Annual Report

Success Needs Growth.

Oberbank
3 Banken Gruppe

Contents

Key Figures at a Glance

Income statement in €m	*2011*	*Change*	*2010*	*2009*
Net interest income	341.7	7.1%	318.9	262.4
Charges for losses on loans and advances	(97.6)	(5.9%)	(103.8)	(90.7)
Net commission income	104.5	3.3%	101.2	88.6
Administrative expenses	(229.5)	4.0%	(220.7)	(208.2)
Operating profit	223.6	2.4%	218.3	182.8
Profit for the year before tax	126.0	10.1%	114.5	92.0
Profit for the year after tax	111.2	13.1%	98.4	77.3

Balance sheet in €m	*2011*	*Change*	*2010*	*2009*
Assets	17,483.7	4.3%	16,768.4	16,031.4
Loans and advances to customers after provisioning charge	10,563.9	4.3%	10,129.7	9,594.0
Primary funds	11,315.2	1.6%	11,135.3	10,916.4
of which savings deposits	3,407.6	(1.1%)	3,447.2	3,399.2
of which securitised liabilities including subordinated capital	2,250.9	0.8%	2,232.6	2,040.2
Equity	1,222.0	5.3%	1,160.9	1,035.6
Customer funds under management	19,665.5	(1.2%)	19,912.7	18,686.8

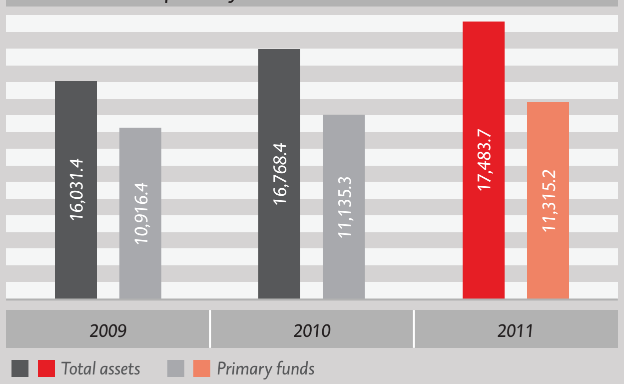
Own funds within the meaning of BWG in €m	*2011*	*Change*	*2010*	*2009*
Assessment basis	10,146.2	3.6%	9,795.8	9,970.5
Own funds	1,673.1	2.3%	1,635.1	1,534.3
of which core capital (Tier 1)	1,167.6	13.5%	1,028.7	955.4
Surplus own funds	798.0	1.0%	789.8	679.5
Core capital ratio in %	11.51	1.01 ppt	10.50	9.58
Total capital ratio in %	16.49	(0.2 ppt)	16.69	15.39

Performance in %	*2011*	*Change*	*2010*	*2009*
Return on equity before tax	10.56	(0.01 ppt)	10.57	9.86
Return on equity after tax	9.32	0.24 ppt	9.08	8.28
Cost/income ratio	50.6	0.3 ppt	50.3	53.3
Risk/earnings ratio (credit risk in % of net interest income)	28.6	4.0 ppt	32.6	34.6

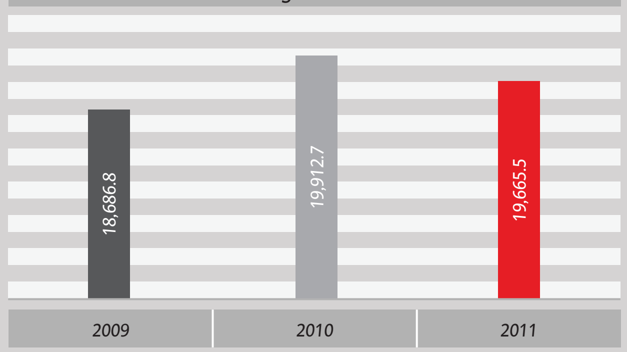
Resources	*2011*	*Change*	*2010*	*2009*
Average number of staff (weighted)	2,054	58	1,996	1,990
Branches	150	7	143	133

Oberbank shares, key figures	*2011*	*2010*	*2009*
Number of ordinary no-par shares	25,783,125	25,783,125	25,783,125
Number of no-par preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	47.30/39.85	44.90/39.20	43.88/39.40
Low (ordinary/preference share) in €	44.80/38.80	42.50/36.90	42.20/37.90
Close (ordinary/preference share) in €	47.30/39.75	44.90/39.00	42.70/38.30
Market capitalisation in €m	1,338.8	1,274.7	1,215.8
IFRS earnings per share in €	3.87	3.43	2.83
Dividend per share in €	0.50	0.50	0.50
P/E ratio (ordinary share)	12.2	13.1	15.1
P/E ratio (preference share)	10.3	11.4	13.5

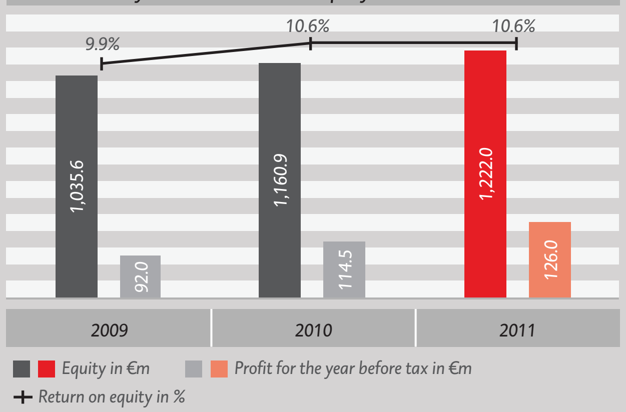
Total assets and primary funds in €m



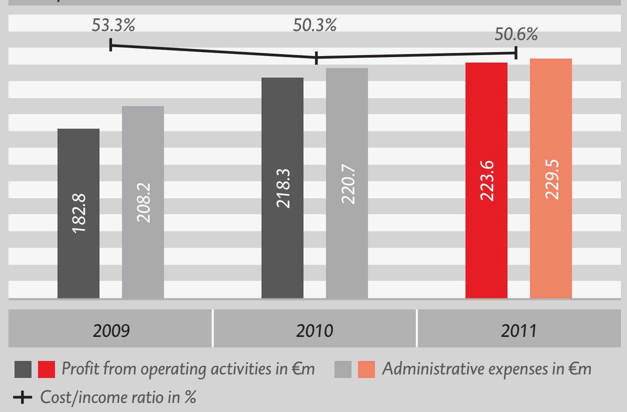
Customer funds under management in €m



Profit for the year and return on equity



Cost/income ratio



SUCCESS NEEDS GROWTH

Annual Report 2011

Success needs growth

Oberbank was able to attain sustained and profitable growth even in the economically challenging environment of the past few years, thanks to steady, carefully planned expansion. Efforts were exclusively directed at healthy organic growth, as mergers and acquisitions are inconsistent with the strategic alignment of the Bank. Today, Oberbank operates a network of 150 branches in Austria, Bavaria, the Czech Republic, Hungary and Slovakia, and has successfully established a solid position in its core market, a region at the heart of Europe with a population of almost 47 million people.

Oberbank is a universal and dynamic regional bank specialising in the provision of top-grade financial services for the people living in its core region. The Bank's independence is guaranteed by its stable shareholder structure. Its customer-oriented servicing concept makes it a worthy alternative in a market heavily dominated by major banks.

Besides the classical banking portfolio of products and services, Oberbank also possesses extensive special know-how in the areas of complex corporate finance as well as private banking and asset management. The Bank's customer portfolio encompasses small, medium-sized and large companies as well as private individuals. In many cases, the Bank's cooperation with customers has continued for many years or even across several generations. Customers' loyalty to "their" Oberbank is certainly the best proof of the Bank's successful business strategy in a highly competitive market.

Reliability, stability and solidity have always been the fundamental pillars of Oberbank's self-image. The Bank has invariably 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 proved a "safe haven" even in the difficult environment of 2011 and once again outperformed the Austrian market in general. As reflected in the relevant key figures, Oberbank is thus in a position to report solid growth in the past financial year.

Highlights 2011

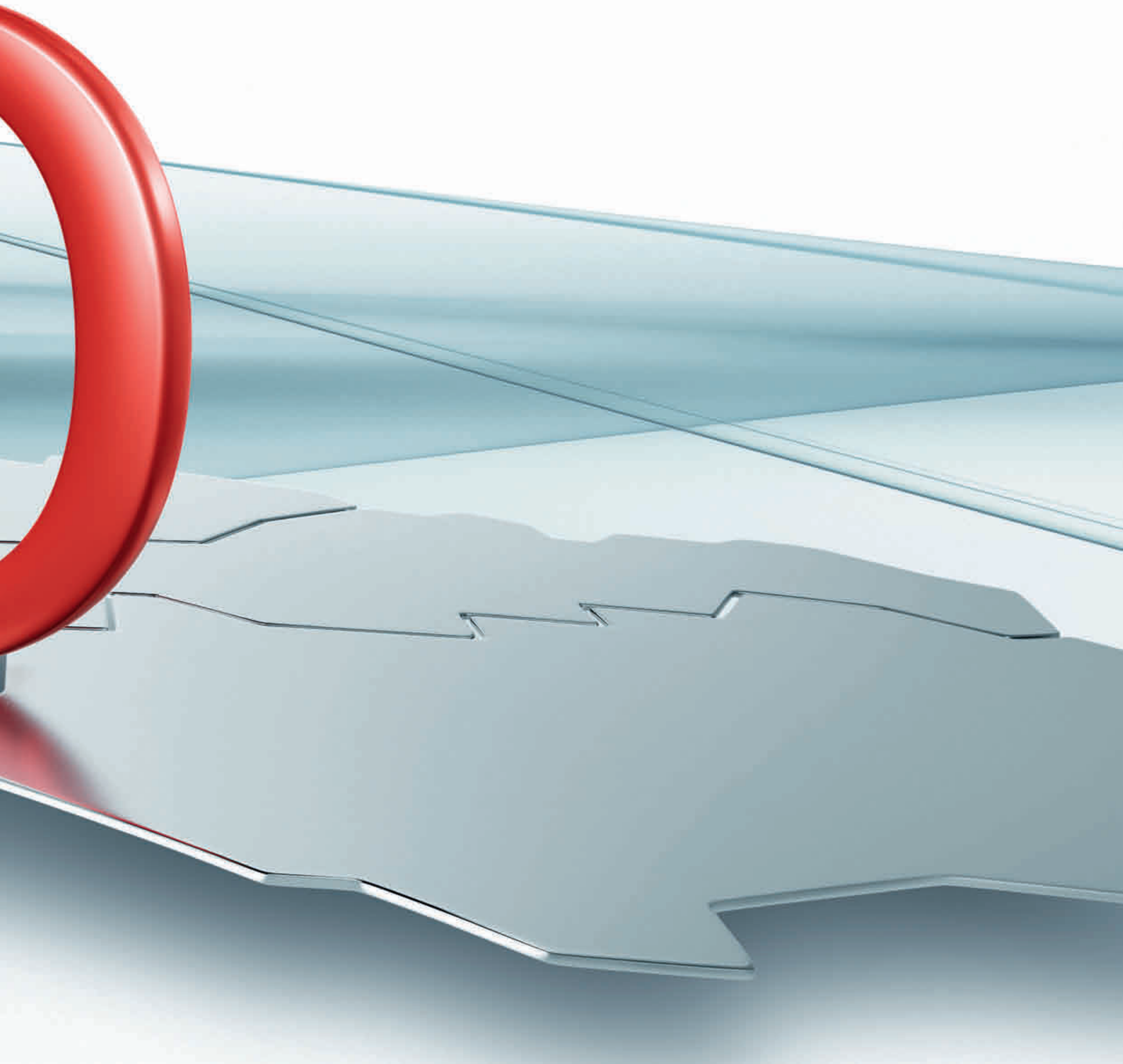
Outstanding development in all business lines:

- Further growth of lending and deposits
- Excellent earnings development notwithstanding a cautious risk policy
- Superb capital base; core capital ratio increased to 11.51%
- Uninterrupted prudent expansion course; establishment of eight new branches

Earnings	Profit from operating activities: new record value of EUR 223.6 million Cautious risk policy: EUR 97.6 million allocated to loan loss provisions Profit for the year before tax: up 10.1% to EUR 126.0 million Profit for the year after tax: up 13.1% to EUR 111.2 million Clearly better performance than the overall market
Growth	Lending to customers: up 4.5% to EUR 10.9 billion Primary deposits: up 1.6% to EUR 11.3 billion
Expansion	Eight new branches across all markets 150 bank branches in Austria, Bavaria, the Czech Republic, Hungary and Slovakia 30,000 new customers; 343,000 corporate and business customers and personal banking customers in total

Stability is the basis of trust.

CEO Franz Gasselsberger,
Chairman of the Management Board
of Oberbank AG



To Our Stakeholders:

In this Annual Report we would like to give you a review of the development of Oberbank in a year that will go down in history as "the year of the debt crisis": In 2011 the debt crisis in Europe and the United States escalated to a point where it seemed as though the bankruptcy of individual EU states might be a possible scenario. Many banks were compelled to make huge write-downs and needed additional capital. Even Austria's AAA rating, i.e. the country's top-grade creditworthiness as a debtor, was cast into doubt.

In 2011 no other sector lost as much prestige as the banking industry

Often, banks were regarded as the initiators of these negative developments, even though – obviously – the crisis was triggered by government over-spending. After all, the huge debts that led to the crisis were not incurred by "the banks", but by the governments in Athens, Madrid or Rome, and it is not "the banks" as such that need to be rescued by the taxpayer, but only those that accumulated too large a volume of bonds issued by the European problem countries. So it is not "the banks" as a whole that are in dire need of capital, but only those credit institutions that failed to make timely efforts to strengthen their capital base from their own resources.

Hence, it is this unrestrained, "live-for-the-moment" accumulation of debt that led us into this crisis. And resolving it requires that Europe-wide measures must be taken at various levels: In the short term, the problem countries need liquidity; in the long term, all states will have to reduce indebtedness by implementing austerity packages and structural reforms. We need a clear commitment to ensuring that the rules defined for the Community as a whole will be observed by all member countries; otherwise other "Greece-type" cases are bound to follow.

Austrian banks, too, are facing huge challenges

Fortunately, the exposures of Austrian banks to the so-called PIIGS nations are relatively low in an European comparison. However, Austria's major banks have disproportionately large exposures in Eastern Europe, where a high level of non-performing loans in relation to an insufficient volume of deposits has given rise to serious risks. For this reason, the Austrian Financial Markets Authority (FMA) and Oesterreichische Nationalbank (OeNB) ruled that the Austrian parent institutions of the Eastern European banks must meet the capital requirement prescribed under Basel III prematurely, i.e. from mid-2012.

Comparatively, Oberbank is in a very comfortable position

The guiding values integral to our so-called "Oberbank business spirit" – consistently upheld and practically applied in day-to-day business by our employees – have once again proven their worth.

- We are proud of our economic and political independence; we are not obliged to any sector or industry and we are not tied in with the fate of a large superordinated banking parent.
- Our balance-sheet policy is not geared towards short-term success, but towards sustainability and stability. This allows us to set up reserves and cautious provisions for all types of risks.
- These are the reasons why we are considered a safe haven by depositors and a reliable and dependable partner by lenders.
- Our deep regional penetration ensures customer proximity in the truest sense of the word. We know what our customers want and are able to identify their opportunities and risks at an early stage.

