 10.7 million to € 11.0 million. At € 16.5 million, commissions from securities transactions remained more or less unchanged year on year, despite the difficult situation in the financial markets.

## Lending achieves new record of over € 11.3 million

- Lending volume increased by 3.5% or € 386.1 million
- Volume growth both in commercial and personal lending

In mid-2012, the Bank's lending volume exceeded € 11.3 billion for the first time.

In the first half of 2012, the total volume of loans and advances to customers rose from € 10,908.0 million to 11,294.1 million, an increase of 3.5% or € 386.1 million. Personal lending increased by 1.2% or € 25.0 million from € 2,028.0 million to € 2,053.0 million, while commercial lending posted 4.1% growth, widening by € 361.1 million from € 8,880.0 million to € 9,241.1 million.

#### **Commercial lending drives credit growth**

- € 6.2 billion in investment finance loans, +4.3%
- € 3.0 billion in working capital loans, +3.5%

Commercial lending was once again the main driver of credit growth. The total volume of investment finance loans mounted by 4.3% or € 258.7 million from € 5,952.8 million to € 6,211.5 million, while working capital loans increased from € 2,927.2 million to € 3,029.6 million, an increase of 3.5% or € 102.4 million.

#### **Lending growth exceeds euro area average by a wide margin**

Posting more than 4% growth, our corporate lending business expanded far more strongly than the euro area average, which came to 0.5% according to the most recent OeNB survey.

Generally, the weaker economy has certainly somewhat dampened credit growth; however, we interpret this low average growth as a sign that some banks, in preparation for stricter capital adequacy requirements, have been putting a brake on credit expansion, notably in the five to ten years maturity range.

We, by contrast, have not been compelled to restrict lending, thanks to our already excellent capital base. On the contrary, we are in a position to fill this gap and continue to provide companies access to finance.

#### **Assets under management at new high**

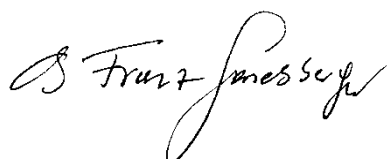
- Investors continue to view Oberbank as a "safe haven"
- More than € 20 billion in customer assets under management

The total volume of assets entrusted to us by our customers amounted to € 20,346.2 million at the end of the first half of 2012, which corresponds to a year-on-year increase by 1.5% or € 298.3 million. This is clear proof of the trust placed in us. Primary deposits continued to expand, rising by 4.0% or € 439.4 million to € 11,433.6 million; at € 8,912.6 million, the volume of funds in customers' securities accounts remained more or less at the previous year's record level notwithstanding the high uncertainty and risk aversion among investors.

#### **Excellent capital base**

- Core capital ratio up from 10.13% to 10.92%
- Total capital ratio above 15%

The core capital of Oberbank increased by 13.0% or € 133.8 million to € 1,162.3 million year on year, lifting the core capital ratio from 10.13% to 10.92%. Own funds widened to € 1,639.6 million (an increase of 3.5% or € 55.2 million), which brings surplus own funds to € 725.4 million (+2.2%). At 15.41%, the Bank's total capital ratio is almost double the statutorily required rate.



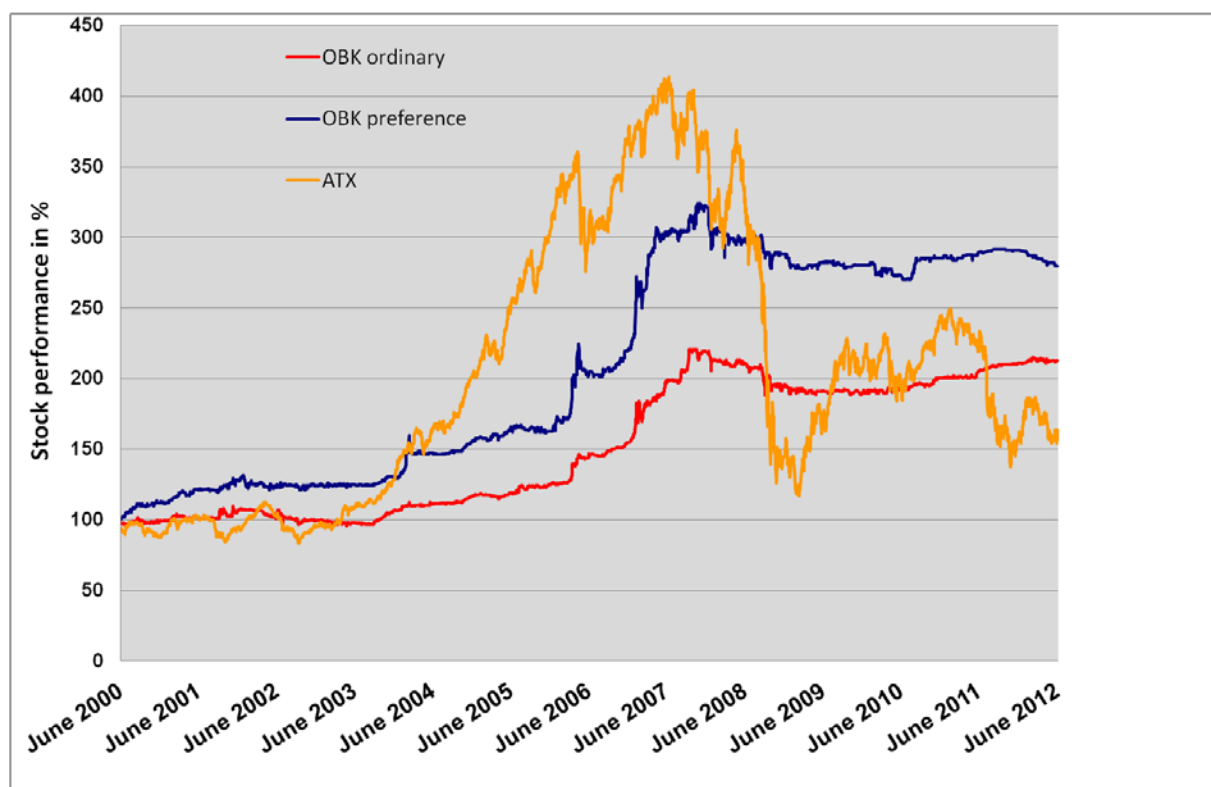
CEO Franz Gasselsberger

## THE OBERBANK SHARES

The exceptionally stable price development of the Oberbank share continued in the first half of 2012.

Oberbank stock – key figures	H1 2012	H1 2011
Number of ordinary no-par shares	25,783,125	25,783,125
Number of no-par preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	48.10/39.75	46.10/39.60
Low (ordinary/preference share) in €	47.15/38.20	44.80/38.80
Close (ordinary/preference share) in €	47.60/38.20	46.10/39.60
Market capitalisation in €m	1,341.9	1,307.4
IFRS earnings per share in €, annualised	4.14	4.20
P/E ratio (ordinary share)	11.50	10.98
P/E ratio (preference share)	9.23	9.43

### Oberbank ordinary and preference shares compared with the ATX (June 2000 = 100%)



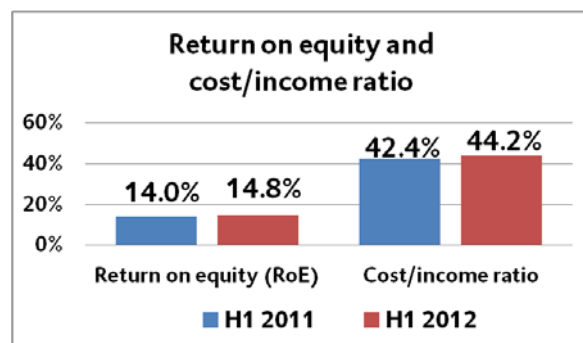
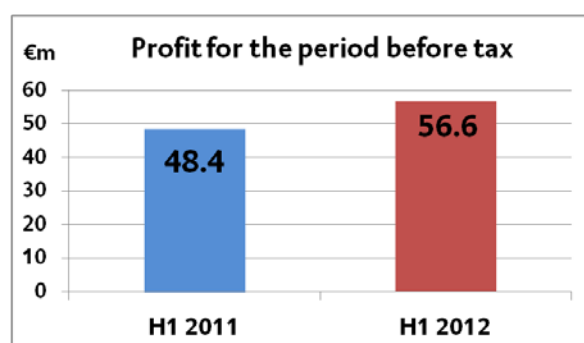
## THE BUSINESS SEGMENTS IN THE FIRST HALF OF 2012

### CORPORATE AND BUSINESS BANKING SEGMENT

€m	H1 2012	H1 2011	+/- in absolute terms	+/-%
Net interest income	97.3	92.4	4.9	5.3
Charges for losses on loans and advances	(18.3)	(24.0)	5.7	(23.7)
Net commission income	30.3	29.0	1.3	4.3
Net trading income	0.2	(0.6)	0.7	>(100)
Administrative expenses	(59.2)	(53.3)	(6.0)	11.2
Other operating profit	6.4	4.8	1.6	33.6
Extraordinary profit	0.0	0.0	0.0	
<b>Profit for the period before tax</b>	<b>56.6</b>	<b>48.4</b>	<b>8.2</b>	<b>17.0</b>
Average credit and market risk equivalent (BWG)	7,861.0	7,720.6	140.4	1.8
Average allocated equity	764.5	690.5	74.0	10.7
<b>Return on equity (RoE)</b>	<b>14.8%</b>	<b>14.0%</b>	<b>0.8ppt</b>	
<b>Cost/income ratio</b>	<b>44.2%</b>	<b>42.4%</b>	<b>1.8ppt</b>	

#### Improvement of earnings in Corporate and Business Banking

Net interest income improved by 5.3% or €4.9 million to €97.3 million. Charges for losses on loans and advances decreased by 23.7% or €5.7 million to €18.3 million. Net commission income widened by 4.3% or €1.3 million to €30.3 million.



Administrative expenses rose by 11.2% or €6.0 million to €59.2 million; other operating profit increased by 33.6% or €1.6 million to €6.4 million.

On balance, the profit for the period before tax thus increased by 17.0% or €8.2 million to €56.6 million.

The return on equity rose by 0.8 percentage points to 14.8% and the cost/income ratio increased by 1.8 percentage points to 44.2%.

### More than 40,400 corporate and business banking customers

The positive trend in new customer acquisition continued in the first half of 2012, with Oberbank gaining 2.940 new corporate and business banking customers in this period. Currently, Oberbank serviced 40,482 corporate and business banking customers.

### Commercial lending

The Bank's total portfolio of loans to corporate and business banking customers increased by the gratifying rate of 4.1% or €361.1 million to €9,241.1 million.

Commercial loans		YoY growth	
as at 30/06/2012	as at 30/06/2011	in absolute terms	in %
€9,241.1 m	€8,880.0 m	€361.1 m	4.1%

### Investment finance

The total volume of investment finance loans mounted by 4.3% or €258.7 million to €6,211.5 million.

Investment finance		YoY growth	
as at 30/06/2012	as at 30/06/2011	in absolute terms	in %
€6,211.5 m	€5,952.8 m	€258.7 m	4.3%

Owing to Oberbank's focus on subsidised lending and the Bank's flexible and targeted customer support when it comes to selecting and transacting subsidisation projects, the Bank gained 144 new customers in this line of business in the first half of 2012. This was reflected in a rise in the number of subsidised investment and innovation projects handled in Austria and Germany to 347. As a result, commitments in the field of subsidised lending had broken two records as at 30 June 2012: For the first time, total exposure had passed the €500 million mark and ERP business promotion loans exceeded €200 million.

### Leasing

Leasing receivables from customers increased by 6.1% or €86.3 million to €1,502.0 million.

Leasing receivables from customers		YoY growth	
H1 2012	H1 2011	in absolute terms	in %
€1,502.0 m	€1,415.7 m	€86.3 m	6.1%

Companies' willingness to invest rose again in the first half of 2012, which helped to boost the new volume of business in this line by 23.9% to €276.1 million year on year. Business activity in the Bank's expansion markets was satisfactory, even though developments varied from region to region. The Bank's core and growth markets Austria and Bavaria nevertheless still account for the lion's share of 70% of new business in this line.

## **Structured finance**

In the first half of 2012, enterprises within the catchment area of Oberbank continued the brisk investment activity that had already begun in 2011: Demand for classical investment finance loans widened by almost 18%. Oberbank customers' demand for acquisition finance was equally dynamic. While demand for special finance facilities in the field of receivables management remained constant, companies stepped up demand for refinancing facilities, primarily within the context of efforts towards restructuring short-term facilities taken out in recent years.

## **Oberbank Opportunity Fonds**

The Oberbank Opportunity Fonds received 76 new applications for financing solutions in the reporting period; two projects were successfully concluded, a number of others are about to be finalised.

Apart from expansion finance, current applications above all relate to the various forms of change of ownership such as management buy-in, management buyout and owner buyout as well as buyouts by private equity funds. Operating within a network of friendly financial investors, the Oberbank Opportunity Fonds has successfully established itself as a flexible and reliable partner with a regional focus. A further important objective of numerous Oberbank Opportunity Fonds customers is to strengthen their ratios of liable equity and maintain a healthy balance sheet structure in phases of corporate change.

Since the launch of the Oberbank Opportunity Fonds, the Bank has facilitated a total of 33 transactions by providing equity and/or mezzanine capital support. As at 30 June 2012, the committed fund volume amounted to approximately €73.8 million (of a total of €150 million). Equity participation capital accounted for €17.5 million of the outstanding exposure of €39.3 million and mezzanine capital finance accounted for €21.8 million.

## **Syndicated loans and international lending**

In terms of volume and deal numbers, the Bank's syndication and international lending business remained stable in comparison with the strong first half of 2011, but improved in both these respects from the levels at the beginning of 2012.

This positive development is largely attributable to the Bank's participation in the placement of numerous borrowers' note loans issued by major Austrian and German companies, as well as the conclusion of strategically important bank loan agreements in Turkey and the BRIC countries.

In the business line of syndication finance transactions, Oberbank also acquired new mandates commissioning the Bank to operate as consortium leader or as lead arranger.

## **Export finance and export promotion**

Oberbank's business activity in export financing expanded to a new all-time high in the first half of 2012. All product lines contributed to this success, with SME-relevant export finance under Export Fund procedures posting particularly gratifying development. Boosting its market share to 11.89%, the Bank now ranks second nationally in this line of business.

## **Documentary business and guarantees**

In documentary business Oberbank attained a new record result in the first half of 2012. New business increased in terms of volume by 37% to €814 million as at 30 June 2012, thus reaching the target set for the year as a whole by the end of the first half. Foreign guarantees and export letters of credit accounted for the lion's share of this growth. Rising by the record rate of 29.7%, earnings in this line of business mirror the positive business development.



## Payment services

Improving by 6.6%, earnings from payment services were clearly headed upward in the first half of 2012. The major part of the total volume of payments is already being transferred via CS.A (Clearingservice Austria).

As at 30 June 2012	Corporate customers	Personal customers	Total
Electronic payment orders	11,118,666	2,141,443	13,260,109
Paper-based payment orders	357,979	475,484	833,463
<b>Total</b>	<b>11,476,645</b>	<b>2,616,927</b>	<b>14,093,572</b>
Percentage of electronic payment orders	96.88%	81.83%	94.09%
Percentage of paper-based payment orders	3.12%	18.17%	5.91%

## SEPA

In the first six months of 2012 the implementation of the SEPA (Single Euro Payment Area) non-cash payment system was continued with functional and technical preparations. Under the new EU SEPA Regulation, national procedures in euro payment transactions must be replaced by the new standard by February 2014. By this time, all national types of payment orders (bank transfer, direct debit) must be replaced by the respective SEPA instruments (SEPA credit transfer, SEPA direct debit). In its function as an advisory bank, Oberbank intensively and actively supports customers in their preparation for SEPA introduction. Besides SEPA brochures and information sheets, all relevant information on this topic is available for download from the Oberbank homepage. Additionally, the Bank organised SEPA customer workshops in Linz, Braunau and Ried and has scheduled a number of further pertinent events for the autumn of 2012.

## International business

In the first half of 2012, activities in international business focused on providing competent and ongoing support for the Bank's export customers and their worldwide activities. Austrian foreign trade statistics show that Austrian companies have stepped up their trade activities abroad. The Bank also continued to intensify and expand relations with an international network of banks and institutions in the Near East, South-East Asia, notably India and China, as well as in Central and Eastern Europe.

Alongside increased demand for the hedging of country and banking risks on the part of the Bank's export customers, activities in this business line reflected the continuously rising importance of the entire gamut of products and services ranging from international payments in various currencies to foreign currency risk management.

## Risk management, investments

### Management of interest rate risk and currency risk

General uncertainty in the financial markets in the wake of the debt crisis in Europe has led to turbulences in foreign exchange markets, at times bringing the euro under considerable pressure in relation to the other major currencies. This situation prompted many of the Bank's business customers to hedge their future export receipts and import obligations. As a consequence, hedging transactions on behalf of customers increased by 5% year on year in the first

half of 2012. Also, transactions in Chinese renminbi increased perceptibly against the backdrop of Austrian exporters' strong orientation on trade in Asia.

### **Direct customer services**

Large corporations continued to show their appreciation for the good credit standing and positive development of Oberbank. In the light of the current uncertain environment, many companies took advantage of Oberbank's direct customer services to invest assets with the Bank in the short-term segment. Speedy processing and market-based interest rates are further attractive features of the Bank's servicing package. The second mainstay of activities in this business line was on advisory services and the conduct of foreign exchange operations for corporate customers. The number of transactions remained stable in comparison with the previous year, while the business volume edged up slightly.

### **Primary deposits**

The first half of 2012 witnessed pronounced changes in short-term interest rates. Thus the three-month Euribor dropped from 1.34% at the end of 2011 to 0.65% at the end of the reporting period. The EONIA, the standard rate for euro overnight deposits, declined from 0.62% to 0.36% over the past few months.