A solid set of values forms the basis of our strategic goals

Our basic values and the strategic goals derived from them constitute the backbone of our simple and successful business model of a regional and universal bank. We have made a voluntary commitment to focussing on a single region in which we are well acquainted with our markets and our customers; we use our capital and our liquidity for business with customers; and we offer both corporate and personal customers a broad portfolio of products and services. With this approach, we have successfully positioned our Bank as a banker to industry and medium-sized businesses and as a qualified advisory bank for high-end personal customers throughout our core regions. Additionally, we set great store by professional risk management, do not conduct any noteworthy proprietary trading that is not related to customer business, and regularly set up high risk provisions.

Oberbank performed better than the market in general

All these factors enabled us to achieve consistently good results over the past few years and to outperform the market in general by an impressive margin. A comparison with 2006, the year preceding the outbreak of the financial and sovereign debt crises, shows that we have managed to boost our net profit after taxes by more than 50%, whereas the Austrian banking industry as a whole (on a non-consolidated basis) has suffered a decline in earnings by more than 70%. Our earnings performance, however, was highly satisfactory again, and we achieved growth in all other key areas as well in 2011: The total volume of loans allocated to households and enterprises increased to approximately EUR 11 billion. Corporate lending once again posted particularly robust growth, rising by 5.3% or EUR 444 million to EUR 8,900 million.

Oberbank continues to be sought as a safe haven

Investors have entrusted assets in the amount of some EUR 20 billion to Oberbank, which is proof of the trust they place in the safety and stability of the Bank. Primary deposits once again increased slightly, to EUR 11.3 billion year on year, notwithstanding the fact that the savings rate in Austria in 2011 was the lowest it had been in a long time. The volume of securities held in custody accounts remained almost unchanged, even though a number of securities prices decreased substantially. These developments constitute the basis for our excellent liquidity position. With deposits by customers and funds made available by Oesterreichische Kontrollbank, total refinancing funds at our disposal run to EUR 12.0 billion in total, which is EUR 1.1 billion in excess of our total lending volume.

Capital base and earnings performance both improved again

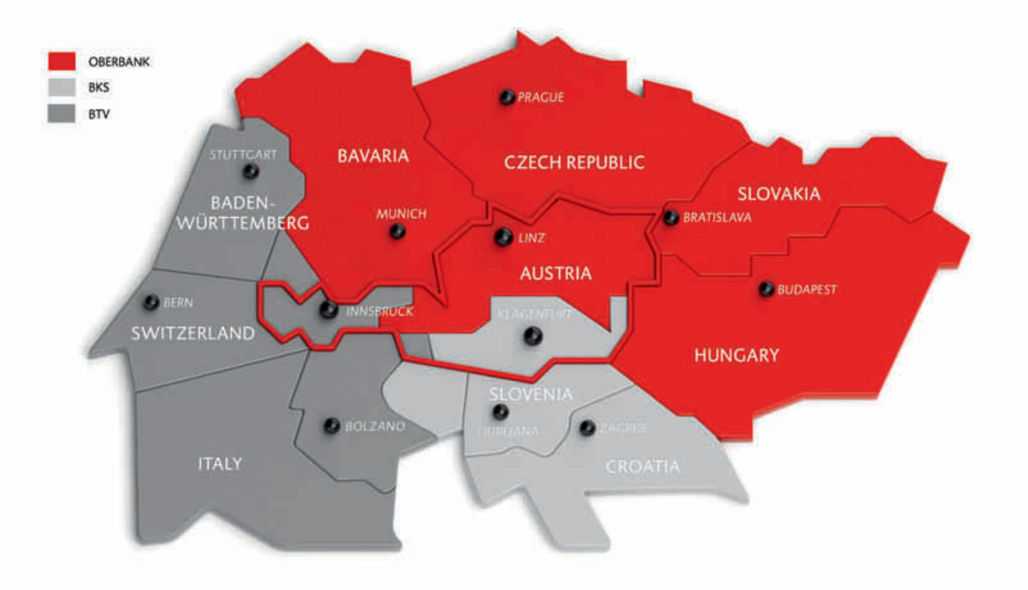
Austria's major banks are required to increase their core capital ratios to 9% by mid-2012 on account of their high exposures in Eastern Europe. Collectively, they will have to raise about EUR 4 billion in new capital to fulfil this requirement. At 10.5%, our core capital ratio was already well above the minimum requirement in 2010; in 2011 we further improved it from the Bank's own resources – and without government assistance – to over 11.5%. Oberbank thus already overfulfils the Basel III requirement by a substantial margin.

The developments presented here again added up to an excellent result for 2011. Our profit before taxes increased by 10.1% or EUR 11.5 million to EUR 126 million year on year. The net profit for 2011 rose even more: by 13.1% or EUR 12.9 million to EUR 111.2 million. This outstanding performance is all the more remarkable as we have been witnessing a stage in which the earnings of Austrian banks as a whole declined by 70%. Thanks to the healthy development of its earnings, Oberbank is not compelled to seek government assistance. Quite the contrary: We pay more than EUR 22 million in taxes and since 2011 an additional EUR 6.2 million special levy on banks.

Foreword
Corporate Governance
Investor Relations
Oberbank at a Glance
Group Management Report
Segment Report
Consolidated Financial Statements
Service Information

Consistent expansion course

Although we established 50 new branches in the past five years, which means that one out of three of our branches is less than five years old, and although we have again redefined our region and have finally come to view ourselves as a "regional bank at the heart of Europe", in essence we are still the Bank for Upper Austria and Salzburg, where we generate 60% of our earnings.



We nevertheless made the right decision when we embarked on our expansion course 25 years ago in order to secure sustainable growth and create the prerequisites enabling us to accompany our customers to important neighbouring markets. Our expansion to Lower Austria and Vienna has been a veritable success story for us as a "provincial bank". Vienna in particular has more and more transformed into a growth market. In the reporting year alone, we established four new branches in Vienna, where we are now operating a network of 16. Vienna, incidentally, will remain in the focus of our growth strategy in the future.

It was also the right decision to start our expansion abroad by establishing a foothold in Bavaria, Austria's most important business partner region, where we operate a network of 22 branches, two of them newly opened in 2011. We are still the only Austrian bank established with a network of fully-fledged universal bank branches in this German region.

Our presence in the Czech Republic was first established in 2004; in the meantime we have 18 branches there, which have shown truly excellent performance and always contributed positively to our earnings. The Slovak and Hungarian branches have also met all our expectations. In Slovakia (market presence since 2009) we expanded our network by two new branches, bringing the total to five in 2011; in Hungary (market presence since 2007) our six branches have been performing very well despite difficult framework conditions.

With eight new branches established in 2011, we had a network of 150 branches in total throughout our regions at the end of the reporting year. Our organic growth strategy is to be continued, the principal target regions for setting up new branches being Vienna, Bavaria and the Czech Republic. We will seize every promising opportunity that offers itself in these regions – especially in places where we can find well-qualified employees.

Outlook for 2012

According to the consensus of all forecasting institutions, the world economy will grow at a somewhat slower pace than lately, but will not fall back into recession in 2012. Government stimulus measures in support of the economy are all but out of question in the face of the huge accumulation of sovereign debts in the EU and the United States.

The slowdown of global growth will be felt in Austria as well; GDP growth is expected to drop to below 1%. This decline in growth will be reflected in many areas: According to forecasts, investments will increase by only 1%; export growth will be halved to 4.5% while consumption is expected to remain relatively stable at 0.8% growth. All in all, this will not generate the impulses needed to spur economic growth. Unemployment is expected to rise from 6.3% to 7% according to Austrian forecasts, while inflation is likely to decline from 3.1% in 2011 to 2.1% in 2012.

We expect money market rates to remain stable in 2012, whereas long-term interest rates may edge up slightly from their current historic low. The multitudes of government assistance measures have flooded the economy with plenty of liquidity, which gives rise to inflationary concerns for the future. Investors will demand higher yields to compensate for this risk. High volatility on stock markets is expected to continue in 2012.

True to its track record, Oberbank will continue to post stable growth free of surprises in this environment. As hitherto, we will focus on lending and deposit business and aim to repeat the excellent result of 2011 in the spread-related and services business. Capital charges for credit risk will be made in line with our traditionally cautious approach. Rigorous cost management is being implemented to limit the rise of operating expenses. Overall, we are confident that we will be able to match the good levels attained in 2011 in terms both of profit from operating activities and net income after risk provisioning.

We sincerely thank all those to whom we owe this successful development

Our special thanks go to our employees for their dedication and commitment in the past business year. They have served the interests of Oberbank far beyond normal levels and have always endorsed the business policy of the Company, thus giving customers the safety needed in a turbulent environment. This dedication and commitment of our employees has been a key factor in the success and outstanding development of Oberbank.

We would also like to thank our customers for the trust they have placed in us. This trust is our most important asset and we will continue to spare no efforts to do justice to it in the future.

Naturally, we also extend our gratitude to the members of the Supervisory Board for their close and constructive cooperation. The Supervisory Board of Oberbank AG is not only the supreme monitoring body of Oberbank; it also holds an important advisory function, thus assisting the management in crucial matters. Last but not least, we would like to express our gratitude to all our shareholders for the trust they have placed in Oberbank by acquiring the Bank's shares.

It is only thanks to the collaboration and interaction of all these individuals and institutions that we were able to generate this impressive result in the challenging environment of the year 2011. Let us continue together on this path of trust and success!

Linz, in February 2012

CEO Franz Gasselsberger
Chairman of the Management Board

CEO Franz Gasselsberger,
Chairman of the Management Board
of Oberbank AG

Florian Hagenauer,
Member of the Management Board
of Oberbank AG

Josef Weissl,
Member of the Management Board
of Oberbank AG

Austrian Code of Corporate Governance

Being a listed company, Oberbank undertakes to adhere to the Austrian Code of Corporate Governance (ÖCGK) and through its management and supervisory bodies has submitted a declaration of conformity pursuant to Section 243b of the Austrian Enterprise Code (UGB). Oberbank interprets the Code of Corporate Governance, which can be viewed at www.oberbank.at, as a valuable guideline for developing the respective internal mechanisms and rules. The Supervisory Board of Oberbank had already defined guidelines to ensure its members' independence in conformity with the provisions of the Code in 2006; these guidelines can be viewed at www.oberbank.at. At its meeting on 28 March 2007, the Supervisory Board adjusted the Standing Orders of the Management Board and the Supervisory Board to comply with the provisions of the Code as amended.

The Supervisory Board of Oberbank issued its first declaration of conformity in its meeting on 26 November 2007. The most recent amendment of the Code became effective as of January 2010 and was applicable, as amended, for the business year 2011.

The Austrian Code of Corporate Governance requires companies to state reasons for any non-compliance with the so-called C Rules ("comply or explain"). In the financial year 2011, Oberbank complied with the Codex by explaining the following deviations:

Rule 2 C:	Besides ordinary shares, Oberbank has also issued preference shares. Preferred interest in profits provides preference shareholders with an attractive investment option.
Rule 31 C:	In compliance with legal requirements, the remunerations paid to the members of the Management Board are disclosed as a total amount on page 110 of this Annual Report. With respect to data and privacy protection, the remuneration of each individual member of the Management Board is not published.
Rule 45 C:	Owing to the historically grown shareholder structure of Oberbank, the members of the Supervisory Board include representatives from the group of the major single shareholders. Since these representatives also include banks, the respective Supervisory Board members also hold board functions in other banks that are competitors of Oberbank.
Rule 52 C:	The Supervisory Board of Oberbank includes more than ten shareholder representatives. Oberbank values the expert knowledge of its supervisory body comprising senior members and leading experts from the Austrian business community.
Rule 57 C:	One member of the Supervisory Board holds more than the maximum number of supervisory board mandates permitted pursuant to the Austrian Corporate Governance Code. Oberbank does not want to forgo the expertise of the long years of experience of this Supervisory Board member.

Composition and mode of operation of the Management Board and the Supervisory Board

The Management Board of Oberbank AG conducts the Company's business in accordance with clear principles and objectives derived from the overall bank strategy and on its own responsibility within the parameters defined by the Austrian Joint Stock Companies Act (AktG) to ensure the protection of the various interests at stake. The Supervisory Board monitors the implementation of the individual projects and their success in compliance with the Articles of Association and the Standing Orders. The Management Board regularly reports to the Supervisory Board, thus ensuring a comprehensive flow of information.

Members of the Management Board

The Management Board of Oberbank consisted of four members up to 30 April 2011 and since this date has had three members.

Board member	Year of birth	First appointed	Tenure until
Franz Gasselsberger, CEO and Chairman of the Management Board	1959	28 April 1998	13 May 2017
Ludwig Andorfer (until 30 April 2011)	1944	1 April 2002	September 2011, resigned as of 30 April 2011
Josef Weissl	1959	1 May 2005	30 April 2015
Florian Hagenauer	1963	1 December 2009	30 November 2014

Franz Gasselsberger, CEO

Having obtained a doctorate in law from Paris-Lodron University in Salzburg, Franz Gasselsberger started his career at Oberbank in 1983. Parallel to his management function in the Bank's Salzburg operations, he completed the MBA program at the International Management Academy, earning an International Executive MBA degree. In April 1998, the Supervisory Board appointed him to the Management Board of Oberbank AG; on 1 May 2002 he assumed the function of Board Spokesman and on 1 May 2005 was designated Chairman of the Management Board with the title of Generaldirektor (CEO). In November 2007, the German Federal President appointed Franz Gasselsberger Honorary Consul of the Federal Republic of Germany in Upper Austria. In addition, he is a Member of the Management Board of the Federation of Austrian Industries (IV), a Member of the Management Board of the Austrian Bankers Association (VOeBB) and Chairman of the Sector Conference of the Economic Chamber of Upper Austria – Section Finance, Credit and Insurance.

Supervisory board mandates and further functions in Austrian and international companies:

Member of the Supervisory Board of Energie AG
Member of the Supervisory Board of Wiener Börse AG
Member of the Supervisory Board of CEESEG Aktiengesellschaft
Deputy Chairman of the Supervisory Board of Buy-Out Central Europe II Beteiligungs-Invest AG

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft
Deputy Chairman of the Supervisory Board of BKS Bank AG
Member of the Supervisory Board of voestalpine AG

Ludwig Andorfer, Deputy CEO

Ludwig Andorfer started his career at Oberbank in 1969 after receiving his doctorate in law from the University of Vienna. From November 1990, he acted as Head of the Secretariat for Legal Affairs and Equity Investments and held the function of managing director in a large number of Group companies. In April 2002, the Supervisory Board appointed him to the Management Board of Oberbank AG; he was appointed Deputy CEO of Oberbank in 2009. Ludwig Andorfer prematurely resigned from his Management Board mandate as of 30 April 2011.

Supervisory board mandates and further functions in Austrian and international companies:

Member of the Supervisory Board of Unternehmens Invest Aktiengesellschaft
Member of the Supervisory Board of Mezzanin Finanzierungs AG
Deputy Chairman of the Supervisory Board of Danube Equity Invest AG
Deputy Chairman of the Supervisory Board of Danube Beteiligungs Invest MF-AG
Chairman of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft (until 2 May 2011)
Chairman of the Supervisory Board of Opportunity Beteiligungs AG (until 29 March 2011)
Member of the Supervisory Board of Oberösterreichische Kreditgarantiegesellschaft m.b.H. (until 10 August 2011)
Member of the Supervisory Board of Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H. (until 10 August 2011)
Chairman of the Supervisory Board of Zizala Lichtsysteme GmbH
Deputy Chairman of the Supervisory Board of "Gesfö" Gemeinnützige Bau- und Siedlungsgesellschaft m.b.H.