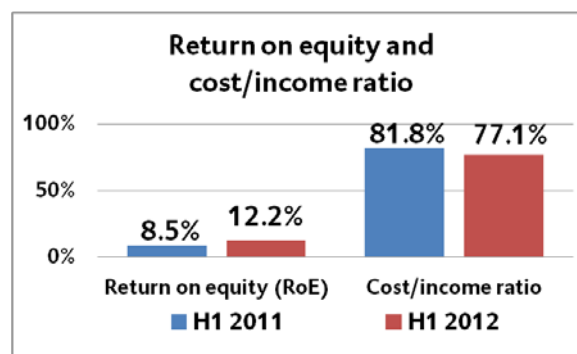
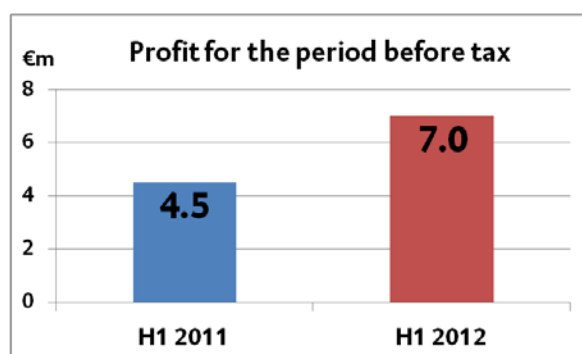
Oberbank continued to hold its own in this highly competitive environment, attracting more and more customers wishing to invest their savings with the Bank. Primary deposits increased by another 4.0% to € 11,433.7 million year on year. The well-established Cash Garant Series of products continued to be very much in demand.

## PERSONAL BANKING SEGMENT

€m	H1 2012	H1 2011	+/- in absolute terms	+/-%
Net interest income	27.9	27.9	0.0	0.2
Charges for losses on loans and advances	(5.7)	(5.2)	(0.5)	9.2
Net commission income	24.8	24.0	0.9	3.6
Net trading income	0.0	0.0	0.0	
Administrative expenses	(42.8)	(43.4)	0.6	(1.4)
Other operating profit	2.7	1.2	1.5	>100
Extraordinary profit	0.0	0.0	0.0	
<b>Profit for the period before tax</b>	<b>7.0</b>	<b>4.5</b>	<b>2.6</b>	<b>57.5</b>
Average credit and market risk equivalent (BWG)	1,179.4	1,173.5	5.9	0.5
Average allocated equity	114.7	105.0	9.7	9.3
<b>Return on equity (RoE)</b>	<b>12.2%</b>	<b>8.5%</b>	<b>3.7ppt</b>	
<b>Cost/income ratio</b>	<b>77.1%</b>	<b>81.8%</b>	<b>(4.7ppt)</b>	

### Satisfactory increase of profit before tax

At €27.9 million, net interest income in the Personal Banking segment remained stable on the previous year's level. Net commission income edged up by 3.6% or €0.9 million to €24.8 million. Charges for losses on loans and advances increased by 9.2% or €0.5 million to €5.7 million year on year. Concurrently, administrative expenses declined by 1.4% or €0.6 million to €42.8 million. Other operating income increased by €1.5 million to €2.7 million. The return on equity increased by 3.7 percentage points to 12.2%, while the cost/income ratio declined by 4.7 percentage points to 77.1%.



### More personal banking customers year on year

Developments in the Personal Banking segment reflected Oberbank's growth strategy. As at 30 June 2012, across all lines of business in Austria and abroad, Oberbank was servicing a total of 307,038 personal banking customers, 13,537 of which were newly acquired in the first half of 2012.

Personal banking customers		YoY growth	
as at 30/06/2012*	as at 30/06/2011	in absolute terms	in %
307,038	299,322	7,716	2.6%

\* From 1 January 2011 this number includes personal banking customers and joint account holders.

### More than 4,000 new personal accounts

Oberbank's portfolio of personal accounts has grown by 1,846 since the beginning of the year. The number of personal accounts increased by 4,219 or 2.5% to 172,802 year on year.

Number of personal accounts		YoY growth	
as at 30/06/2012	as at 30/06/2011	in absolute terms	in %
172,802	168,583	4,219	2.5%

### Personal loans

The volume of personal loans widened by 1.2% or € 25.0 million to € 2,053.0 million year on year. In Hungary, in particular, Oberbank benefitted in the first half of the year from a new foreign currency law. The new law led to a rush on Oberbank branches in Hungary as customers sought to cover their foreign currency loans at other banks with new forint-denominated loans extended by Oberbank. Alongside the positive developments on the Bank's foreign markets, there was a higher demand for residential loans in Austria, partly due to the unbroken trend towards real estate investments.

Personal loans		YoY growth	
as at 30/06/2012	as at 30/06/2011	in absolute terms	in %
€ 2,053.0 m	€ 2,028.0 m	€ 25.0 m	1.2%

### Savings deposits

The volume of customer deposits with Oberbank widened by 2.3% or € 76.3 million to € 3,432.3 million year on year – which is remarkable as this increase was achieved despite Austrians' still low propensity to save.

Savings deposits		YoY growth	
as at 30/06/2012	as at 30/06/2011	in absolute terms	in %
€ 3,432.3 m	€ 3,356.0 m	€ 76.3 m	2.3%

### Securities business

On the equity markets, the second quarter of 2012 was conspicuous for pronounced fluctuations of share prices. On balance, however, the first half of the year was a good period above all for US stock markets as well as most European exchanges with the exception of those in southern European problem countries. Corporate reports across most branches of industry presented highly satisfactory results as many corporations had generated record profits despite the highly challenging economic environment.

The downward slide of bond yields continued unbroken. Above all borrowers with excellent ratings have never before had to pay so little interest. A number of top-rated countries are now in a position to attract investor funds practically free of interest especially in the short-term segment.

Several Austrian corporate issues met with very brisk demand on the part of investors. In the second quarter of 2012, Oberbank fixed its participation in the placement of a number of syndicated loans issued, among others, by

Andritz AG, Constantia Flexibles Group GmbH, Borealis AG, Conwert Immobilien Invest SE, Strabag SE, KTM Power Sports AG, Immofinanz AG and Montana Tech Components GmbH.

Regardless of this difficult environment, commission income in the securities business remained almost stable, dropping by a mere 0.6% to € 16.5 million. The market value of customer securities deposited at Oberbank declined by 1.6% to € 8.912 billion year on year.

### **Own issues of securities**

Securitised liabilities including subordinated capital stood at € 2.2 billion as at 30 June 2012. In the second quarter, Oberbank issued a number of step-up bonds with maturities of five and seven years. A supplementary capital bond with a maturity of nine years and several products of the well-established Cash Garant family rounded off the offer. Oberbank's new issuing volume in the first half of 2012 amounted to € 300.6 million.

### **3-Banken Wohnbaubank AG**

3-Banken Wohnbaubank AG, a specialised bank set up by the 3 Banken Group with the purpose of offering tax-advantaged residential loans extended by the three partner banks, was founded on 27 June 2012. The first issues floated by 3-Banken Wohnbaubank AG as the trustee of Oberbank and BTV AG were approved in June 2012 and issued for sale to the public in July. The respective partner banks will use the funds raised through the issuance of the bonds for extending long-term residential loans. Hence, the added value created by this product remains fully in Austria on both sides of the deal, namely the part of the investor and the part of the borrower.

### **Private Banking**

New asset growth in Private Banking has continued at healthy rates. New special fund mandates contributed substantially to the growth of 3-Banken Generali Investment GmbH. The number of mandates and the volume of assets under management with the Bank's iPM – Individual Portfolio Management group rose to a new record level of € 222.6 million.

### **Investment funds:**

#### **3 Banken-Generali Investment GmbH outperforms the Austrian market**

3 Banken-Generali Investment-Gesellschaft m.b.H. looks back on a highly successful first half of 2012: The volume of funds under management increased by 9.9% or € 493 million to € 5.5 billion as at 30 June 2012. The fund management company thus again clearly outperformed the Austrian market in general, which reported 1.7% growth in the first half of 2012.

The key growth driver was the specialised investment vehicles segment, where net inflows of funds totalled € 324 million. Retail funds, by contrast, stagnated amidst private investors' generally high risk aversion.

The performance contribution to volume growth amounted to almost € 170 million, which corresponds to a 3.4% average value gain in six months across the entire range of funds on offer, and is a clear indicator that a challenging environment need not necessarily be at odds with solid earnings.

The fund management company continues to promote what it calls "the revival of simplicity": solid corporate bonds, high value stocks and an optimised admixture of asset classes like gold are generally welcomed by investors. What is more, high volume growth also mirrors the company's clear commitment to its home market and its high level of competence in this segment. Overall, across its range of different investment vehicles, the fund management company manages investments in Austrian government bonds, corporate bonds and equities in a volume of about € 1 billion.