Josef Weissl, Member of the Management Board

Upon his graduation from the University of Linz, where he studied business management and law, Josef Weissl started his career at Oberbank in 1983. Concurrently with his management function in the Bank's Salzburg operations, he concluded the LIMAK General Management Programme in 2002 and the LIMAK MBA Programme in 2005. The Supervisory Board appointed him to the Management Board of Oberbank AG in May 2005.

Supervisory board mandates and further functions in Austrian and international companies:

Chairman of the Supervisory Board of Gasteiner Bergbahnen AG
Chairman of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft (since 2 May 2011)
Member of the Supervisory Board of BAUSPARERHEIM Gemeinnützige Siedlungsgemeinschaft reg. Gen.m.b.H.

Florian Hagenauer, Member of the Management Board

Florian Hagenauer graduated with a master's degree in business administration from the University of Economics and Business Administration in Vienna in 1986. In 1987 he joined Oberbank, where he worked in what was then the Foreign Department, later renamed the "Bank Relations and Payment Systems" department. In 1994 he was appointed Prokurist (authorised signatory) for the entire bank, and in 1999 became Deputy Head of the Organisation department. He completed the LIMAK General Management Programme in 1999 and concluded the LIMAK MBA Programme in 2005. In 2005 Florian Hagenauer was appointed Managing Director of DREI-BANKEN-EDV Gesellschaft. In 2008 he returned to Oberbank, taking over the function of Head of Organisation. In 2009 the Supervisory Board appointed him to the Management Board of Oberbank AG.

Supervisory board mandates and further functions in Austrian and international companies:

Chairman of the Supervisory Board of Opportunity Beteiligungs AG (since 29 March 2011)
Member of the Supervisory Board of PayLife Bank GmbH
Member of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft (since 2 May 2011)
Member of the Supervisory Board of Oberösterreichische Kreditgarantiegesellschaft m.b.H. (since 10 August 2011)
Member of the Supervisory Board of Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H. (since 10 August 2011)
Member of the Management Board and member of the Investment Committee of Gain Capital Participations SA
Member of the Management Board and member of the Investment Committee SICAR of Gain Capital Participations II SA, SICAR
Managing Partner of Ottensheimer Drahtseilbrücke Gesellschaft m.b.H.

Current Management Board Remits

Franz Gasselsberger *CEO*	*Josef Weissl* *Director*	*Florian Hagenauer* *Director*
General Business Policy		
Internal Audit		
Business Departments	**Business Departments**	**Service Departments**
CIF (Corporate & International Finance)	PKU (Personal Banking)	KRM (Credit Management)
GFM (Global Financial Markets)	PAM (Private Banking & Asset Management)	ZSP (Payment Systems and Central Production)
PER (Human Resources)		SEK (Corporate Secretary & Communication)
RUC (Accounts & Controlling)		ORG Development, Strategy and Process Management)
		Risk Controlling
Regional Business Divisions	**Regional Business Divisions**	
Southern Bavaria Northern Bavaria Salzkammergut Linz-Hauptplatz Wels Vienna	Linz-Landstrasse Innviertel Salzburg Lower Austria Slovakia Czech Republic Hungary	

Until 30 April 2011, Ludwig Andorfer, in addition to the mandates taken over by Florian Hagenauer, was also responsible for the Wels, Innviertel and Salzkammergut Regional Business Divisions.

Mode of operation of the Management Board

Cooperation within the Management Board is based on regular, usually weekly Management Board meetings. Additionally, the individual members of the Management Board cooperate closely with the second management level of the Bank.

Remuneration of the Management Board

At its meeting on 24 November 2010, the Supervisory Board resolved to delegate all matters regarding the remuneration of the Management Board to the Remuneration Committee. The latter designed the remuneration system of Oberbank so that it complies with the proportionality test pursuant to Section 39b of the Austrian Banking Act (BWG) and the appertaining Annex in respect of companies of a comparable size, industry and complexity and the risk inclination of the business model, and, moreover, in such a way as to ensure that the remuneration of the members of the Management Board is commensurate with their scope of activities and responsibilities.

The remuneration system provides for a well-balanced relationship between fixed and variable components; the latter are limited to a maximum of 40% of total remunerations. The fixed basic salaries depend on the particular remits of the Management Board members. Joint and personal performance elements as well as the overall performance of Oberbank are taken into account in the variable component.

Corporate performance is measured by specific key ratios and the degree to which medium and long-term strategic goals have been met:

1. Sustained compliance with strategic risk allocation in accordance with the overall bank management strategy (ICAAP Internal Capital Adequacy Assessment Process);
2. sustained attainment of the strategic financial objectives in line with the defined strategy and the objectives of the Bank's multi-year plan;
3. sustained attainment of the Bank's strategic goals in general.

Sideline business activities pursued by members of the Management Board require approval by the Supervisory Board.

The magnitude of benefits from the contractually agreed company pension scheme for members of the Management Board depends on the respective member's period of service. Benefits are calculated on the basis of a graded vesting schedule of 40 years and the fixed salary at the time of retirement. For members of the Management Board appointed in or after 2005, a company pension is accumulated under a contractual scheme based on monthly contributions to a pension fund. If a Board mandate is not extended or is prematurely terminated without a compelling reason, the respective Management Board member is entitled to termination benefits in the maximum amount of two annual salaries. The remuneration of the members of the Management Board disbursed in the reporting year amounted to €k 1,334, of which €k 1,011 were fixed salary components and €k 323 were variable remuneration.

All members of the Management Board and the Supervisory Board are covered by a Directors and Officers Insurance policy, the costs of which are borne by the Company.

Members of the Supervisory Board

Supervisory Board member *)	Year of birth	First appointed	Tenure until
Hermann Bell *Chairman* Chairman of the Supervisory Board of BKS Bank AG	1932	22 April 2002	AGM 2015
Heimo Penker *1st Deputy Chairman* Deputy Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg AG	1947	20 May 1997	AGM 2016
Peter Gaugg *2nd Deputy Chairman* Member of the Supervisory Board of BKS Bank AG	1960	27 April 2000	AGM 2013
Ludwig Andorfer Member of the Supervisory Board of Unternehmens Invest Aktiengesellschaft	1944	24 May 2011	AGM 2016
Luciano Cirinà	1965	27 May 2009	AGM 2014
Wolfgang Eder	1952	9 May 2006	AGM 2016
Birgitte Engleder	1952	9 May 2006	24 May 2011
Waldemar Jud Member of the Supervisory Board of BKS Bank AG Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG Chairman of the Supervisory Board of DO & CO Restaurants & Catering Aktiengesellschaft Deputy Chairman of the Supervisory Board of Ottakringer Getränke AG Member of the Supervisory Board of CA Immobilien Anlagen AG	1943	10 May 2010	AGM 2015
Christoph Leitl Member of the Supervisory Board of MAN Nutzfahrzeuge Aktiengesellschaft	1949	23 April 2001	AGM 2015
Helga Rabl-Stadler	1948	24 May 2011	AGM 2016
Peter Mitterbauer Member of the Supervisory Board of Andritz AG Member of the Supervisory Board of Rheinmetall AG	1942	15 April 1991	AGM 2012

*) Including specification of supervisory board mandates or comparable functions in other Austrian or international listed companies.

Supervisory Board member *)	Year of birth	First appointed	Tenure until
Karl Samstag Member of the Supervisory Board of Allgemeine Baugesellschaft-A. Porr Aktiengesellschaft Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG Member of the Supervisory Board of BKS Bank AG Member of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment AG Deputy Chairman of the Supervisory Board of Flughafen Wien Aktiengesellschaft (until 29 April 2011)	1944	22 April 2002	AGM 2012
Herbert Walterskirchen	1937	20 May 1997	AGM 2015
Norbert Zimmermann Chairman of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment AG Member of the Supervisory Board of OMV AG Member of the Supervisory Board of Wiener Allianz AG Member of the Supervisory Board of Siemens Aktiengesellschaft Österreich Member of the Supervisory Board of BENE AG (until May 2011)	1947	19 April 2004	AGM 2014

*) Including specification of supervisory board mandates or comparable functions in other Austrian or international listed companies.

Representatives of the Staff Council

Wolfgang Pischinger, first delegated on 28 January 1993, Chairman of the Central Staff Council of Oberbank AG
Peter Dominici, first delegated on 28 January 1993, Accounts and Controlling Department of Oberbank AG
Roland Schmidhuber, first delegated on 25 January 2005, Oberbank Center Salzburg
Elfriede Höchtel, first delegated on 22 May 2007, Oberbank Wels
Alois Johann Oberschmidleitner, first delegated on 28 January 1993; until 28 March 2011, Oberbank Ried
Josef Pesendorfer, first delegated on 29 January 2001, Oberbank Gmunden
Armin Burger, first delegated on 25 October 2005, Credit Management Department of Oberbank AG
Herbert Skoff, first delegated on 28 March 2011, Oberbank Vienna

State Commissioners

Marian Wakounig, State Commissioner, appointed as of 1 August 2007
Edith Wanger, Deputy State Commissioner, appointed as of 1 July 2002

Mode of operation of the Supervisory Board

The Supervisory Board was constituted in May 2011 and consists of 13 elected shareholder representatives and seven staff representatives delegated by the Staff Council. During the financial year 2011, the Supervisory Board held four meetings in which it performed its control functions.

Committees set up by the Supervisory Board

With the objective of improving work efficiency, the Supervisory Board of Oberbank AG has set up a number of committees, each assigned with specific responsibilities, namely the Working Committee, Credit Committee, Audit Committee, Nomination Committee and Remuneration Committee. Their members are elected by the Supervisory Board as a body from among the circle of shareholder representatives and supplemented by the required number of members from among staff representatives. The Working Committee and the Audit Committee consist of four and five shareholder representatives respectively, the Credit Committee and the Remuneration Committee of three each, and the Nomination Committee consists of two shareholder representatives.

Audit Committee

The Audit Committee convened twice during the reporting year and discharged its obligations under Section 63a(4) of the Austrian Banking Act (BWG). The key tasks of the Audit Committee include the auditing of the annual financial statements (including the consolidated financial statements) and the preparations for their approval, examination of the proposal for the appropriation of profits, the management report and the corporate governance report, and the presentation of a report on the audit findings to the plenary meeting of the Supervisory Board. In addition, the Audit Committee is charged with monitoring the auditing of the financial statements, the accounting process, the effectiveness of the Company's internal control system, the internal auditing system and the risk management system. In a management letter, the auditor presented the findings of the audit in respect of the economic position (financial statements and consolidated financial statements) and the risk situation of the Bank to the Management Board. This management letter was also forwarded to the Chairman of the Supervisory Board, who in turn also submitted it to the Audit Committee, which dealt intensively with its content in direct discussions with the auditors. The results of the work performed by the Audit Committee were presented to the plenary meeting of the Supervisory Board on the occasion of its next meeting.

Members of the Committee:

Hermann Bell (Chairman)
Heimo Penker
Peter Gaugg
Birgitte Engleder (until 24 May 2011)
Herbert Walterskirchen (from 24 May 2011)
Waldemar Jud
Wolfgang Pischinger
Armin Burger
Roland Schmidhuber

Working Committee

The Working Committee takes decisions on matters of special urgency which under the Standing Orders are assigned neither to the plenary meeting of the Supervisory Board nor to the Credit Committee. These include, in particular, the acquisition and divestment of shareholdings of a significant size and the acquisition, sale or encumbrance of real estate and investments exceeding defined threshold amounts, which are exactly specified in the Standing Orders of the Management Board and the Supervisory Board. In urgent matters requiring prompt decisions, the Working Committee, in accordance with the Articles of Association, exercises its decision-making power by way of resolutions by written circular and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone. In 2011 the Working Committee approved four time-critical resolutions. It also dealt with direct applications that were subsequently approved by the plenary meeting of the Supervisory Board. Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the whole Supervisory Board.

Members of the Committee:
Hermann Bell (Chairman)
Heimo Penker
Peter Gaugg
Birgitte Engleder (until 24 May 2011)
Herbert Walterskirchen (from 24 May 2011)
Wolfgang Pischinger
Armin Burger

Credit Committee
The approval of the Credit Committee is required for each investment or large-scale investment within the meaning of Section 27 of the Austrian Banking Act (BWG) exceeding a threshold amount specified in the Standing Orders of the Management Board. In urgent matters requiring prompt decisions, the Credit Committee, in accordance with the Articles of Association, exercises its decision-making power by way of resolutions by written circular and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone. In 2011 the Credit Committee approved 46 time-critical resolutions. It also dealt with direct applications subsequently approved by the plenary meeting of the Supervisory Board. Business matters decided by the Credit Committee were subsequently reported and discussed in detail at the next meeting of the whole Supervisory Board.

Members of the Committee:
Hermann Bell (Chairman)
Heimo Penker
Peter Gaugg
Wolfgang Pischinger
Armin Burger

Nomination Committee
The Nomination Committee submits proposals regarding appointments to (soon to be vacated) Management Board positions and is generally charged with addressing succession planning issues. Subsequently, the Supervisory Board as a whole jointly decides on these proposals. In line with this procedure, the Nomination Committee convened on 4 November 2011 and submitted a proposal to the Supervisory Board at its November meeting that the mandate of CEO Franz Gasselsberger, which is to expire on 13 May 2012, be extended for a further five years (until 13 May 2017). The Supervisory Board as a whole unanimously approved this extension.

Members of the Committee:
Hermann Bell (Chairman)
Heimo Penker

Remuneration Committee

The Remuneration Committee is in charge of regulating the relations between the Company and the members of the Company's Management Board as well as any and all staff members who, in application of the proportionality principle laid down in Section 39b of the Austrian Banking Act (BWG) and the appertaining Annex, are recognised to fall under the remuneration policy provisions laid down in Section 39b of the Austrian Banking Act (BWG). To this purpose, the Remuneration Committee of Oberbank, at its meeting on 17 February 2011, apart from defining the basic parameters of the Bank's remuneration policy and drawing up a proportionality analysis documented in writing, also determined the parameters regarding the amounts of variable remunerations and the mechanism of monitoring such disbursements. The Supervisory Board as a whole was informed of these measures at its next meeting in March 2011. In compliance with the pertinent legal provisions, the Remuneration Committee annually examines the practical implementation of the remuneration policy approved by the Committee and reports on the result to the Supervisory Board as a whole at its next meeting.

Members of the Committee:

Hermann Bell (Chairman)
Heimo Penker
Herbert Walterskirchen

Remuneration of the Supervisory Board

The members of the Supervisory Board, besides the compensation of cash expenses incurred in connection with their function, are entitled to a fee of EUR 120 per meeting and annual emoluments. The amount of these emoluments is resolved by the Annual General Meeting for each year and in 2011 amounted to EUR 17,000 for the Chairman, EUR 13,000 for each of his deputies and EUR 11,000 for the other board members.