## Building and loan association saving

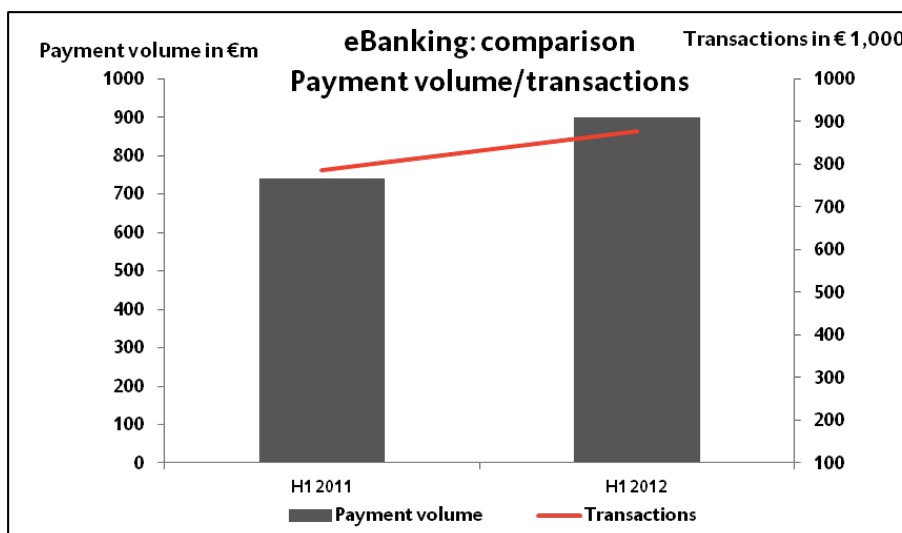
In the first half of 2012, the number of building and loan association contracts brokered by Oberbank for the Bausparkasse Wüstenrot building and loan association decreased by 16.4% year on year to 5,300 contracts. This decline was due to the new statutory reduction of the government premium on building and loan association contracts.

## Insurance services

In the first half of 2012, customers generally exhibited restraint in regard to long-term investment and saving models, which in particular affected sales of single-premium endowment insurance contracts. Overall, business in the category of endowment insurance products declined slightly in comparison with the same quarter of the previous year.

## eBanking: simple, safe and swift

Customers' trend towards making use of Oberbank's electronic banking services continued unbroken, with the number of customers increasing by 7% in the first half of 2012. One reason for this development is the introduction of the mobile authorisation procedure (xTAN) with enhanced security features in electronic payment transactions. Almost 60% of the Bank's customers have already changed over to the xTAN procedure. Parallel to this, the number of online payment transactions increased by 12% year on year.



## Oberbank payment area

Efforts concentrated on further improving online banking applications for the Bank's foreign markets. The implementation of a variety of new features such as an account overview, the authorisation of the collection of future claims implemented in the Czech Republic or book transfers enabled in Germany substantially enhanced the user convenience of Oberbank's online banking services. The exceptionally steep increase in eBanking users in the Bank's foreign markets confirm the trend towards online banking in these countries. While the number of users in Germany increased by 3% year on year, the Czech Republic posted 18% growth, Hungary 58% and Slovakia as much as 85%. Another product, the Home Banking Computer Interface (HBCI) was also increasingly well received among customers. 15% user growth year on year documents the high level of acceptance of this electronic banking product among customers in Germany. To some extent, customer acceptance of this product was also driven by the newly developed chipTAN comfort authorisation procedure (TAN generator and signature card), which provides even more security and convenience.

## FINANCIAL MARKETS SEGMENT

The Financial Markets segment covers earnings from equity investments and trading activities as well as interest earnings on the surplus of non-interest-bearing liabilities and income from maturity transformation.

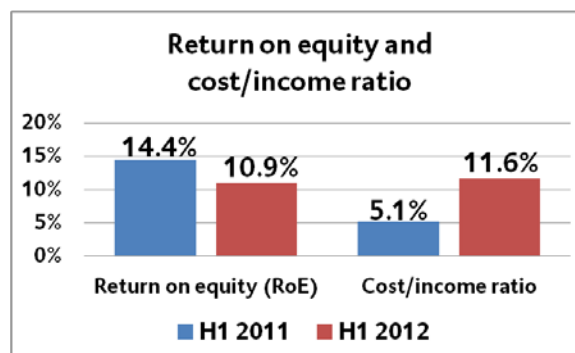
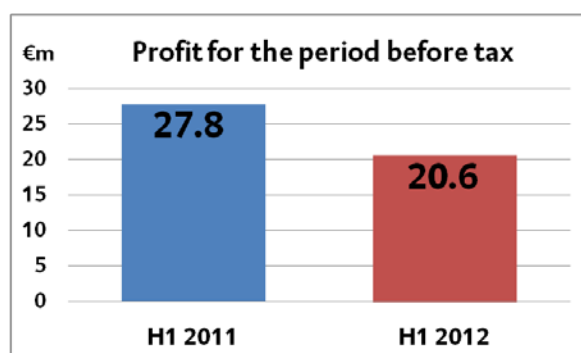
€m	H1 2012	H1 2011	+/- in absolute terms	+/-%
Net interest income	20.0	47.5	(27.6)	(58.0)
Charges for losses on loans and advances	(0.7)	(21.5)	20.8	(96.7)
Net commission income	0.0	0.0	0.0	
Net trading income	4.5	5.4	(1.0)	(18.0)
Administrative expenses	(2.8)	(2.7)	(0.1)	4.7
Other operating profit	(0.3)	(1.0)	0.7	(72.2)
Extraordinary profit	0.0	0.0	0.0	
<b>Profit for the period before tax</b>	<b>20.6</b>	<b>27.8</b>	<b>(7.1)</b>	<b>(25.7)</b>
Average credit and market risk equivalent (BWG)	3,876.7	4,310.7	(434.0)	(10.1)
Average allocated equity	377.0	385.5	(8.5)	(2.2)
<b>Return on equity (RoE)</b>	<b>10.9%</b>	<b>14.4%</b>	<b>(3.5ppt)</b>	
<b>Cost/income ratio</b>	<b>11.6%</b>	<b>5.1%</b>	<b>6.5ppt</b>	

Net interest income in the Financial Markets segment decreased by 58.0% or € 27.6 million to € 20.0 million year on year.

Concurrently, charges for losses on loans and advances declined by 96.7% or € 20.8 million to € 0.7 million, while net trading income dropped by 18.0% or € 1.0 million to € 4.5 million.

Other operating profit improved by 72.2% or € 0.7 million to a negative balance of € -0.3 million.

The return on equity decreased by 3.5 percentage points to 10.9%, whereas the cost/income ratio widened by 6.5 percentage points to 11.6%.



## **Liquidity**

In the recent past, the European Central Bank (ECB) has implemented a whole series of actions aimed at injecting liquidity in the banking system and, most recently, at the beginning of July, lowered its key rate, thus making capital even cheaper.

This clearly suggests that the problem is not a matter of quantity, but rather of the distribution of the liquidity available throughout the system, because the crisis early on led to a disruption of the flow of funds between core countries and peripheral countries. Therefore, a sustainable solution to the liquidity issue will only be found if the sovereign debt crisis is solved first. This is basically a problem of political governance, but as an emergency measure the ECB might reactivate its suspended programme of purchasing government bonds and thus ease refinancing conditions for the countries beset by debt problems.

However, this would put the other euro area countries in the position of serving as indirect finance providers for the problem countries and, in turn, lessen the incentive for the latter to put their budgets in order.

Oberbank AG is well capitalised and holds an ample liquidity buffer in the amount of more than €1 billion.

## **Consequences of the financial crisis**

The financial crisis continues to spread and seems to be becoming a more and more threatening issue. The temporary easing of tension in the wake of various top-level summits and following the debt restructuring for Greece has become more and more short-lived and market concerns have been reviving in ever shorter intervals.

The financial markets are showing distrust in a growing number of countries. After Greece, Ireland and Portugal, the crisis has now also taken hold of Cyprus, Slovenia and, most notably, Italy and Spain. These countries are now compelled to refinance their debt at extremely high interest rates.

The austerity packages are not taking effect as quickly as expected and while failing to provide an efficient solution to the debt problem, are placing a considerable burden on the economies as government revenues have been declining. A number of countries are currently caught in this vicious circle, which is why investors prefer to sit it out on the sidelines and are exhibiting restraint.

Hitherto, political measures have been mere fire-fighting in the form of short-term solutions for bridging the most pressing problems, while sustainable strategies are nowhere to be seen.

## **Earnings from proprietary trading**

The uncertainty triggered by the debt crisis entailed a rather unpredictable situation on the financial markets. Rapidly changing and conflicting news gave rise to unpredictable surprise movements on financial markets. In the light of the Bank's fundamentally conservative attitude in proprietary trading, this situation occasioned Oberbank to act with great sensitivity and caution, in particular with respect to equity and bond commitments.

It is thanks to this circumspective policy that proprietary trading ultimately made a positive contribution to the result.



## OWN FUNDS

The core capital increased by 13.0% or €133.8 million to €1,162.3 million as compared to the end of the first half of 2011. The core capital ratio thus improved by 0.79 percentage points from 10.13% to 10.92%.

Consolidated own funds within the meaning of Section 24 of the Austrian Banking Act (Bankwesengesetz, BWG) amounted to €1,639.6 million as at 30 June 2012, which is 3.5% above the level at the same date in the previous year.

The own funds requirement as at 30 June 2012 amounted to €914.2 million, bringing the Group's surplus of own funds to €725.4 million, which corresponds to a 2.2% increase over the previous year's level. At 15.41%, the Bank's total capital ratio was almost double the relevant regulatory rate.