Supervisory Board member	Fixed annual emolument in €	Meeting fee in €	Total in €
Hermann Bell	17,000	840	17,840
Heimo Penker	13,000	840	13,840
Peter Gaugg	13,000	720	13,720
Ludwig Andorfer	6,660	360	7,020
Luciano Cirinà	11,000	240	11,240
Wolfgang Eder	11,000	240	11,240
Birgitte Engleder	4,340	240	4,580
Waldemar Jud	11,000	720	11,720
Christoph Leitl	11,000	360	11,360
Helga Rabl-Stadler	6,660	240	6,900
Peter Mitterbauer	11,000	480	11,480
Karl Samstag	11,000	360	11,360
Herbert Walterskirchen	11,000	720	11,720
Norbert Zimmermann	11,000	480	11,480

The staff members delegated to the Supervisory Board by the Staff Council are not entitled to either a fixed annual emolument or fees per meeting.

Business transactions in accordance with L Rule 48

In the financial year under report, Univ. Prof. DDr. Waldemar Jud Corporate Governance Forschung CGF GmbH, in which Supervisory Board Member Waldemar Jud as an indirect majority shareholder has a substantial business interest, has been commissioned with the rendering of services in connection with the drafting of the Corporate Governance Reports for the financial years 2011 through 2013. The annual lump-sum fee paid for these services amounts to EUR 15,000 plus VAT.

Criteria for the assessment of the independence of a member of the Supervisory Board

In compliance with Rule C 53 of the Austrian Code of Corporate Governance (ÖCGK), the Supervisory Board defined guideline criteria to ensure its members' independence in conformity with the provisions of the Code; these guidelines can be viewed at www.oberbank.at.

- A Supervisory Board member shall be considered independent if he or she has not served as a member of the Management Board or as a member of the management-level staff of the Company or one of its subsidiaries in the past three years.
- A previous Management Board membership shall not be deemed to qualify a person as not independent in particular if, subject to the provision that all circumstances within the meaning of Article 87(2) of the Austrian Joint Stock Exchange Act (AktG) apply, there is no doubt as to the independent exercise of the mandate.
- The Supervisory Board member shall not maintain or have maintained, in the past year, any business relations with the Company or one of its subsidiaries to an extent of significance for such member of the Supervisory Board. This shall also apply to relationships with companies in which the Supervisory Board member has a considerable economic interest. The approval of individual business transactions by the Supervisory Board in accordance with L Rule 48 shall not automatically qualify a person as not independent. The conclusion or existence of agreements with the Company that are customary in banking shall not be deemed to prejudice the Supervisory Board member's independence.
- The Supervisory Board member shall not have acted as auditor of the Company or have owned a share in the auditing company or worked there as an employee in the past three years.
- The Supervisory Board member shall not be a member of the management board of another company in which a member of the Management Board of the Company is a supervisory board member unless the two companies are part of the same group or are associated with one another through a shareholding.
- The Supervisory Board member shall not be closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) with a member of the Management Board or with persons who hold one of the positions described in the foregoing items.

In compliance with these regulations, Ludwig Andorfer has declared himself as not independent for a cooling-off period of three years and, within the meaning of this declaration, will not participate in consultations and resolutions concerning issues related to his former activity as a Management Board member of Oberbank.

All other members of the Supervisory Board of Oberbank elected by the Annual General Meeting have issued individual declarations of independence in accordance with these regulations. Furthermore, with the exception of Heimo Penker (BKS Bank AG), Peter Gaugg (Bank für Tirol und Vorarlberg AG), Karl Samstag and Waldemar Jud, all members elected by the Annual General Meeting are members that are neither shareholders with a stake of more than 10% nor representatives of such shareholders.

Outside the scope of its ordinary banking activities, Oberbank has no business relationships with subsidiaries or individuals (including Supervisory Board members) that could jeopardise the Bank's independence.

Measures aimed at promoting women (Section 243b[2] no. 2 of the Austrian Enterprise Code [UGB])

As at 31 December 2011, Oberbank employed a total of 70 women in executive positions; this corresponds to 20.7% of all executive positions (2010: 65 women or 19.7%).

In 2010 Oberbank launched the project "Future Women 2020", which serves the objective of doubling the number of women in executive positions in the Company by 2020. The project involves a package of various measures, which include the establishment of an Oberbank crèche for younger children, childcare services in the holiday month of August, targeted career planning, including mentoring, and flexible working time and work organisation models to ease women's return to work after maternity leave.

Within the framework of this project, Oberbank also applied for certification as a family-friendly employer. Following examination by a certified expert on 14 April 2011, the Federal Ministry of Economy, Family and Youth effective from 5 June 2011 awarded Oberbank the "berufundfamilie" Basic Certificate for its efforts towards reconciling work and family life for men and women.

The implementation of further measures will now be evaluated annually by external experts. This initiative is intended to pave the way for a greater number of women to acquire management qualification at Oberbank and thus qualify for appointment to Management Board functions. In addition, Oberbank's efforts will also be directed at winning a larger number of highly qualified women for appointments to vacant Supervisory Board positions.

Linz, 1 March 2012
The Management Board

CEO
Franz Gasselsberger
Chairman

Director
Josef Weissl
Management Board Member

Director
Florian Hagenauer
Management Board Member

Oberbank in Vienna – 16 branch offices.

Andreas Klingan,
Head of the Regional Business
Division of Vienna

Shares and shareholder structure

The business policy of Oberbank and its sustained success story are based on the principles of good governance and transparency. The Bank's corporate goals are designed to secure sustainable success in the long term and are clearly communicated to the public. As a listed regional bank, the Oberbank's top priority is to safeguard its independence. This is achieved by securing high earnings strength, a sound risk policy and partnership-based relations with the other independent regional banks, namely BKS Bank AG and Bank für Tirol und Vorarlberg AG, as well as by having 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.

A choice for investors: ordinary and/or preference shares

Investors have a choice between Oberbank ordinary shares and Oberbank preference shares. In contrast to the ordinary share, the preference share does not give the holder any type of voting right, but instead guarantees a 6% minimum dividend on the pro-rata share of the registered share capital (of EUR 9 million), payable, if necessary, in a later period. While the declared dividend has lately been the same for both classes of shares, the preference share, owing to the lack of voting rights, has been quoting with a discount against the ordinary share, thus attaining a higher dividend yield.

Stable price development in 2011

In the turbulent market environment of the past few years, Oberbank's shares were notable for their exceptionally stable development and they continued to exhibit a robust performance in 2011. The Oberbank ordinary share reached its high at EUR 47.30 on 29 December 2011, the preference share at EUR 39.85 on 31 October 2011. The market capitalisation of Oberbank AG amounted to EUR 1,338.8 million (+5%) at the end of 2011. On an annual average, the Oberbank shares thus clearly outperformed the European industry benchmark, i.e. the DJ Euro Stoxx Banks.

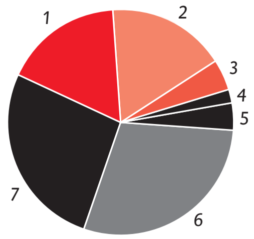
The Oberbank ordinary share has been listed on the Vienna Stock Exchange since 1 July 1986 and has maintained a conspicuously steady value appreciation ever since: Shareholders who acquired the Oberbank share in 1986 and participated in all capital increases achieved an average annual yield of 9.0% gross of withholding tax and taking into account dividend distributions.

Oberbank shares, key figures	2011	2010	2009
Number of ordinary no-par shares	25,783,125	25,783,125	25,783,125
Number of no-par preference shares	3,000,000	3,000,000	3,000,000
High (ordinary/preference share) in €	47.30/39.85	44.90/39.20	43.88/39.40
Low (ordinary/preference share) in €	44.80/38.80	42.50/36.90	42.20/37.90
Close (ordinary/preference share) in €	47.30/39.75	44.90/39.00	42.70/38.30
Market capitalisation in €m	1,338.8	1,274.7	1,215.8
IFRS earnings per share in €	3.87	3.43	2.83
Dividend per share in €	0.50	0.50	0.50
P/E ratio (ordinary share)	12.2	13.1	15.1
P/E ratio (preference share)	10.3	11.4	13.5

Solid valuation, constant dividend

Earnings per Oberbank share increased from EUR 3.43 to EUR 3.87 year on year. Based on the shares' closing price in 2011, the price-earnings ratio (PER) for the ordinary share was 12.2, for the preference share 10.3. At the 132nd Annual General Meeting on 8 May 2012, the Board will recommend that shareholders be paid the same dividend as in the previous year, namely EUR 0.50 per qualifying share.

Oberbank shareholder structure at 31/12/2011	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]	3.98%	3.69%
CABO Beteiligungsgesellschaft m. b. H., Vienna[6]	32.54%	29.15%
Free float[7]	19.12%	26.61%



Oberbank's share capital is divided into 25,783,125 ordinary no-par bearer shares and 3,000,000 non-voting no-par preference shares. The biggest single shareholder of Oberbank is CABO Beteiligungsgesellschaft m.b.H., a wholly owned subsidiary of UniCredit Bank Austria. The free float of about 19% of the Oberbank ordinary share capital (26.6% if preference shares are included) is held by corporates, institutional investors and private shareholders.

Investor relations and communication

Oberbank informs shareholders in detail about its financial position and earnings performance in its quarterly and annual reports. The website www.oberbank.at also provides a continuous flow of information. The invitations to the Annual General Meeting encourage shareholders to seek direct contact with the members of the Management Board and the Supervisory Board.

Potentially price-relevant events are disclosed in ad-hoc communications. In the financial year 2011, Oberbank published one such disclosure on the occasion of the retirement of Deputy CEO Ludwig Andorfer.

Investor relations – contact

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www.oberbank.at

2012 financial calendar

Publication of the Annual Financial Statements in Wiener Zeitung	4 April 2012
Record date in respect of Oberbank shares	28 April 2012
Annual General Meeting	8 May 2012
Ex-dividend date	11 May 2012
Dividend payment date	15 May 2012

Publication of quarterly results

First quarter	25 May 2012
First half	24 August 2012
First three quarters	30 November 2012

Information regarding the 131st Annual General Meeting

The Annual Shareholders Meeting of Oberbank AG convened on 24 May 2011 was attended by 1,960 ordinary shareholders entitled, on their own behalf or as proxies on behalf of third parties, to represent 22,744,295 no-par-value ordinary shares and to exercise the attached voting rights.

The following resolutions of material importance were passed:

- Agenda item 2
  Resolution on the appropriation of the net profit for the financial year 2010 (unanimous).

- Agenda item 3
  Discharge of the Management Board (99.99% for, 0.01% against), and the Supervisory Board (99.99% for, 0.01% against).

- Agenda item 4
  Election of Supervisory Board members
  Helga Rabl-Stadler (99.99% for, 0.01% against)
  Heimo Penker (unanimous)
  Wolfgang Eder (unanimous)
  Ludwig Andorfer (unanimous)

- Agenda item 5
  Determination of the amount of Supervisory Board remunerations for the financial year 2011 and subsequent financial years (unanimous).

- Agenda item 6
  Appointment of the bank auditor for the financial year 2012 (99.99% for, 0.01% against).

Directors' dealings

The Management Board and the Supervisory Board of Oberbank are required to notify the Austrian Financial Market Authority (FMA) of all transactions involving equities and equity instruments of Oberbank AG and to publish the pertinent information. In the financial year 2011, five such notifications were filed and, in accordance with Article 48 d (4) of the Stock Exchange Act (BörseG), published by the FMA on its website www.fma.gv.at.

Compliance

Compliance monitoring in accordance with the Standard Compliance Code of the Austrian Banking Industry, the Austrian Securities Supervision Act (WAG 2007) and the provisions of the Issuers Compliance Ordinance (ECV) was performed as required also in 2011. The internal Compliance Guideline as well as the guidelines governing employee transactions were revised and employees were informed about the new regulations. In addition, confidentiality zones were redefined and expanded. Benefitting from automated processes, the Compliance Office carried out regular checks of financial transactions in 2011. The pertinent reports on compliance activities were forwarded to the management. The Bank also organised employee training sessions, in particular for staff involved in the settlement of securities transactions.

Money laundering

Anti-money-laundering measures were once again a particular concern of Oberbank in the financial year 2011. System-supported monitoring designed to detect potentially suspicious transactions, embargo checks and the thorough examination of new business relationships with politically exposed persons were performed in line with legal requirements. In special training courses on money laundering and terrorist financing, employees were trained to enable them to detect potentially suspicious transactions or business contacts at an early stage. Any doubtful activities were reported to the competent anti-money-laundering authorities. Monthly reports focusing on the Bank's anti-money laundering activities served to keep the management up to date on matters related to this issue. Amendments of legal provisions were integrated into the applicable internal work guidelines in the reporting year.

Oberbank in Bavaria –
22 branch offices.

Rainer Stelzer,
Head of the Regional Business
Division of Bavaria

The foundation and the first few decades

At a meeting convened in Linz on 13 April 1869, the participants resolved to establish a "joint stock company in partnership with its consorts". The company to be established was to be designated "Bank für Ober-Oesterreich und Salzburg" and have its head office in Linz. The new bank was to be officially founded on 1 July 1869. The Federal Province of Upper Austria became a shareholder of Oberbank in 1920, followed by Bayerische Vereinsbank in 1921. Following a capital increase, Creditanstalt für Handel und Gewerbe (CA) became the majority owner of Oberbank in 1929.

Oberbank in the aftermath of World War II

In 1945 Oberbank, besides its Linz head office and the Salzburg principal branch, consisted of eleven branch offices. As early as 1946, the Austrian National Bank granted Oberbank a foreign currency trading licence; in 1949 the Bank was appointed ERP Bank under the Marshall Plan. Starting in 1955, a pronounced upward turn marked the Bank's development as it adopted the business model of a universal bank. The Bank gained personal banking customers, expanded its business by taking in deposits from private individuals and extending loans to this customer group, and thus laid the foundation for gaining an equally strong foothold in corporate and personal banking.

The 3 Banken Group

After World War II, Creditanstalt, which held majority stakes in the three regional banks Oberbank, Bank für Kärnten AG (today BKS Bank AG) and Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV), divided its shares into three lots, retained one third of each lot itself and sold off a stake of one third in each of the banks to the respective other two regional banks. The originally capital-based links between Oberbank, BKS and BTV developed into a close, partnership-based cooperation that continues today, evidenced by a joint marketing approach under the banner of the 3 Banken Group. The three banks cooperate closely wherever there is synergy potential to be utilised, and their jointly held subsidiaries such as DREI-BANKEN-EDV Gesellschaft, Drei-Banken Versicherungs-Aktiengesellschaft und 3 Banken-Generali Investment-Gesellschaft all boast a particularly successful track record. This cooperation in no way interferes with the three banks' market presences as autonomous banking institutions.

Listed on the Vienna Stock Exchange since 1986

By going public on 1 July 1986, Oberbank and its sister banks gained a large number of new shareholders. This was the key prerequisite for the three banks to lastingly distance themselves from the influence of CA and continue with an independent strategy. Today Oberbank's shareholder structure includes, besides its two sister banks, UniCredit Bank Austria, Wüstenrot, Generali and the Oberbank employees; the free float accounts for roughly 19%.

Oberbank today: "a regional bank at the heart of Europe"

The freedom of establishment of banks introduced in the 1970s allowed Oberbank to extend its catchment area beyond its original heartlands of Upper Austria and Salzburg. Oberbank has been represented with separate branches in Lower Austria since 1985, in Vienna since 1988, in Bavaria since 1990, in the Czech Republic since 2004, in Hungary since 2007 and in Slovakia since 2009.