## RISK

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

Credit risk constitutes the most important risk category. Oberbank mitigates this risk by recognising adequate allowances and provisions in the balance sheet. As regards customer ratings and collateralisation policy, Oberbank boasts long years of experience and know-how. Additionally, the Bank's regional business model, professional credit management, and a well-balanced distribution of the overall exposure across the individual customer segments all ensure that the possible impact of this risk component on Oberbank's overall performance is always kept within manageable bounds.

We therefore do not expect any extraordinary credit risks to occur in 2012 as a whole.

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

In line with the principle of prudence, these risks are also backed by appropriate levels of capital. In terms of liquidity risk, Oberbank is in an excellent position insofar as the entire lending volume (€11.3 billion as at 30 June 2012) can be refinanced from customers' primary deposits (€11.4 billion as at 30 June 2012). In addition, Oberbank has a permanent risk controlling system, stringent process management and other efficient control and monitoring instruments in place.

For 2012 as a whole, Oberbank therefore does not expect any extraordinary risk to arise from these risk components.

## OUTLOOK FOR 2012

### **Austria and Germany remain the European growth engines**

#### **Credit demand in the two key markets of Oberbank corroborates this forecast.**

Oberbank's lending growth expectation for 2012 envisaged five to six per cent growth for the year as a whole; actual credit demand has hitherto fully confirmed this expectation. Customer surveys suggest that this growth rate may be expected to remain stable in the second half of the year.

Growth will continue to be fuelled by investments, whereas demand for working capital has been and will continue to be rather subdued.

As regards customer deposits, volume developments continue to be affected by the ongoing decline of the savings rate and the resulting pressure on margins.

Credit risk showed excellent development in the first half of 2012; loan loss provisions for the year as a whole are likely to remain below the previous year's level despite the higher lending volume. Oberbank will nevertheless steadfastly adhere to its time-tested cautious risk policy stance.

#### **Optimism with regard to the further development of earnings**

For a number of reasons, the result attained in the first half of 2012 cannot be extrapolated to the year as a whole.

In Austria, interest rates on newly extended loans are clearly below the euro area average, which has adverse effects on the banking industry's earnings situation. What is more, primary deposits are subject to fierce competition as numerous banks are in dire need of liquidity. The further development of commission income is difficult to assess because volatility is likely to remain high across all markets.

Oberbank's management is confident of matching the previous year's excellent result as regards profit before tax. Even though the net profit for the year will be somewhat depressed by a strong increase in tax expenses, the management expects after-tax profit to be only slightly lower than last year's result.

## 3 BANKEN GROUP IN THE FIRST HALF OF 2012

The 3 Banken Group showed highly satisfactory development in the first half of 2012.

Joint total assets of the three banks within the 3 Banken Group increased by 4.0% to € 33.9 billion year on year. Lending in terms of total volume (after charges for losses on loans and advances) widened by 4.0% to € 21.8 billion. Primary deposits rose by 3.3% to € 22.2 billion.

Joint net profit for the period declined by 0.4% to € 113.3 million.

As at 30 June 2012, the three banks were operating a total of 242 branches; they had an average of 3,730 employees on their payrolls in the first half of 2012.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 1 January to 30 June 2012

Consolidated income statement for the first half of 2012		01/01-30/06/2012 in €m	01/01-30/06/2011 in €m	Change in €m	Change in %
1. Interest and similar income	(1)	253.0	242.9	10.1	4.2
2. Interest and similar expenses	(1)	(117.5)	(107.0)	(10.5)	9.8
3. Interest from entities accounted for using the equity method	(1)	9.7	31.9	(22.2)	(69.6)
<b>NET INTEREST INCOME</b>	<b>(1)</b>	<b>145.2</b>	<b>167.8</b>	<b>(22.6)</b>	<b>(13.5)</b>
4. Charges for losses on loans and advances	(2)	(24.7)	(50.7)	26.0	(51.3)
5. Commission income	(3)	60.6	59.2	1.4	2.4
6. Commission expenses	(3)	(5.5)	(6.2)	0.7	(11.0)
<b>NET COMMISSION INCOME</b>	<b>(3)</b>	<b>55.1</b>	<b>53.0</b>	<b>2.1</b>	<b>4.0</b>
7. Net trading income	(4)	4.6	4.9	(0.2)	(4.8)
8. Administrative expenses	(5)	(116.6)	(112.4)	(4.2)	3.7
9. Other operating profit (loss)	(6)	9.4	6.9	2.4	35.0
a) Net income from financial assets – FV through P or L	(6)	8.6	(1.3)	9.8	>(100.0)
b) Net income from financial assets – AFS	(6)	(6.9)	0.1	(7.0)	>(100.0)
c) Net income from financial assets – HtM	(6)	0.0	1.7	(1.7)	(100.0)
d) Other operating profit (loss)	(6)	7.8	6.4	1.3	20.3
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>73.0</b>	<b>69.5</b>	<b>3.5</b>	<b>5.1</b>
10. Income tax	(7)	(13.6)	(9.2)	(4.4)	47.6
<b>PROFIT FOR THE PERIOD AFTER TAX</b>		<b>59.5</b>	<b>60.3</b>	<b>(0.8)</b>	<b>(1.4)</b>
of which attributable to the owners of the parent company		59.4	60.3	(0.8)	(1.4)
of which attributable to minority interests		0.0	0.0	0.0	0.0

INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (€m)	01/01-30/06/2012	01/01-30/06/2011
<b>Profit for the period after tax</b>	<b>59.5</b>	<b>60.3</b>
+/- Unrealised gains and losses not recognised in the income statement under IAS 39	7.4	0.6
+/- Deferred taxes on items recognised directly in equity under IAS 39	(1.8)	(0.1)
+/- Exchange differences	0.1	0.5
+/- Other changes recognised directly in equity of which changes in equity of associates	6.4	(2.1)
<b>Total income and expenses recognised directly in equity</b>	<b>12.1</b>	<b>(1.1)</b>
<b>Total comprehensive income for the period of the net profit for the period and income and expenses recognised directly in equity</b>	<b>71.5</b>	<b>59.2</b>
of which attributable to the owners of the parent company	71.5	59.2
of which attributable to minority interests	0.0	0.0

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Prepared in accordance with IFRS

Consolidated statement of comprehensive income for the period 1 April to 30 June 2012

Consolidated income statement for the second quarter of 2012		01/04-30/06/2012 in €m	01/04-30/06/2011 in €m	Change in €m	Change in %
1. Interest and similar income	(1)	123.7	124.5	(0.8)	(0.7)
2. Interest and similar expenses	(1)	(58.0)	(56.0)	(2.1)	3.7
3. Interest from entities accounted for using the equity method	(1)	2.6	17.6	(15.0)	(85.2)
<b>NET INTEREST INCOME</b>	<b>(1)</b>	<b>68.2</b>	<b>86.2</b>	<b>(17.9)</b>	<b>(20.8)</b>
4. Charges for losses on loans and advances	(2)	(5.2)	(26.1)	20.8	(79.9)
5. Commission income	(3)	29.9	28.8	1.2	4.1
6. Commission expenses	(3)	(2.6)	(3.0)	0.4	(13.7)
<b>NET COMMISSION INCOME</b>	<b>(3)</b>	<b>27.4</b>	<b>25.8</b>	<b>1.6</b>	<b>6.1</b>
7. Net trading income	(4)	3.0	3.6	(0.6)	(17.2)
8. Administrative expenses	(5)	(59.1)	(57.0)	(2.0)	3.6
9. Other operating profit (loss)	(6)	(1.7)	4.1	(5.8)	>(100.0)
e) Net income from financial assets – FV through P or L	(6)	0.4	(2.7)	3.2	>(100.0)
f) Net income from financial assets – Afs	(6)	(7.8)	0.6	(8.4)	>(100.0)
g) Net income from financial assets – HtM	(6)	0.0	1.7	(1.7)	(100.0)
h) Other operating profit (loss)	(6)	5.7	4.5	1.2	25.4
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>32.5</b>	<b>36.5</b>	<b>(4.0)</b>	<b>(11.0)</b>
10. Income tax	(7)	(6.3)	(4.3)	(2.0)	46.3
<b>PROFIT FOR THE PERIOD AFTER TAX</b>		<b>26.2</b>	<b>32.2</b>	<b>(6.0)</b>	<b>(18.7)</b>
of which attributable to the owners of the parent company		26.2	32.2	(6.0)	(18.7)
of which attributable to minority interests		0.0	0.0	0.0	0.0

INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (€m)	01/04-30/06/2012	01/04-30/06/2011
<b>Profit for the period after tax</b>	<b>26.2</b>	<b>32.2</b>
+/- Unrealised gains and losses not recognised in the income statement under IAS 39	(23.9)	0.0
+/- Deferred taxes on items recognised directly in equity under IAS 39	6.0	(0.0)
+/- Exchange differences	1.2	1.4
+/- Other changes recognised directly in equity of which changes in equity of associates	(0.5)	(4.6)
<b>Total income and expenses recognised directly in equity</b>	<b>(17.2)</b>	<b>(3.2)</b>
<b>Total comprehensive income for the period of the net profit for the period and income and expenses recognised directly in equity</b>	<b>9.0</b>	<b>29.0</b>
of which attributable to the owners of the parent company	9.0	29.0
of which attributable to minority interests	0.0	0.0

PERFORMANCE INDICATORS	H1 2012	H1 2011
Cost/income ratio in %	54.42%	48.34%
Return on equity before tax in %	11.62%	11.76%
Return on equity after tax in %	9.47%	10.21%
Risk/earnings ratio (credit risk/net interest income in %)	16.99%	30.21%
Earnings per share in € (annualised)	4.14	4.20

## CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

		30/06/2012	31/12/2011	Change in €m	Change
ASSETS		in €m	in €m		in %
1. Cash and balances at central banks	(9)	84.2	300.2	(216.0)	(72.0)
2. Loans and advances to credit institutions	(10)	1,877.9	1,566.2	311.7	19.9
3. Loans and advances to customers	(11)	11,294.1	10,914.2	379.8	3.5
4. Impairment provisions	(12)	(354.2)	(350.3)	(3.9)	1.1
5. Trading assets	(13)	49.9	50.4	(0.5)	(1.0)
6. Financial investments	(14)	4,199.2	4,392.2	(193.1)	(4.4)
a) Financial assets – FV through P or L	(14)	301.0	288.5	12.5	4.3
b) Financial assets – AfS	(14)	1,079.2	1,075.5	3.8	0.4
c) Financial assets – HtM	(14)	2,279.3	2,506.8	(227.5)	(9.1)
d) Interest in entities accounted for using the equity method	(14)	539.6	521.4	18.2	3.5
7. Intangible assets	(15)	3.8	4.6	(0.8)	(17.0)
8. Property, plant and equipment	(16)	225.0	220.1	4.9	2.2
a) Investment property	(16)	80.0	76.3	3.7	4.8
b) Other property, plant and equipment	(16)	145.0	143.8	1.2	0.8
9. Other assets	(17)	337.8	386.2	(48.4)	(12.5)
a) Deferred tax assets	(17)	38.6	39.9	(1.3)	(3.3)
b) Other	(17)	299.2	346.3	(47.1)	(13.6)
<b>TOTAL ASSETS</b>		<b>17,717.5</b>	<b>17,483.7</b>	<b>233.8</b>	<b>1.3</b>

		30/06/2012	31/12/2011	Change in €m	Change
EQUITY AND LIABILITIES		in €m	in €m		in %
1. Amounts owed to credit institutions	(18)	4,342.8	4,278.6	64.3	1.5
2. Amounts owed to customers	(19)	9,210.3	9,064.2	146.1	1.6
3. Securitised liabilities	(20)	1,526.3	1,506.6	19.8	1.3
4. Provisions for liabilities and charges	(21)	402.0	402.6	(0.6)	(0.2)
5. Other liabilities	(22)	256.3	265.3	(9.0)	(3.4)
a) Trading liabilities	(23)	14.2	36.4	(22.2)	(61.0)
b) Tax liabilities	(22)	18.9	12.6	6.3	50.2
c) Other	(22)	223.2	216.3	6.8	3.1
6. Subordinated debt capital	(24)	697.0	744.4	(47.4)	(6.4)
7. Equity	(25)	1,282.7	1,222.0	60.7	5.0
a) Equity after minorities	(25)	1,279.8	1,220.6	59.2	4.8
b) Minority interests in equity	(25)	2.9	1.4	1.5	>100.0
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,717.5</b>	<b>17,483.7</b>	<b>233.8</b>	<b>1.3</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Subscribed capital	Capital reserves	Retained earnings	Translation reserve	Gains (losses) recognised in equity acc.to IAS 39	Associated companies	Equity after minorities	Minorities	Equity
<b>In €m</b>									
<b>As at 01/01/2011</b>	<b>86.3</b>	<b>194.6</b>	<b>561.8</b>	<b>0.4</b>	<b>45.0</b>	<b>271.5</b>	<b>1,159.5</b>	<b>1.4</b>	<b>1,160.9</b>
Consolidated net profit for the year	-	-	34.5	0.5	0.5	23.7	59.2	0.0	59.2
Dividend distribution	-	-	(14.3)	-	-	-	(14.3)	-	(14.3)
Capital increase	-	-	-	-	-	-	-	-	-
Reacquired Oberbank shares	0.0	0.0	-	-	-	-	0.0	-	0.0
Unrealised gains and losses not recognised in the income statement	-	-	-	-	-	6.9	6.9	-	6.9
<b>AS AT 30/06/2011</b>	<b>86.3</b>	<b>194.6</b>	<b>582.0</b>	<b>0.9</b>	<b>45.4</b>	<b>302.0</b>	<b>1,211.3</b>	<b>1.4</b>	<b>1,212.7</b>
<b>As at 01/01/2012</b>									
<b>As at 01/01/2012</b>	<b>86.2</b>	<b>194.5</b>	<b>609.3</b>	<b>0.4</b>	<b>15.1</b>	<b>315.1</b>	<b>1,220.6</b>	<b>1.4</b>	<b>1,222.0</b>
Consolidated net profit for the period	-	-	56.4	0.1	5.6	9.4	71.5	0.0	71.5
Dividend distribution	-	-	(14.4)	-	-	-	(14.4)	-	(14.4)
Capital increase	-	-	-	-	-	-	0.0	-	0.0
Reacquired Oberbank shares	(2.1)	(4.6)	-	-	-	-	(6.6)	-	(6.6)
Unrealised gains and losses not recognised in the income statement	-	-	(0.1)	-	-	8.8	8.7	1.5	10.2
<b>As at 30/06/2012</b>	<b>84.2</b>	<b>189.9</b>	<b>651.3</b>	<b>0.5</b>	<b>20.6</b>	<b>333.3</b>	<b>1,279.8</b>	<b>2.9</b>	<b>1,282.7</b>

<b>CASH FLOW STATEMENT (€m)</b>	<b>01/01-30/06/2012</b>	<b>01/01-30/06/2011</b>
<b>Cash and cash equivalents at the end of the previous period</b>	<b>300.2</b>	<b>226.9</b>
Cash flows from operating activities	(377.5)	253.6
Cash flows from investing activities	221.3	(48.7)
Cash flows from financing activities	(80.5)	(65.0)
Effects of changes in the scope of consolidation and valuations	20.7	5.2
Effects of exchange rate changes	0.1	0.5
<b>Cash and cash equivalents at the end of the period</b>	<b>84.2</b>	<b>372.6</b>

# **NOTES**

## **to the consolidated interim financial statements**

### **as at 30 June 2012**

#### **SUMMARY OF ACCOUNTING POLICIES**

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

This Interim Report covers the first half of 2012 (1 January 2012 to 30 June 2012) and compares this period with the same period of the previous year.

These consolidated interim financial statements for the first half of 2012 have been drawn up in compliance with IAS 34 ("Interim Financial Reporting").

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

#### **CHANGES IN ACCOUNTING POLICIES IN 2012**

This Interim Report of Oberbank AG has been drawn up using the same recognition and measurement policies applied as at 31 December 2011.

#### **THE OBERBANK GROUP OF CONSOLIDATED COMPANIES**

Besides Oberbank AG, the group of consolidated companies as at 30 June 2012 included 25 domestic and 20 foreign subsidiaries. In the period under review, the consolidated group as compared to 31 December 2011 expanded to include the following subsidiary:

3-Banken Wohnbaubank AG, Linz	share in %	80%
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## DETAILS OF THE INCOME STATEMENT (€m)

<b>1. NET INTEREST INCOME</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
Interest income from		
- Credit and money-market business	195.1	191.4
- Shares and other variable securities	2.5	1.0
- Other equity investments	0.8	0.8
- Subsidiaries	1.7	1.8
- Fixed-interest securities and bonds	52.9	47.9
<b>INTEREST AND SIMILAR INCOME</b>	<b>253.0</b>	<b>242.9</b>
Interest expenses on deposits	(84.6)	(72.7)
Interest expenses on securitised liabilities	(21.3)	(21.2)
Interest expenses on subordinated liabilities	(11.7)	(13.1)
<b>INTEREST AND SIMILAR EXPENSES</b>	<b>(117.5)</b>	<b>(107.0)</b>
INTEREST FROM ENTITIES ACCOUNTED FOR USING THE AT EQUITY METHOD	9.7	31.9
<b>NET INTEREST INCOME</b>	<b>145.2</b>	<b>167.8</b>
<b>2. CHARGES FOR LOSSES ON LOANS AND ADVANCES</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
Allocated to loan loss provisions	(40.5)	(62.2)
Direct write-offs	(1.5)	(0.7)
Reversals of loan loss provisions	15.9	11.3
Recoveries of written-off receivables	1.5	0.9
<b>CHARGES FOR LOSSES ON LOANS AND ADVANCES</b>	<b>(24.7)</b>	<b>(50.7)</b>
<b>3. NET COMMISSION INCOME</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
Payment services	19.4	18.0
Securities business	16.5	16.6
Foreign exchange, foreign bank note and precious metals business	6.3	5.8
Credit operations	11.0	10.7
Other services and advisory business	1.8	1.9
<b>NET COMMISSION INCOME</b>	<b>55.1</b>	<b>53.0</b>
<b>4. NET TRADING INCOME</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
Gains (losses) on interest rate contracts	0.7	1.6
Gains (losses) on foreign exchange, foreign bank note and numismatic business	2.8	1.6
Gains (losses) on derivatives	1.1	1.7
<b>NET TRADING INCOME</b>	<b>4.6</b>	<b>4.9</b>