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 prudently extend bank loans to 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

Priority goal: safeguarding the independence and autonomy of Oberbank

Oberbank's focus on this goal ensures that all the Bank's activities will always serve the interests of its customers, shareholders and employees in a well-balanced manner, now and in the future. This priority goal is the basis and guiding principle of all Oberbank's other strategic goals.

Strategic goal: high quality of advisory services

For Oberbank, securing sustainable success means constant development and continuous improvement of its traditionally strong core business from the high level already achieved. The Bank's business strategy defines business customers – primarily industrial and medium-sized companies – and private customers as equally important pillars. In corporate and business banking, Oberbank has established itself as a highly competent partner in cross-border business, a key player with special know-how in the field of investment finance and as a supplier of alternative forms of financing such as equity and mezzanine capital finance to supplement traditional credit and leasing products. In personal banking, Oberbank excels with high quality and expertise in providing financial services that require a substantial amount of advisory support and possesses exceptional know-how when it comes to complex types of investment, securities transactions and residential construction finance.

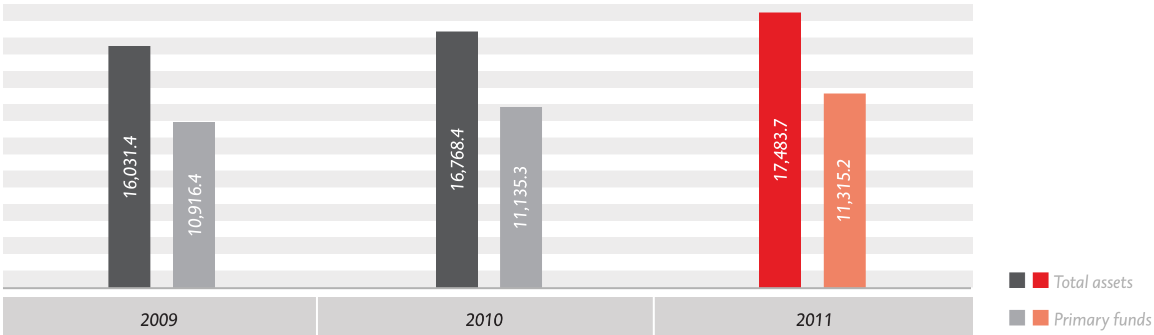
Strategic goal: organic growth

Strengthening the Bank's leading position in the core market of Upper Austria and Salzburg, expansion in the regions of Vienna, Lower Austria, Bavaria, Czech Republic, Hungary and Slovakia

Oberbank's growth course is based on organic growth from its own resources, that is, through expanding its network of branches rather than on mergers and acquisitions. For this reason Oberbank, in contrast to many other Austrian banks, has no goodwill in its balance sheet and therefore does not run a risk of having to write off impairment losses on balance-sheet assets. At the end of 2011, Oberbank operated a total of 150 branch offices. In Upper Austria and Salzburg, the Bank's core catchment area, Oberbank had 57 and 16 locations respectively. In the growth regions of Lower Austria and Vienna it operated 26 branches; in Bavaria, the Czech Republic, Hungary and Slovakia, a total of 51. Of these 150 branches there are 50 branches not older than five years. Even though these branches were still in the cost-intensive initial stage, Oberbank achieved persistently solid results – which show that the new branches are quick to deliver positive results.

With a view to improving long-term profitability, the Bank's strategic focus is on extending its presence in the high-potential markets outside its core catchment area of Upper Austria and Salzburg. The principal objective of the Company's expansion strategy is to support existing customers' expansion into these markets and, by acquiring new local customers, to secure a share in the rich potential for growth offered by these attractive regions. Oberbank perceives its opportunities primarily in the segments of small and medium-sized businesses and personal banking customers, customer groups that are often neglected by large international banks.

Total assets and primary funds in m€



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 companies in situations in which traditional finance solutions fail to fulfil their funding requirements. A complete list of Oberbank's investments is provided on pages 139 – 141 of this Annual Report.

Industry and commerce

As a strategic partner, Oberbank holds, among others, an equity interest in Austria's largest industrial group, namely the steelmaker voestalpine AG (7.90%, 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 (5.22%, www.lenzing.com), the aluminium products producer AMAG (5% + 1 share, www.amag.at) 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 financing solution is needed that goes beyond the scope of traditional credit and leasing models. Investments in other mezzanine and equity capital providers are made with a view to syndication opportunities and the objective of gaining access to the expertise and markets of these funds.

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 BKS Bank AG (BKS) and Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV), each of which is below 20%. The cooperation with BKS and BTV 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. Details regarding the shareholder structure of the three banks and their key figures are provided on pages 158 and 159 of this Annual Report. 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

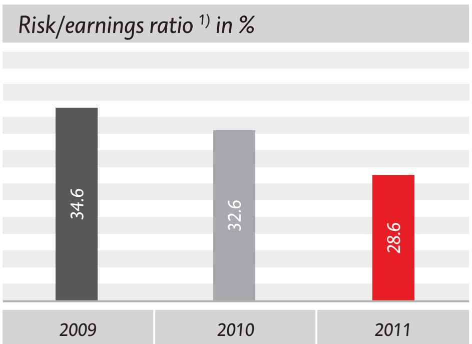
Oberbank's leasing companies in Austria, Bavaria, the Czech Republic, Hungary and Slovakia are bundled in its leasing sub-group. This sub-group also includes companies established for the purpose of financing individual customer projects or Oberbank projects.

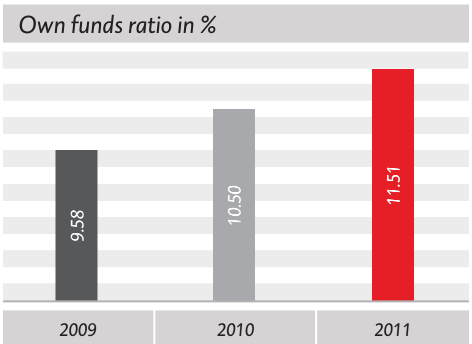
Other investments

Other investments include stakes in companies whose activities are 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).

Strategic goal: risk management

Oberbank's activities concentrate on business lines whose mechanisms and rules are understood by the Bank's management, and only takes on risks it can handle on the strength of its own resources. Oberbank's key strategic goals are to stabilise corporate risk at a low level, maintain a risk/earnings ratio of below 25% in the long term and at the same time keep the impairment allowance ratio below 0.7%. The Bank's excellent capital base, moreover, helps to secure its growth course.

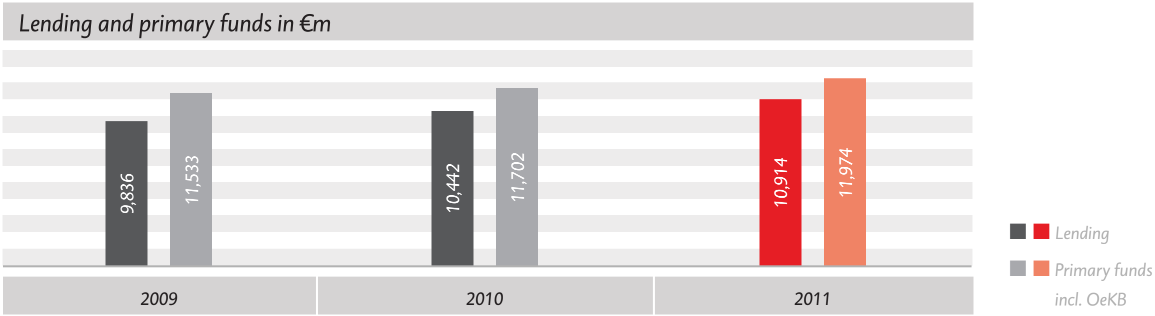




1) Including ALGAR and portfolio adjustment

Strategic goal: safeguarding long-term liquidity

Oberbank has traditionally set great store by a well-balanced loan and deposit growth, in order to enable the Bank to refinance the entire lending volume from primary deposits and assistance funds made available by Oesterreichische Kontrollbank. Furthermore, Oberbank holds extensive liquidity reserves in the form of securities and eligible loan assets. What is more, the Bank has access to open refinancing lines at a large number of other banks and institutional investors.



Strategic goal: no proprietary treasury trading detached from customer business

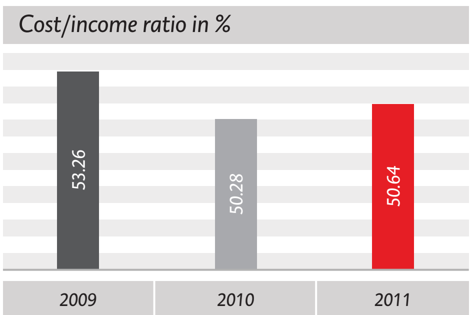
Oberbank focuses on the classical banking business and does not view itself as an investment bank. Therefore, it does not conduct any noteworthy proprietary trading that is not related to customer business. Risks in the trading book are low and straightforward. The focus of services rendered by the Global Financial Markets department is, on the one hand, on services in the field of interest rate and currency risk management for customers and, on the other hand, on activities for the Bank's Asset/Liability and Liquidity Management department.

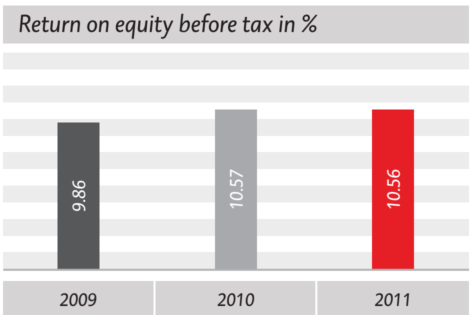
Strategic goal: staff development

Oberbank consistently implements measures to enhance the professional expertise and social competence of its staff; vacant management positions are – wherever possible – filled from in-house ranks. The Bank's further education and training programmes encompass standardised training plans for young employees, safeguard high training standards for all employees through certification and ensure systematic and needs-oriented further training. The management by objectives (MbO) approach and predefined standards of performance provide clear orientation for management and employees and ensure regular targeted feedback. High performance and commitment are guiding values integral to the Company's business spirit that create the basis for confident and responsible action.

Strategic goal: lean processes

The sustained growth course of Oberbank is backed by strict cost management. Business processes are efficiently designed and company structures are kept lean. Rationalisation projects and a shifting of resources from administrative processes to sales contribute to creating the basis for a solid earnings trend and constantly good profitability ratios. Ongoing cost management measures in the IT landscape and all operational processes ensure a favourable trend in the development of material and personnel costs and secure the operational fitness required in a difficult economic environment.





Strategy 2016

Oberbank's strategy and business model have proven to be resilient and highly crisis-resistant in the very difficult environment of the past few years. In order to secure sustained success for the future as well, Oberbank – in line with its tried and tested four-year rhythm – launched a revised strategy project in 2011. The new concept defines and sets the focal issues up to the year 2016. Building on the Bank's immutably valid eight strategic goals, it defines the areas in which higher efficiency, strict cost management and an even more focused use of all resources are to achieve a further improvement of earnings.

In Corporate and Business Banking, Oberbank is in an excellent initial position as a "banker to industry" and "partner of SMEs"

In the core target group of this segment – SMEs and corporates – Oberbank plans to strengthen its "house bank" status by consistently implementing its high-quality servicing concept and utilising the full gamut of cross-selling opportunities. In the target group of micro-enterprises and freelancers, the Bank's efforts are directed towards acquiring new customers and thus expanding its market share. In both customer groups, special attention will be paid to enhancing the services business with a view to boosting low-risk earnings.

Personal Banking has set the course for improving profitability

The measures being taken in this direction include a realignment of customer groups and a revision of servicing standards. The changes will enable the Bank to offer improved services in matters requiring intensive advisory support. Concurrently, a higher level of process standardisation will be introduced in order to provide customers with fast and low-cost solutions in simple matters. Furthermore, the contracts will be substantially shortened and simplified with a view to both reducing administrative expenses and increasing transparency in Personal Banking.

Regulatory provisions in the securities business are becoming increasingly strict

In the securities business, Oberbank will adopt an even more focused approach in response to more complex rules and regulations. While the Bank will continue to service this business line in all its regional business divisions, the range of products offered will be revised to better accommodate the needs of the respective customer structure and the demand in the individual regions. Additionally, under "Strategy 2016" the private banking experts at headquarters will be more actively involved in the business of the local branches in order to assist the latter in exploring their potential and to support the local private banking units in matters relating to customer acquisition and customer support.

Existing functional strategies will for the most part be continued unchanged

The Bank's risk strategy has stood the test of the past few years perfectly and will be systematically continued. Equity capital is a scarce resource and its further optimisation remains a top priority that will be continued unswervingly; gaining new primary funds remains a key objective in this context. The Bank's human resources strategy was last revised two years ago; the need for adjustment to the new strategy is therefore marginal.

Realignment of the branches

Hitherto, and notwithstanding differing market potentials, customer structures and framework conditions, all Oberbank branches operated on the basis of the same concept, similar resources and an equal range of offers. In the future, a realignment of the existing branches will create the basis for a broader scope of business activities and intensified servicing of all customer groups. Each branch will, as hitherto, offer personal banking services. Depending on the customer potential in the respective catchment area, the individual types of branches will differ primarily in terms of their level of services offered to corporate and business customers.

Oberbank's long-term human resources strategy is geared towards maintaining and further enhancing the Bank's attractiveness as an employer. A key strategic aspect is the Bank's continued investment in developing the professional and social competences of its entire staff. Within the framework of the "Strategy 2016" project, the Bank therefore launched targeted initiatives above all in the fields of management training and human resources development in order to enhance employees' readiness to embrace change and their commitment to lifelong learning, so that the Bank's employees will be able to continue to contribute positively to the development of Oberbank in the future.

Attractive employer

The business model of Oberbank, its firmly anchored and time-tested values, and its stability and independence have always been important factors for its attractiveness as an employer, as all these aspects convey a sense of security and job safety even in turbulent times. Continuous learning and training programmes and initiatives such as the "Asset Health" or "Family and Job" projects further add to and continue to ensure this attractiveness. Oberbank thus 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 the very low staff fluctuation rate of 7.8%.

"Asset Health" project in 2011

This comprehensive healthcare project was successfully implemented within the framework of the Bank's occupational health management scheme in 2011. An impressive total of 1,494 employees participated in various projects aimed at promoting physical exercise, healthy nutrition and mental fitness. This figure shows that this comprehensive health promotion package aimed at supporting employees in maintaining and improving their general well-being and their productivity has been very well received among the staff. And it certainly helped in reducing the Bank's traditionally low sick-leave rate even further to a mere 2.5% in 2011.

"Future Women 2020" project

In the past financial year, Oberbank continued to set new accents towards creating family-friendly framework conditions, promoting career opportunities for women and implementing steps to double the share of women in executive positions to 40% by 2020. Since 2011, for example, employees can take advantage of new support facilities such as childcare services in the summer holidays and a crèche for toddlers. In the autumn of 2011, the Federal Ministry of Economy, Family and Youth awarded Oberbank the "berufundfamilie" Basic Certificate for its wide range of activities towards reconciling work and family life for men and women.