<b>5. ADMINISTRATIVE EXPENSES</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
Staff costs	68.5	65.7
Other administrative expenses	36.9	35.8
Write-offs and valuation allowances	11.3	11.0
<b>ADMINISTRATIVE EXPENSES</b>	<b>116.6</b>	<b>112.4</b>
<b>6. OTHER OPERATING PROFIT (LOSS)</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
a) Net income from financial assets – FV through P or L	8.6	(1.3)
b) Net income from financial assets – AfS	(6.9)	0.1
c) Net income from financial assets – HtM	0.0	1.7
d) Other operating profit (loss)	7.8	6.4
<b>OTHER OPERATING PROFIT (LOSS)</b>	<b>9.4</b>	<b>6.9</b>
<b>7. INCOME TAXES</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
Current income tax expense	14.1	12.1
Deferred income tax expense (income)	(0.6)	(2.9)
<b>INCOME TAXES</b>	<b>13.6</b>	<b>9.2</b>
<b>8. EARNINGS PER SHARE</b>	<b>01/01- 30/06/2012</b>	<b>01/01- 30/06/2011</b>
Number of shares in issue at 30 June	28,783,125	28,783,125
Average number of shares in issue	28,731,975	28,717,168
Consolidated net profit for the period	59,452	60,279
<b>EARNINGS PER SHARE IN €</b>	<b>2.07</b>	<b>2.10</b>
<b>ANNUALISED FIGURES IN €</b>	<b>4.14</b>	<b>4.20</b>

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

## DETAILS OF THE BALANCE SHEET (in €m)

<b>9. CASH AND BALANCES AT CENTRAL BANKS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Cash in hand	55.3	72.3
Credit balances with central banks of issue	28.9	227.8
<b>CASH AND BALANCES AT CENTRAL BANKS</b>	<b>84.2</b>	<b>300.2</b>

<b>10. LOANS AND ADVANCES TO CREDIT INSTITUTIONS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Loans and advances to Austrian banks	859.8	830.3
Loans and advances to foreign banks	1,018.1	735.9
<b>LOANS AND ADVANCES TO CREDIT INSTITUTIONS</b>	<b>1,877.9</b>	<b>1,566.2</b>

<b>11. LOANS AND ADVANCES TO CUSTOMERS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Loans and advances to Austrian customers	7,016.8	6,851.5
Loans and advances to foreign customers	4,277.2	4,062.7
<b>LOANS AND ADVANCES TO CUSTOMERS</b>	<b>11,294.1</b>	<b>10,914.2</b>

### 12. IMPAIRMENT PROVISIONS

<b>In €m</b>	<b>As at 01/01/ 2012</b>	<b>Exchange rate changes</b>	<b>Added</b>	<b>Used</b>	<b>Reversed</b>	<b>As at 30/06/ 2012</b>
Specific impairment provisions	221.8	0.3	25.0	(18.9)	(10.1)	218.1
Country risks	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio impairment provisions under IAS 39	128.4	0.0	7.7	0.0	0.0	136.1
<b>Charges for losses on loans and advances <sup>1)</sup></b>	<b>350.3</b>	<b>0.3</b>	<b>32.7</b>	<b>(18.9)</b>	<b>(10.1)</b>	<b>354.2</b>
Loan loss provisions	131.0	0.0	7.0	0.0	(5.8)	132.2
<b>TOTAL IMPAIRMENT PROVISIONS</b>	<b>481.3</b>	<b>0.3</b>	<b>39.7</b>	<b>(18.9)</b>	<b>(15.9)</b>	<b>486.4</b>

1) Loan loss provisions are recognised in line item 4 on the asset side of the balance sheet

<b>13. TRADING ASSETS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
<b>Bonds and other fixed-interest securities</b>		
Listed	0.7	10.4
<b>Stocks and other variable-yield securities</b>		
Listed	3.4	4.3
<b>Positive fair values of derivative financial instruments</b>		
Currency contracts	0.9	1.7
Interest rate contracts	44.8	34.0
Other contracts	0.0	0.0
<b>TRADING ASSETS</b>	<b>49.9</b>	<b>50.4</b>

<b>14. FINANCIAL INVESTMENTS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
<b>Bonds and other fixed-interest securities</b>	3,064.7	3,286.2
<b>Stocks and other variable-yield securities</b>	305.1	297.8
<b>Equity investments/shares</b>		
Subsidiaries	231.1	226.5
Entities accounted for using the equity method		
- Banks	226.0	213.1
- Non-banks	313.6	308.3
Other equity investments		
- Banks	10.8	10.8
- Non-banks	47.8	49.5
<b>FINANCIAL INVESTMENTS</b>	<b>4,199.2</b>	<b>4,392.2</b>
a) Financial assets – FV through P or L	301.0	288.5
b) Financial assets – AfS	1,079.2	1,075.5
c) Financial assets – HtM	2,279.3	2,506.8
d) Interest in entities accounted for using the equity method	539.6	521.4
<b>FINANCIAL INVESTMENTS</b>	<b>4,199.2</b>	<b>4,392.2</b>
<b>15. INTANGIBLE ASSETS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Other intangible assets	3.1	3.8
Customer base	0.7	0.8
<b>INTANGIBLE ASSETS</b>	<b>3.8</b>	<b>4.6</b>
<b>16. PROPERTY, PLANT AND EQUIPMENT</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Investment property	80.0	76.3
Land and buildings	67.2	65.9
Business equipment and furnishings	67.2	61.9
Other property, plant and equipment	10.6	16.0
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>225.0</b>	<b>220.1</b>
<b>17. OTHER ASSETS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Deferred tax assets	38.6	39.9
Other items	295.0	344.3
Other deferrals	4.2	2.0
<b>OTHER ASSETS</b>	<b>337.8</b>	<b>386.2</b>

<b>18. AMOUNTS OWED TO CREDIT INSTITUTIONS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Amounts owed to		
- Austrian banks	2,067.3	1,823.2
- Foreign banks	2,275.5	2,455.4
<b>AMOUNTS OWED TO CREDIT INSTITUTIONS</b>	<b>4,342.8</b>	<b>4,278.6</b>
<b>19. AMOUNTS OWED TO CUSTOMERS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Savings deposits	3,432.3	3,407.6
Other	5,778.0	5,656.6
<b>AMOUNTS OWED TO CUSTOMERS</b>	<b>9,210.3</b>	<b>9,064.2</b>
<b>20. SECURITISED LIABILITIES</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Issued bonds	1,451.1	1,370.4
Other securitised liabilities	75.3	136.2
<b>SECURITISED LIABILITIES</b>	<b>1,526.3</b>	<b>1,506.6</b>
<b>21. PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Provisions for severance and pensions	207.8	207.7
Provisions for anniversary bonuses	8.7	8.6
Loan loss provisions	132.2	131.0
Other provisions	53.3	55.4
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>402.0</b>	<b>402.6</b>
<b>22. OTHER LIABILITIES</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Trading liabilities	14.2	36.4
Tax liabilities	18.9	12.6
Other liabilities	178.5	171.9
Deferred items	44.6	44.5
<b>OTHER LIABILITIES</b>	<b>256.3</b>	<b>265.3</b>
<b>23. OTHER LIABILITIES (TRADING LIABILITIES)</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Currency contracts	0.8	1.2
Interest rate contracts	13.4	34.7
Other contracts	0.0	0.4
<b>TRADING LIABILITIES</b>	<b>14.2</b>	<b>36.4</b>
<b>24. SUBORDINATED DEBT CAPITAL</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Issued subordinated bonds	6.5	6.6
Supplementary capital	609.5	658.4
Hybrid capital	81.0	79.4
<b>SUBORDINATED DEBT CAPITAL</b>	<b>697.0</b>	<b>744.4</b>

<b>25. EQUITY</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Subscribed capital	84.2	86.2
Capital reserves	189.9	194.5
Retained earnings (including net profit)	981.1	915.3
Untaxed reserves	22.7	22.7
Negative goodwill	1.9	1.9
Minorities	2.9	1.4
<b>EQUITY</b>	<b>1,282.7</b>	<b>1,222.0</b>

<b>26. CONTINGENT LIABILITIES AND COMMITMENTS</b>	<b>30/06/2012</b>	<b>31/12/2011</b>
Other contingent liabilities (guarantees and letters of credit)	1,342.6	1,341.3
<b>CONTINGENT LIABILITIES</b>	<b>1,342.6</b>	<b>1,341.3</b>
Liabilities arising from non-genuine repos	0.0	0.0
Other commitments (irrevocable loan commitments)	1,991.6	1,927.6
<b>COMMITMENTS</b>	<b>1,991.6</b>	<b>1,927.6</b>