Learning and training

Top-level quality in all services rendered for customers has always been the first and foremost priority for Oberbank. For the Bank's employees, lifelong learning and refreshing and expanding professional and social competences has always been part and parcel of their service obligations. Naturally, this principle is embedded in all training and development programmes.

The Oberbank Business and Corporate Banking Academy, operating in cooperation with the Frankfurt Business School of Finance & Management and the Austrian Institute for SME Research, ensures that employees are given the training they need to develop top-grade professional competence. Since 2011, an e-learning platform has been available to provide employees with additional opportunities to update and enhance their professional skills. The new "Master Class" training programme developed within the framework of the Oberbank Personal Banking Academy in cooperation with Management Akademie & Consulting GmbH was designed to further profile and sharpen the Bank's customer advisory and support concept. By focusing on important strategic issues, namely "investment and retirement provision" as well as "residential construction", Oberbank created the basis for satisfying increasingly rigorous customer requirements in high-end personal banking and deepening employees' advisory competence with regard to products that require a high level of customer support.

Developing leadership skills

The new concept for the Oberbank Management Academy was implemented in cooperation with LIMAK Austrian Business School with the objective of imparting and deepening all success-relevant leadership competences in line with the specific needs of Oberbank and the respective leadership functions of the participants. Important focal points of the management training include personal skills and team competence as well as communication, strategic planning and action, and coping with change. Additionally, a separate seminar on differentiated branch management was tailored to address specific management issues of sales executives. The competences required from executive staff are evaluated within the context of the annual MbO talks as well as a so-called “HR Check” interview. Measures to be taken with a view to reaching the defined development goals are jointly agreed upon.

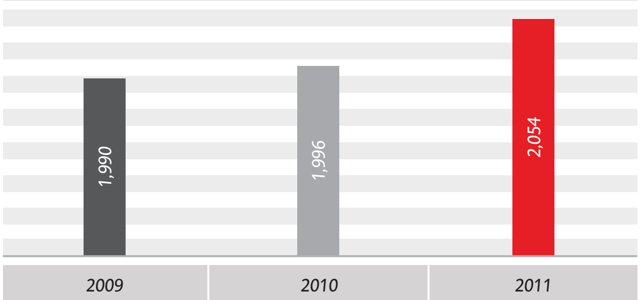
Employee Stock Option Plan

Ever since its launch in 1994, Oberbank employees have been making intensive use of the employee stock option plan. The opportunity to acquire a direct stake in the Company and thus not only contribute to the success of the Bank, but also reap immediate benefit from this success, met with lively demand also in 2011. In the meantime, the employees of Oberbank hold a noteworthy share of about 4% of the voting rights, which are bundled in a syndicate, and together constitute the fourth-largest individual shareholder. Oberbank’s employees thus clearly demonstrate their commitment to the Company and their identification with their employer.

Number of employees

Ongoing streamlining of internal processes, the utilisation of synergies and taking advantage of the effects of natural fluctuation helped to keep the number of employees in the different business lines and in the core markets on a nearly unchanged level in 2011. However, as further eight business branches were opened in the Bank’s expansion markets (notably in Bavaria and Vienna), Oberbank’s workforce (part-time staff weighted on a pro-rata basis) as at 31 December 2011 had increased by 46 to 2,059 year on year (2,013 in 2010). The average workforce increased by 58 to 2,054 in 2011.

Workforce development



Responsible business means reconciling economic thinking with social and ecological responsibility. Oberbank therefore explicitly confirms to its commitment that ecological and social aspects of economic activities be always and systematically taken into account in strategic and operational considerations. Principles like reliability, stability and solidity are valuable assets that need to be treated with great care and diligence in particular in the banking sector, because the trust enjoyed with customers, employees and other social groups (stakeholders) is of utmost importance.

Sustainability of all action

Oberbank can only be economically successful if it lives up to its social responsibility, and the Company will only be able to fulfil its responsibilities and operate for the benefit of society as a whole if it is economically successful. Accommodating the three dimensions of sustainability (economic, ecological and social) under one roof is a special entrepreneurial challenge. The Management Board has therefore taken great care to implement appropriate measures to ensure the sustainability of the Company's business model, thus making certain that the Bank will fully live up to its social responsibility and that Oberbank's values are not just lip service, but realised business culture and practical reality.

Economic 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.

Ecological responsibility

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.

Responsibility in product design

Oberbank is making an effort to live up to its ecological responsibility on the product side as well. Customers of Oberbank's investment fund company 3 Banken-Generali Investment-Gesellschaft have the opportunity to invest their money in an eco-friendly and ethical fund: The 3 Banken Nachhaltigkeitsfonds invests in enterprises committed to sustainable management. The fund's sustainability criteria include a focus on clean and renewable energy, energy efficiency, health, water, sustainable consumption, sustainable mobility, environmental and educational services.

Social responsibility

Addressing social issues 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. Important activities in this area, beside the Bank's traditional support of the Brucknerbund musical society, the Bruckner Orchestra and the Anton Bruckner Private University, include its long-standing cooperation with the City of Linz Music School. Financial and organisational assistance for children's villages, schools for disadvantaged children or aid and support projects at home and abroad ensure that Oberbank's economic success also benefits people and groups that live in a less privileged economic environment.

Oberbank in the Czech Republic – 18 branch offices.

Robert Pokorný,
Head of the Regional Business
Division of the Czech Republic

Debt crisis dominant theme in 2011

Topic number one throughout all of 2011 was the escalation of the debt crisis in the EU and the United States. Governments' hesitation to take concrete measures and disagreement within the EU exacerbated insecurity in the markets.

EU sovereign debt crisis

At the beginning of 2011, Estonia joined the euro area as its 17th member. The three new European supervisory authorities – for banks (EBA), stock markets (ESMA) and insurance companies (EIOPA) – took up their duties.

In March 2011, the Moody's rating agency downgraded the credit rating of Greece by three levels from Ba1 to B1 and that of Spain from Aa1 to Aa2. At their Brussels summit, the 27 EU member states adopted a comprehensive package of measures to secure the stability of the euro. The existing European Financial Stability Facility (EFSF) was increased to a capacity of EUR 500 billion; from 2013, the EFSF is to be replaced by the European Stability Mechanism (ESM) with a total subscribed capital of EUR 700 billion.

In April, the European Central Bank (ECB) initiated a turnaround on interest rates and raised its key rate by 0.25 points to 1.25 percent. Greece announced an unexpectedly high fiscal deficit, revising the financing gap for 2010 upwards to 10.5% of GDP. Previously, IMF forecasts had assumed a deficit of 9.6% of GDP.

In May, the EU adopted a financial assistance package for Portugal of EUR 78 billion. Standard & Poor's downgraded Greece's credit rating from BB- to B. Greece stepped up its privatisation efforts, putting up ports and airports for sale.

In June, Standard & Poor's further lowered Greece's credit rating by three notches from B to CCC. Following a meeting with French President Nicolas Sarkozy, the German Chancellor Angela Merkel confirmed her wish to secure the "participation of private investors on a voluntary basis" in a possible haircut on Greek debt.

In July, the finance ministers of the euro area countries released the fifth instalment of the EU assistance package for Greece in the amount of EUR 12 billion. Moody's was the first rating agency to slash its credit rating for Portugal and Ireland to junk status. The ECB resolved to increase its key rate to 1.5%. In their special summit on 21 July, the euro states resolved to assist Greece with a second rescue package of EUR 109 billion. Private sector creditors were to participate with a voluntary contribution. The tasks of the financial rescue fund EFSF were expanded.

In August, the crisis further exacerbated: Italy and Spain increasingly came under pressure on the financial markets and the ECB announced that it had bought euro area government bonds in the amount of EUR 22 billion. After a meeting in Paris, German Chancellor Merkel and French President Sarkozy proposed the creation of a euro area economic government and a move towards constitutional debt brakes in all euro zone countries.

In October, José Manuel Barroso, the President of the EU Commission, presented plans for a renewed rescue programme for banks, after concerns had arisen that a number of banks might encounter serious problems in the wake of a possible debt haircut for Greece. The euro area ministers of finance met in Brussels for three days of negotiations on a solution to the European debt crisis.

A joint report by the IMF, the European Union and the European Central Bank (ECB) showed that Greece was in need of considerably more funding than expected and that the country would not be able to raise any capital on the financial markets before 2021. Therefore, a debt haircut for Greece was finally resolved on 26 October; private investors agreed to write off 50% of their claims. In addition, the Heads of State or Government assembled yet another vast aid package earmarking EUR 100 billion for Greece up to 2014, and agreed on an increase of the minimum capital requirements for system-relevant European banks and a leveraging of the EFSF. The Greek Prime Minister Giorgos Papandreou announced plans to hold a national referendum on the EU bailout package for his country and the associated drastic austerity measures.

This announcement immediately sent global markets plunging. The Greek government succumbed to the pressure exerted by international creditors and withdrew the contested plan. On 6 November Papandreou resigned from office and on 11 November the new Greek government, headed by the former ECB Vice President Loukas Papademos, was sworn in. Italy, too, came under extreme pressure on the financial markets; ten-year government bonds yields surged to the record level of 6.7%. On 12 November, Italy's Prime Minister Silivo Berlusconi resigned; on the next day, the former EU commissioner Mario Monti was commissioned with the task of forming a new government.

The interest rates that France and Belgium had to pay for ten-year government bonds peaked in November; Spain had to pay the highest bond auction interest rates in 14 years. Austria announced plans to introduce a constitutional debt brake. The escalation of the debt crisis caused the mutual mistrust of banks to increase even further; in November, euro area banks saw themselves compelled to take recourse to more ECB funding than at any time in the previous two years. On 30 November, the world's major central banks took coordinated action to boost liquidity in the world financial system and thus "bought" policymakers some respite. This step sent stock markets soaring worldwide.

At the beginning of December 2011, Standard & Poor's issued a warning that virtually all euro area countries risked being downgraded and published a negative outlook for 15 of them. In the run-up to the EU crisis summit on 8/9 December, signs increased that the euro area states were considering individual approaches to solving the debt crisis, as dividing lines everywhere in the EU 27 prevented a jointly agreed solution. Germany and France made it clear that they would insist on enshrining stricter budgetary discipline in the euro zone in a new and binding treaty. The EU summit convened with the objective of finding a comprehensive solution to restore the trust of investors in the euro area. The European Union even signalled its readiness to accept a division in the event that the United Kingdom continued to veto this treaty. The European Banking Authority (EBA) seriously doubted that the banks would be able to improve their core tier one capital ratios to 9% by mid-2012 and therefore failed a large number of them in its most recent stress test.

ECB loosened monetary policy and bought government bonds of problem countries

As of 1 November 2011, ECB President Jean-Claude Trichet resigned from his office, handing it on to the Italian Mario Draghi, who started his term by cutting the ECB key rate to 1.25%. The ECB's former credo of monetary stability moved more and more to the background: obviously, the danger of a recession in the euro area outweighed the fear of rising inflation. While Draghi refused to give a formal commitment that the ECB would buy an unlimited amount of government bonds of highly indebted countries, he asserted that he would continue the already initiated programme. Since May 2010, the ECB has purchased bonds with a total value of EUR 203.5 billion. The ECB justifies these purchases as a measure to support the markets, but in reality this course of action puts a damper on the interest costs of euro area problem countries like Italy and Spain.

Germany and France played the role of "fire fighters"

French President Nicolas Sarkozy and German Chancellor Angela Merkel made continued attempts at fighting the causes of the euro and debt crises. The EU summit convened on 9 December 2011 seemed to achieve the breakthrough. While the rating agencies continued to stress the need for action, Merkel and Sarkozy managed to put through a "fiscal package" imposing greater budget discipline on euro area members. All EU member states with the exception of the United Kingdom endorsed the package subject to the approval of their national parliaments.

The United States as a debtor country

Europe was not the only region with a debt crisis; the United States was faced with the same problem in 2011. At the end of July, the country narrowly avoided national bankruptcy in consequence of the debt ceiling drama playing out in Washington. The Republicans for a long time vehemently refused to agree to an increase of the debt ceiling. As the deadline loomed, Congress scrambled for a debt limit deal in two stages. While US debt ceiling talks deadlocked, the US lost its top-tier AAA credit rating from Standard & Poor's; this rating agency downgraded the world's largest economy by one notch to AA+.

The role of the rating agencies

A substantial share of the blame for the insecurity that continued to beset the markets in 2011 goes to the rating agencies. By issuing an unending series of warnings and downgrading the credit ratings of countries, banks and insurance companies, the three large rating agencies, namely Moody's, Fitch and Standard & Poor's, virtually had the governments at their mercy.

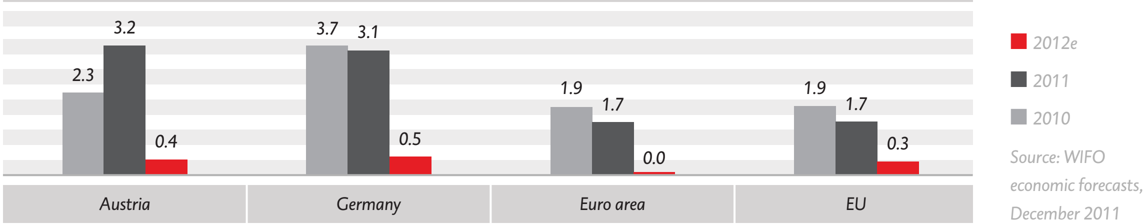
Debt crisis put damper on global growth

Held in check by the turbulences surrounding the issue of excessive sovereign debts, world economic growth was substantially lower in 2011 than one year before. After 5.1% growth in 2010, the global economy widened by 3.8% in 2011. US GDP edged up by 1.6% (after 3.0% in 2010); the Japanese economy posted a 1.0% decline (after 4.4% growth). China's economy continued to grow at a particularly high rate of 9.5%, but even there a slowdown became observable, above all in the second half of the year.

Rising by 1.7% within the EU as whole as well as in the euro area, economic growth in Europe was rather subdued (+1.9% in 2010). Only Germany performed conspicuously better, posting 3.1% GDP growth.

Economic growth in the Central and Eastern European EU member states averaged 3.1%; this region benefited from the robust German economy and export demand from the BRIC countries.

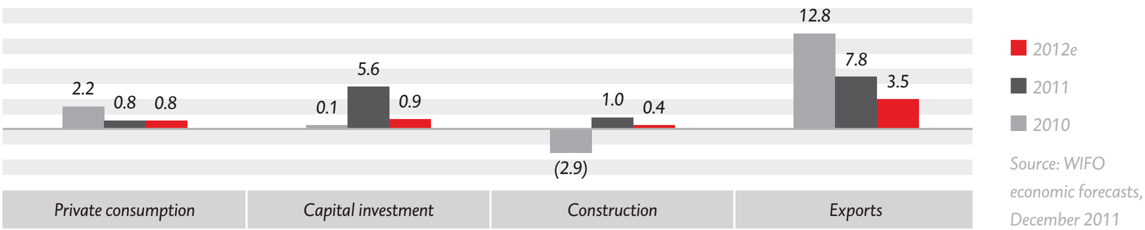
GDP growth in %



Source: WIFO economic forecasts, December 2011

The Austrian economy recorded 3.2% growth in 2011 and thus performed better than the euro area on average (+1.7%). Notably exports, Austria's traditional growth motor, widened by a healthy rate of 7.8%. Corporate capital expenditure increased perceptibly, namely by 5.6%, whereas private consumption rose by a mere 0.8%.

Breakdown of demand in Austria, year-on-year change in %



Source: WIFO economic forecasts, December 2011

USD and EUR year-end key rates at January levels

The US central bank (FED) kept the target rate for the federal funds rate unchanged at zero to 0.25%, i.e. the very low level to which the key rate had been slashed on 16 December 2008. The ECB changed its key rate several times in 2011; since 8 December 2011, however, the rate has been back at the level at which it started into the year, namely 1.00%.

Key interest rates in 2011		USD		EUR
	1/1 – 31/12	0.00% - 0.25%	1/1 – 6/4	1.00%
			7/4 – 6/7	1.25%
			7/7 – 2/11	1.50%
			3/11 – 7/12	1.25%
			8/12 – 31/12	1.00%

Money and capital market rates reflect dwindling trust in the euro

At 1.02%, the 3-months Euribor was 0.72% percentage points above the 3-months USD Libor in January 2011. Until October, the Euribor climbed markedly to 1.58% and then dropped slightly to 1.43% by December. The USD Libor dropped marginally to 0.25% by mid-year and then rose continuously, reaching 0.56% by December. Thus, by the end of 2011, the spread had widened slightly, with the Euribor ending 0.87 percentage points higher than the USD Libor. 10-year swap rates developed along similar lines. While the euro swap had started into the year at 0.10 percentage points below the USD swap rate (3.32% compared with 3.42%), it finished the year 0.42 percentage points above the USD swap rate in December 2011 (Euro 2.53%, USD 2.11%).

Exchange rate developments in 2011

Developments on international foreign exchange markets in 2011 continued to be marked by the sovereign debt crises in the euro area and the resulting uncertainty. At the beginning of 2011, the EUR/USD exchange rate was at 1.34. By June, the euro had risen to USD 1.44 and then started to drop again, finishing the year on a December average of 1.32. Fundamental economic data failed to provide an explanation for this development: The EU is clearly in better shape than the USA in terms of both overall indebtedness and current fiscal deficit (in relation to GDP). But in a turbulent environment, investors obviously put more trust in the dollar than in the euro. At 1.39 on an annual average, the euro exchange rate was slightly above the previous year's value of 1.33.

In the first half of the year, the development of the euro against the Japanese yen was marked by the natural and nuclear disasters in Japan and their anticipated effects on the Japanese economy. Having started into the year at a EUR/JPY rate of 110.42, the yen weakened to 120.72 by April. The escalation of the EU sovereign debt crisis went hand in hand with an appreciation of the yen to 102.36 by December, bringing the average rate in 2011 to 110.92, after 116.46 in the previous year.

Notwithstanding the close links of the Swiss economy to the EU, developments in 2011 very clearly showed that investors still consider the Swiss franc a safe-haven currency. The EUR/CHF exchange rate declined from 1.28 at the beginning of 2011 to 1.12 by August. Following interventions by the Swiss national bank and the announcement that it planned to set a floor to the value of the CHF against the euro of 1.20, the euro appreciated to 1.23 by December, bringing the annual average to 1.23 (after 1.38 in 2010).

The Czech crown and the Hungarian forint depreciated against the euro in 2011. The Czech crown declined by 4.3% from 24.45 to 25.51 between January and December, while the Hungarian forint weakened by 10.5% from 275.33 to 304.19.

Non-homogenous development of stock markets

Developments on international stock markets varied markedly in 2011. While the Dow Jones improved slightly, the S&P 500 weakened marginally, and the Euro Stoxx 50, the Topix, the DAX and the ATX posted marked losses.

Stock exchange index	*January 2011*	*December 2011*	*Jan. – Dec. 2011*
Dow Jones (USA)	11,802	12,076	2.3%
S&P 500 (USA)	1,283	1,243	(3.1%)
Euro Stoxx 50 (Europe)	2,901	2,283	(21.3%)
Topix (Japan)	924	733	(20.7%)
DAX (Germany)	7,040	5,868	(16.6%)
ATX (Austria)	2,882	1,839	(36.2%)

The Austrian Banking Sector in the First Three Quarters of 2011 (unconsolidated data according to OeNB)

Rise in interbank business caused increase of total assets

At the end of the third quarter of 2011, total assets of Austrian banks came to EUR 1,012.5 billion, which represented an increase of 3.5% compared to the end of 2010. The main reason for this increase was the growth of interbank business at home and abroad.

The direct lending volume of domestic non-banks totalled EUR 315.2 billion on 30 September 2011 and had thus edged up by 1.3% in the first three quarters. Euro loans widened by 1.7% to EUR 258.1 billion; foreign currency loans declined by 0.4% to EUR 57.1 billion. The share of foreign currency loans in total lending thus decreased from 18.2% to 18.1%.

Total deposits at Austrian banks increased slightly by 2.6% to EUR 288.8 billion compared to the end of 2010; developments in the individual categories, however, varied greatly. Sight deposits increased by 4.4% to EUR 93.6 billion, time deposits rose by the robust rate of 10.4% to EUR 39.4 billion. Savings deposits accounted for 54% of all deposits in Austria and were thus once again the most important savings category. However, they remained almost unchanged, showing, in fact, a slight decline of 0.3% to EUR 155.8 billion, and were thus responsible for the fact that overall deposits increased only marginally.

Eligible own funds of all Austrian banks amounted to EUR 92.3 billion at the end of September 2011, which translates to a marginal increase of EUR 0.2 billion or 0.2% in the first three quarters of 2011. EUR 73.2 billion of the total own funds of Austrian banks were core capital, which corresponds to a decrease by 0.2% as compared to the year-end level of 2010. The equity ratio increased slightly by 0.29 percentage points to 18.94%.

Expected decline of earnings by 73%

The joint operating profit of Austrian banks rose by 2.5% to EUR 5.9 billion from the third quarter of 2010 to the third quarter of 2011. This increase was primarily due to a 4.4% rise in net interest earnings to EUR 7.2 billion, whereas net commission income posted a slight decline of 0.6% to EUR 2.9 billion. The net result of financial operations declined by 49.9%, but given a total balance of EUR 0.3 billion is rather insignificant in terms of volume. Operating expenses rose by 3.8% to EUR 8.6 billion.

Based on the figures available as at the end of September 2011, Austrian banks expected a 12.1% decline in operating profit to EUR 7.2 billion for 2011 as a whole. Preliminary estimates further projected a 52.8% drop in earnings from ordinary activities to EUR 2.2 billion and a 72.9% decrease in net profit to EUR 1.1 billion.

The Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS). Pursuant to Section 59a of the Austrian Banking Act (BWG) and Section 245a of the Austrian Enterprise Code (UGB), these Consolidated Financial Statements prepared in accordance with internationally accepted accounting standards replace the consolidated financial statements and group management report prepared in accordance with Austrian law. The Group Management Report was drawn up in accordance with international financial reporting standards.

The Oberbank group of consolidated companies

Besides Oberbank AG, the group of consolidated companies in 2011 included 24 domestic and 20 foreign subsidiaries. Compared to 31 December 2010, the consolidated group changed owing to the first-time inclusion of the following companies: Oberbank airplane Leasing GmbH, Linz; Oberbank Leasing KIKA, s.r.o., Bratislava; OBK München 3 Immobilien Leasing GmbH, Neuötting; Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz; also, Oberbank Bohemia Leasing s.r.o., Budweis, was incorporated into Oberbank Leasing spol s.r.o., Prague, as of 1 July 2011.

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was taken into account on a pro-rata basis in the Consolidated Financial Statements. Besides Drei-Banken Versicherungs-Aktiengesellschaft, BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for under the equity method. Not included in the scope of consolidation were 25 subsidiaries and 24 associated companies, which, however, have no significant influence on the Group's assets and its financial and earnings position.

Segmentation

The segment reporting format is based on the internal structure of customer care responsibilities and defines the segments Corporate and Business Banking, Personal Banking, Financial Markets and Other. For further details, please refer to the segment reporting section starting on page 64 of this Annual Report.

Results of operations

Oberbank again achieved outstanding results in the financial year 2011. The operating profit increased by 2.4% to EUR 223.6 million. Notwithstanding the Bank's cautious risk policy, the profit for the year before tax widened by a remarkable 10.1% to EUR 126.0 million. The net profit topped even the latter rate, climbing 13.1% to EUR 111.2 million

IFRS consolidated income statement in €m	*2011*	*Change*	*2010*	*2009*
Net interest income	341.7	7.1%	318.9	262.4
Charges for losses on loans and advances	(97.6)	(5.9%)	(103.8)	(90.7)
Net commission income	104.5	3.3%	101.2	88.6
Net trading income	9.3	42.8%	6.5	11.3
Administrative expenses	(229.5)	4.0%	(220.7)	(208.2)
Other operating result	(2.4)	> (100%)	12.4	28.8
Profit for the year before tax	**126.0**	**10.1%**	**114.5**	**92.0**
Income taxes	(14.8)	(8.4%)	(16.1)	(14.7)
Profit of the year after tax	**111.2**	**13.1%**	**98.4**	**77.3**
of which attributable to equity holders of the parent	111.2	13.1%	98.4	77.3
of which attributable to minority interests	0.0	(13.8%)	0.0	0.0

Net interest income

Net interest income increased by 7.1% to EUR 341.7 million in the financial year 2011. This development was due to a 1.3% rise in profit from credit operations to EUR 278.9 million and an increase of 44.2% in the contribution attributable to earnings from equity investments to EUR 62.8 million.

Charges for losses on loans and advances

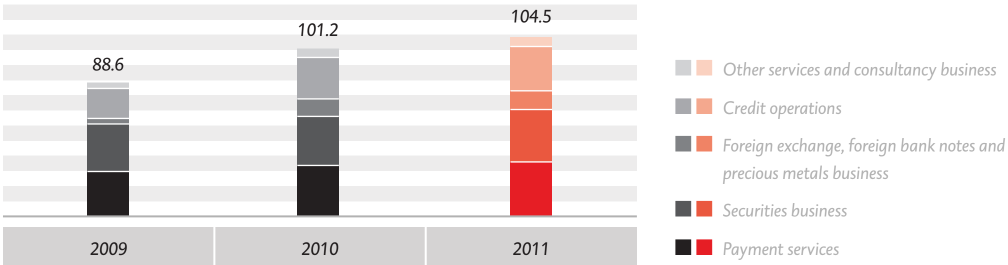
Within the framework of the Bank's credit risk strategy, adequate provisions were set up for all discernible risks. Besides specific valuation allowances, a general allowance for impairment of the portfolio in accordance with IAS 39 was also recognised. In addition, guarantee commissions were paid to 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 97.6 million in 2011, after EUR 103.8 million in the previous year, resulting in a decrease of the Bank's impairment allowance ratio from 0.99% to 0.90%. These high charges for impairment losses keep Oberbank comfortably cushioned against credit risk.

Net commission income

Net commission income reflected higher commissions from payment services

Net commission income rose by 3.3% to EUR 104.5 million in 2011. The development of commission income from payment services was particularly satisfactory, increasing by 7.6% to EUR 36.2 million. The securities business showed the negative effects of the turbulent developments on international stock exchanges and investors' resulting risk aversion, causing a 3.6% year-on-year decline in commission income in this line of business to EUR 32.1 million.

Development and structure of net commission income in €m



Net trading income

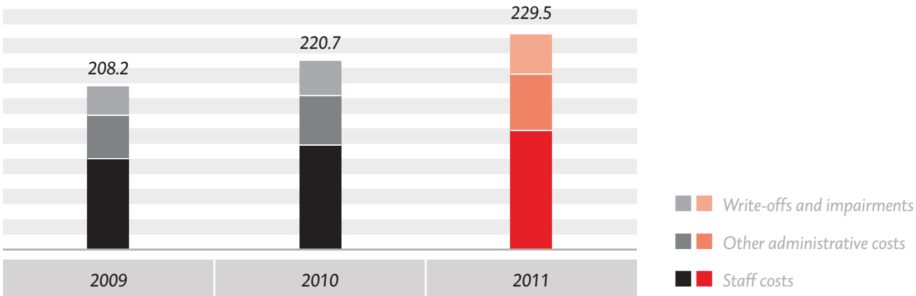
The net trading income comprises earnings from securities and derivatives in the trading book as well as earnings from dealings in foreign exchange, foreign bank notes and precious metals. On balance, net trading income increased by 42.8% to EUR 9.3 million year on year. Earnings from securities dealings decreased, while earnings from dealings in foreign exchange, foreign bank notes and precious metals increased.

Administrative expenses

Development of administrative expenses shows impact of further expansion

Administrative expenses increased by 4.0% to EUR 229.5 million year on year owing to continued expansion activities and the establishment of eight new branches. Staff costs increased by 5.1% to EUR 132.7 million, while other administrative costs widened by 6.2% to EUR 74.6 million. Due to lower depreciation in the Leasing subgroup, depreciation decreased by 8.8% to EUR 22.1 million. The Bank's cost/income ratio came to 50.64% in 2011 and thus continued to outperform the entire Austrian banking industry by a notable margin.

Development and structure of administrative expenses in €m



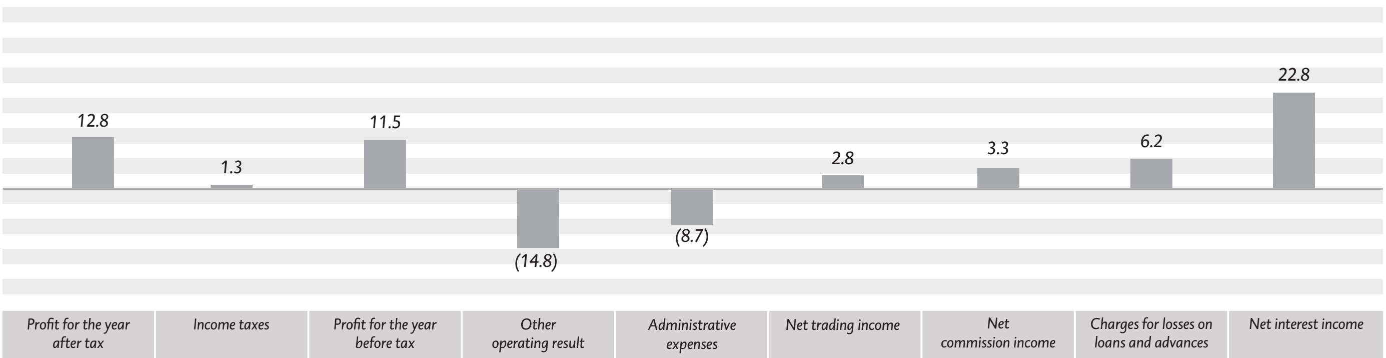
Excellent profit situation despite cautious risk policy

Operating profit +2.4%, profit before tax +10.1%, net profit +13.1%

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 2.4% to EUR 223.6 million in 2011. At EUR 126.0 million, the profit before tax and after charges for losses on loans and advances increased by 10.1% year on year. Income taxes amounted to EUR 14.8 million, which corresponds to a decrease of 8.4% year on year. On balance, the consolidated net profit for the year came to EUR 111.2 million, which is 13.1% above the previous year's level. After EUR 25,838.45 in minority interests, the Oberbank Group showed a consolidated net profit for the year of EUR 111.2 million (+13.1%).