## **27. SEGMENT REPORT – CORE BUSINESS SEGMENTS**

	<b>Personal Banking</b>	<b>Corporate</b>	<b>Financial Markets</b>	<b>Other</b>	<b>Consolidated income statement H1 2012</b>
Net interest income	27.9	97.3	20.0	0.0	145.2
Charges for losses on loans and advances	(5.7)	(18.3)	(0.7)	0.0	(24.7)
Net commission income	24.8	30.3	0.0	0.0	55.1
Net trading income	0.0	0.2	4.5	0.0	4.6
Administrative expenses	(42.8)	(59.2)	(2.8)	(11.8)	(116.6)
Other operating profit	2.7	6.4	(0.3)	0.6	9.4
Extraordinary profit	0.0	0.0	0.0	0.0	0.0
<b>Profit for the period before tax</b>	<b>7.0</b>	<b>56.6</b>	<b>20.6</b>	<b>(11.3)</b>	<b>73.0</b>
Average credit and market risk equivalent	1,179.4	7,861.0	3,876.7	0.0	12,917.0
Average allocated equity	114.7	764.5	377.0	0.0	1,256.2
<b>Return on Equity (RoE)</b>	<b>12.2%</b>	<b>14.8%</b>	<b>10.9%</b>		<b>11.6%</b>
<b>Cost/income ratio</b>	<b>77.1%</b>	<b>44.2%</b>	<b>11.6%</b>		<b>54.4%</b>

## DISCLOSURES REQUIRED BY AUSTRIAN LAW

28. HUMAN RESOURCES	H1 2012	FY 2011
Salaried	2,020	2,054
Blue-collar	21	21
<b>TOTAL RESOURCES</b>	<b>2,041</b>	<b>2,075</b>

29. CONSOLIDATED OWN FUNDS AND REGULATORY OWN FUNDS REQUIREMENT			
Eligible own funds pursuant to Section 24 Austrian Banking Act (BWG) in €m			
Composition	30/06/2012	31/12/2011	30/06/2011
<b>1. Core capital</b>			
Share capital	86.3	86.3	86.3
Holdings of Oberbank AG shares	(7.0)	(0.4)	(0.2)
Disclosed reserves	886.5	886.5	821.2
Minorities	3.0	1.5	1.4
Goodwill arising due to capital consolidation	4.3	4.3	(2.6)
Goodwill arising due to the use of the equity method	114.1	114.1	48.8
Hybrid capital	79.0	79.0	79.0
Deductions of intangible assets	(4.0)	(3.8)	(5.5)
<b>TOTAL CORE CAPITAL (TIER I)</b>	<b>1,162.3</b>	<b>1,167.6</b>	<b>1,028.6</b>
CORE CAPITAL RATIO	10.92%	11.51%	10.13%
<b>2. Supplementary own funds (TIER II)</b>			
Eligible supplementary capital bonds	422.8	467.7	444.4
Revaluation reserves (already 45% of undisclosed reserves)	111.7	85.2	152.4
Subordinated bonds (suppl. capital below 3Y maturity)	24.1	33.1	38.3
<b>TOTAL SUPPLEMENTARY OWN FUNDS (TIER II)</b>	<b>558.6</b>	<b>586.1</b>	<b>635.1</b>
<b>3. TIER III</b>			
Addition of an amount not exceeding subordinated bonds eligible for Tier II	1.0	1.8	3.1
<b>TOTAL TIER III CAPITAL</b>	<b>1.0</b>	<b>1.8</b>	<b>3.1</b>
<b>4. Deductions</b>			
Deductions of interests in banks/other FI of over 10%	(82.3)	(82.4)	(82.3)
Deductions of interests in banks/other FI of up to 10%	0.0	0.0	0.0
<b>TOTAL OWN FUNDS</b>	<b>1,639.6</b>	<b>1,673.1</b>	<b>1,584.4</b>
Of which: own funds pursuant to Section 23 (14) no. 7 Austrian Banking Act (BWG)	1.0	1.8	3.1
OWN FUNDS RATIO	15.41%	16.49%	15.60%

<b>Own funds requirement</b>	<b>30/06/2012</b>	<b>31/12/2011</b>	<b>30/06/2011</b>
Credit risk pursuant to Section 22 (2) BWG	851.0	811.2	812.3
Trading book purs. to Section 22 o (2) BWG	1.0	1.8	3.1
Operational risk purs. to Section 22 k BWG	62.2	62.2	59.2
Qualified investments purs. to Section 29 (4) BWG	0.0	0.0	0.0
<b>TOTAL OWN FUNDS REQUIREMENT</b>	<b>914.2</b>	<b>875.1</b>	<b>874.6</b>
<b>UNAPPROPRIATED OWN FUNDS</b>	<b>725.4</b>	<b>798.0</b>	<b>709.8</b>
<b>Basis for the calculation of the reserve ratios</b>			
Assessment basis for the credit risk - Section 22 (2) BWG	10,637.4	10,139.8	10,154.3
Specific position risk of the trading book pursuant to Section 22 o nos. 1,3,6 BWG	4.1	6.4	4.1
<b>TOTAL BASIS OF ASSESSMENT</b>	<b>10,641.5</b>	<b>10,146.2</b>	<b>10,158.4</b>

#### **Financial calendar 2012**

25 May 2012	quarterly results for Q1 2012
24 August 2012	quarterly results for Q1-Q2 2012
30 Nov. 2012	quarterly results for Q1-Q3 2012

All information is electronically available under Investor Relations at [www.oberbank.at](http://www.oberbank.at).

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

### **The Management Board confirms that**

- the present condensed Interim Report to the Shareholders of Oberbank AG has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB) as adopted by and in force within the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC) and gives a true and fair view of the assets, liabilities, financial position and the profit or loss of the Oberbank Group.
- these consolidated interim financial statements cover the first half of 2012 (1 January 2012 to 30 June 2012) and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the IFRS standards governing interim financial reporting.

As at 30 June 2012, major transactions with individuals and companies considered to be related parties amounted to:

- associated companies €k 0
- subsidiaries €k 0
- other related parties €k 0

Linz, 24 August 2012

### **The Management Board**

Franz Gasselsberger, Chairman  
Josef Weissl  
Florian Hagenauer

### **Notes**

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

Market share data are based on the most recent information available at the editorial close of this report.

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

### **Disclaimer**

This Interim Report to Shareholders is prepared for the convenience of English-speaking readers. It is based on the German original; only the German text is binding.

### **Imprint**

Proprietor and publisher: Oberbank AG, 4020 Linz, Untere Donaulände 28

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Translation: Maria Bennett-Hengl

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



### 3 BANKEN GROUP AT A GLANCE

Income statement €m	Oberbank Group		BKS Bank Group		BTV Group	
	H1 2012	H1 2011	H1 2012	H1 2011	H1 2012	H1 2011
Net interest income	145.2	167.8	71.7	70.8	83.7	80.8
Charges for losses on loans and advances	(24.7)	(50.7)	(18.6)	(22.5)	(19.0)	(19.1)
Net commission income	55.1	53.0	22.0	21.0	21.4	22.0
Administrative expenses	(116.6)	(112.4)	(49.5)	(46.6)	(47.1)	(46.0)
Profit for the period before tax	73.0	69.5	25.3	24.4	38.3	38.1
Consolidated net profit for the period	59.5	60.3	22.1	21.9	31.7	31.6

Balance sheet in €m	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Total assets	17,717.5	17,483.7	6,670.0	6,456.0	9,479.9	9,214.7
Loans and advances to customers after charges for losses on loans and advances	10,939.9	10,563.9	4,758.5	4,647.8	6,150.8	6,030.1
Primary funds	11,433.6	11,315.2	4,302.7	4,251.4	6,467.2	6,627.8
of which savings deposits	3,432.3	3,407.6	1,823.4	1,786.3	1,288.0	1,260.0
of which securitised liabilities including subordinated debt capital	2,223.3	2,250.9	729.2	715.7	1,131.8	1,255.0
Equity	1,282.7	1,222.0	671.9	644.9	803.4	767.4
Customer funds under management	20,346.2	19,764.5	10,290.0	10,025.5	10,939.6	10,970.6

Own funds within the meaning of the Austrian Banking Act (BWG) in €m	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Assessment basis	10,641.5	10,146.2	4,439.1	4,415.2	6,434.5	6,077.9
Own funds	1,639.6	1,673.1	676.7	681.9	943.3	934.7
of which core capital (Tier 1)	1,162.3	1,167.6	598.4	599.5	776.2	776.1
Surplus own funds	725.4	798.0	294.4	301.9	404.0	423.8
Core capital ratio in %	10.92	11.51	12.37	12.46	12.06	12.77
Total capital ratio in %	15.41	16.49	15.24	15.44	14.66	15.38

Performance in %	H1 2012	FY 2011	H1 2012	FY 2011	H1 2012	FY 2011
Return on equity before tax	11.62	10.56	7.68	6.07	9.80	8.96
Return on equity after tax	9.47	9.32	6.72	5.73	8.13	7.42
Cost/income ratio	54.42	50.64	52.15	46.71	44.08	45.65
Risk/earnings ratio (credit risk in percent of net interest income)	16.99	28.58	25.98	22.07	22.70	22.54

Resources	H1 2012	FY 2011	H1 2012	FY 2011	H1 2012	FY 2011
Average number of staff (weighted)	2,020	2,054	927	901	783	790
Branches as at the end of the quarter/year	149	150	54	55	39	40