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 3.87 in 2011, after EUR 3.43 one year earlier.

Changes in profit components in 2011 in €m



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 2011 totalled EUR 79.7 million. After a net allocation of EUR 65.4 million to reserves and adding a profit carried forward of EUR 0.2 million, the distributable net profit amounted to EUR 14.5 million. Subject to approval by the Annual General Meeting, the Bank 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 94,984.13.

Analysis of key performance indicators

Key performance indicators, IFRS figures	*2011*	*2010*	*2009*
Operating profit ratio	1.31%	1.32%	1.16%
Return on equity before tax	10.56%	10.57%	9.86%
Return on equity after tax	9.32%	9.08%	8.28%
Cost/income ratio	50.64%	50.28%	53.26%
Risk/earnings ratio (credit risk in % of net interest income)	28.58%	32.55%	34.58%
Total capital ratio	16.49%	16.69%	15.39%
Core capital ratio	11.51%	10.50%	9.58%
IFRS earnings per share in €	3.87	3.43	2.83

In 2011, the operating profit ratio – profit from operating activities as a percentage of average assets – remained almost unchanged year on year at 1.31% (2010: 1.32%), which marks a top-level ratio in the Austrian banking industry.

At 10.56% (after 10.57% in the previous year), the return on equity (ROE) before tax also remained stable at a high level in 2011, while the ROE after tax rose perceptibly, improving from 9.08% to 9.32%. Thanks to the favourable earnings trend, IFRS earnings per share increased significantly, rising from EUR 3.43 in 2010 to EUR 3.87 in 2011.

At 50.64%, Oberbank's cost/income ratio continued to be excellent and clearly better than the banking industry average in 2011. The risk/earnings ratio decreased from 32.55% to 28.58%, notwithstanding the Bank's cautious provisioning policy and high allocations to impairment provisions. Oberbank's core capital ratio, a key parameter for bank ratings, rose from 10.50% to 11.51%.

Assets and financial position

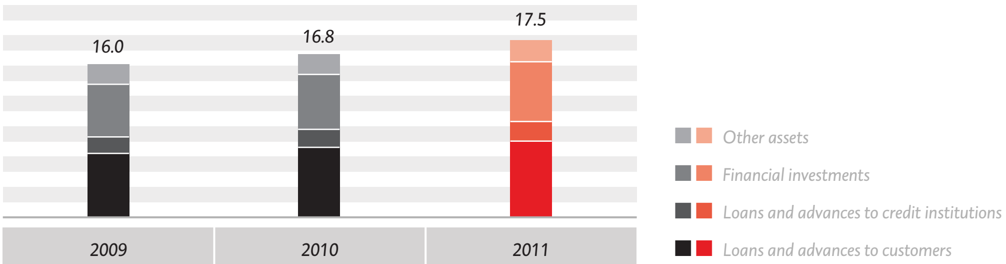
At EUR 17,483.7 million, total assets of the Oberbank Group as at the end of 2011 showed an increase of 4.3% year on year. The key balance sheet assets and equity and liability items are analysed below.

Balance sheet assets

Pronounced rise in loans and advances to customers

Loans and advances to credit institutions decreased by 15.6% to EUR 1,566.2 million in 2011; their share in total balance sheet assets thus contracted from 11.1% to 9.0%. Loans and advances to customers widened by 4.5% to EUR 10,914.2 million. While loans and advances to Austrian customers increased by 5.6% to EUR 6,851.5 million, loans and advances to foreign customers edged up by 2.8% to EUR 4,062.7 million. Broken down by customer groups, personal loans widened by EUR 27.5 million and corporate and business loans increased by EUR 444.4 million.

Structure of balance sheet assets in €bn



The increase of impairment provisions by 12.1% to EUR 350.3 million on balance is due to differences between allocations and reversals of specific valuation allowances and portfolio adjustments recognised in accordance with IAS 39.

Financial investments increased markedly, rising by 10.9% to EUR 4,392.2 million. This volume is spread across the different sub-items as follows: EUR 288.5 million in financial assets recognised at fair value; EUR 1,075.5 million in available-for-sale financial assets; EUR 2,506.8 million in held-to-maturity financial assets and EUR 521.4 million in investments valued at equity.

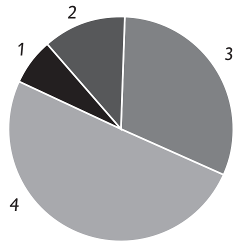
The remaining assets comprised the line items Cash and balances at central banks, Trading assets, Intangible assets, Property, plant and equipment and Other assets. Trading assets increased by 10.7% to EUR 50.4 million, intangible assets declined by 25.9% to EUR 4.6 million.

Property, plant and equipment, at EUR 220.1 million, remained practically unchanged year on year. The line item Other assets, which increased by 19.4% to EUR 386.2 million, comprises other asset items such as positive fair values of derivatives in the banking book, down payments on lease contracts not yet entered into force and other receivables by leasing companies. In addition, this line item also includes deferred tax assets and other deferred items.

Balance sheet equity and liabilities

Amounts owed to credit institutions increased by 11.6% to EUR 4,278.6 million in 2011. Primary funds widened by 1.6% to EUR 11,315.2 million on balance. Amounts owed to customers included in this item edged up by 1.8% to EUR 9,064.2 million because customers, in view of the insecure developments on securities markets, increasingly reshuffled assets into traditional types of investments. Savings deposits slightly declined by 1.1% to EUR 3,407.6 million, while other liabilities rising by 3.7% to EUR 5,656.6 million increased markedly. Securitised liabilities edged up by 1.4% to EUR 1,506.6 million. The balance sheet item Subordinated debt capital remained almost unchanged at EUR 744.4 million (-0.2%). The increase in equity capital by 5.3% to EUR 1,222.0 million is to a large extent due to the Bank's excellent profit situation, which permitted substantial allocations to reserves, and an improvement of income from equity investments.

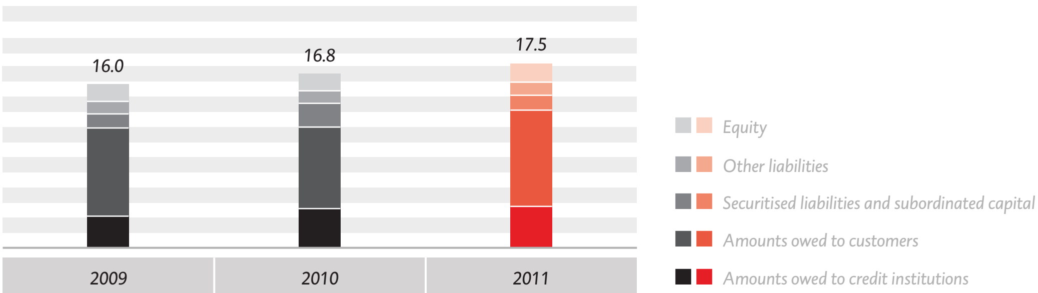
Structure of primary funds in %	
Subordinated debt capital[1]	6.6%
Securitised liabilities[2]	13.3%
Savings deposits[3]	30.1%
Sight and time deposits[4]	50.0%



The equity-and-liabilities-side item Other includes provisions for liabilities and charges and other liabilities. Provisions for liabilities and charges increased by 6.4% to EUR 402.6 million in total. They are mainly made up of provisions for termination and post-employment benefits (EUR 207.7 million) and loan loss provisions (EUR 131.0 million).

Other liabilities increased by 1.8% to EUR 265.3 million. This item comprises the negative fair values of derivatives in the banking book, other short-term provisions, other liabilities of the Leasing sub-group and deferred items.

Structure of balance sheet equity and liabilities in €bn



Refinancing structure in €m	2011	Change	2010	2009
Savings deposits	3,407.6	(1.1%)	3,447.2	3,399.2
Other amounts owed to customers	5,656.6	3.7%	5,455.6	5,477.0
Securitised liabilities	1,506.6	1.4%	1,486.4	1,308.1
Subordinated debt capital	744.4	(0.2%)	746.2	732.1
Primary deposits including subordinated debt capital	**11,315.2**	**1.6%**	**11,135.3**	**10,916.4**
Amounts owed to credit institutions	4,278.6	11.6%	3,833.2	3,466.5
Total	**15,593.8**	**4.2%**	**14,968.5**	**14,382.9**

Equity

Equity on the Consolidated Balance Sheet of the Oberbank Group grew by 5.3% to EUR 1,222.0 million year on year. At EUR 86.3 million, the share capital remained unchanged as compared to the end-of-year level of 2010.

On 31 December 2011, own funds within the meaning of Section 24 of the Austrian Banking Act (BWG) amounted to EUR 1,673.1 million as compared to EUR 1,635.1 million as at the previous year's balance sheet date. Hence, the surplus of own funds over the applicable own funds requirement of EUR 875.1 million pursuant to Section 22(1) of the Austrian Banking Act (BWG) amounted to EUR 798.0 million, which is 8.49 percentage points above the regulatory requirement of 8%. Consequently, the own funds ratio slightly decreased from 16.69% to 16.49% in 2011, whereas the core capital ratio improved by a wide margin from 10.50% to 11.51%.

Equity on the balance sheet in €m	2011	Change	2010	2009
Share capital	86.3	0.0%	86.3	86.2
Capital reserves	194.5	(0.1%)	194.6	194.5
Retained earnings	915.3	7.3%	852.8	726.5
Untaxed reserves	22.7	(5.2%)	23.9	25.1
Negative goodwill	1.9	–	1.9	1.9
Minority interests	1.4	1.7%	1.4	1.4
Equity on the balance sheet	**1,222.0**	**5.3%**	**1,160.9**	**1,035.6**
Own funds within the meaning of Section 24 BWG	1,673.1	2.3%	1,635.1	1,534.3
of which core capital (Tier 1)	1,167.6	13.5%	1,028.7	955.4
Own funds requirement	875.1	3.5%	845.3	854.8
Own funds ratio in %	16.49	(0.20 ppt)	16.69	15.39
of which core capital ratio in %	11.51	1.01 ppt	10.50	9.58
Surplus own funds, in percentage points	8.49	(0.20 ppt)	8.69	7.39
Assessment basis for own funds	10,146.2	3.6%	9,795.8	9,970.5

More difficult economic environment

According to the most recent forecasts of the Austrian Institute of Economic Research (WIFO), the global economy is set for lower growth in 2012, but it will not fall back into a recession. The main factors preventing better economic dynamics are continued tension in the euro area and the unsolved labour market issues in the United States. Huge sovereign debts have made further economic stimulus measures virtually impossible in these two economic regions.

Economic growth in the USA is likely to drop from 1.6% in 2011 to 1.3% in 2012. Within the EU as a whole, growth is expected to decrease from 1.7% to 0.3%, and in the euro area from 1.7% to 0.0%. It is expected that export-oriented countries such as Austria and Germany in particular will suffer a substantial contraction of growth, but they will nevertheless continue to outperform the rest of the euro area. In the new Eastern European EU member states, economic growth is expected to decline from 2.7% to 1.4%; this rate, however, is still clearly better than the growth rate expected for the old Community members.

The global economic slowdown and the sovereign debt issues will also affect the "Oberbank countries" in Eastern Europe in 2012: Export demand is set to slacken perceptibly; private consumption will add hardly any additional impulses. In the Czech Republic, growth is therefore likely to drop from 1.9% in 2011 to 0.5% in 2012. The Hungarian economy is expected to contract by 0.6%, after 0.9% growth in 2011. At 1.0% in 2012, GDP growth in Slovakia will be substantially lower than the 2.9% observed in 2011.

As regards currency developments, the Management Board of Oberbank AG expects the euro to appreciate somewhat to between 1.35 and 1.40 against the US dollar in 2012. The current level of 1.20 to 1.25 against the Swiss franc is likely to persist. Equally, the Czech crown is expected to remain stable against the euro in 2012. The further trend of the forint exchange rate cannot be predicted with any certainty, in view of recent developments in Hungary.

Slowdown in growth in Austria as well

Economic forecasting institutes expect Austrian GDP growth to remain below the level of 1% in 2012. This reduction will have an impact above all on corporate capital expenditure, which is expected to widen by a mere 0.9% (equipment investment +1.5%, construction investment +0.4%). Exports are bound to suffer due the general economic slowdown in Europe. At 3.5%, export growth will be noticeably more robust than economic growth in general, but perceptibly lower than in the previous two years. It is anticipated that private consumption in 2011 will continue more or less unchanged at 0.8% growth, i.e. a rate too low to generate any impulse to spur economic growth.

At 2.1%, inflation will not only be substantially lower than in 2011, but also back within the ECB's target corridor. Employment growth is likely to decline from 1.9% to 0.6%, hand in hand with a slowdown of production. According to Austrian statistical forecasts, unemployment is anticipated to rise from 6.8% in 2011 to 7.1% in 2012.

Focal points of Oberbank's business activities

Oberbank's excellent capital and liquidity base enables the management to envisage 5% – 6% lending growth for 2012. The focus in Corporate and Business Banking will be on cross-border business as well as on investment and export finance, i.e. areas in which Oberbank boasts an outstanding position in the market. In Personal Banking, a marketing initiative in the first half of 2012 will be aimed at promoting residential construction lending.

In order to create the funding basis of these loans, Oberbank targets 5.5% growth in primary deposits. Deposit acquisition policies, however, will have to be revised in the event that the economic environment should prevent the Bank from attaining the envisaged lending growth. No substantial changes are planned with regard to the Bank's time-tested risk strategy. Credit risk is expected to remain more or less at the level of 2011.

Oberbank will continue its organic-growth-based expansion policy in 2012 and thereafter. The regional target markets for the establishment of new branches are Vienna, Bavaria and the Czech Republic.

Earnings development in 2012

Spread-related business will continue to be one of the mainstays of a stable performance path in 2012. Profit from credit operations is expected to increase slightly compared with 2011. The management anticipates a perceptible improvement of results in the services business, mainly because ambitious targets have been set for the securities business.

Operating expenses, on balance, will rise but moderately as compared to 2011. Strict cost management will hold the increase of staff costs and other administrative expenses well in check. Depreciation is expected to decrease slightly in 2012.

There is still considerable insecurity regarding the extent of the economic slowdown; therefore, it is not possible to formulate precise earnings projections for 2012. However, the Management Board of Oberbank is confident that the excellent result achieved in 2011 will be matched again in terms of both profit from operating activities and profit for the year before and after taxes. The profit situation expected for 2012 will again be in an order of magnitude permitting Oberbank to strengthen the Bank's capital base by making allocations to the reserves and propose an attractive dividend at the Annual General Meeting.

Organisation of risk management

At Oberbank, risk management is an integral element of the ongoing business process, internal planning of strategic targets, and operational management and controlling. Central responsibility for risk management lies with the Management Board of Oberbank AG as a whole. Management competences as well as the share of available economic capital allocated to a specific risk (limits) or predefined management and control processes are specified and laid down for every material risk within the Oberbank Group. The Bank's Asset/Liability Management (ALM) Committee is responsible for integrating the individual risk types into the overall bank risk. The ALM Committee is headed by the Management Board member in charge of the Risk Management department.

Risk controlling

The central and independent risk controlling function required by the Austrian Banking Act (Article 39(2) BWG) is assumed by the Accounts and Controlling Department. This is the unit responsible for measuring, analysing and monitoring all material risks within Oberbank and reporting any such nascent risks to the Management Board and the ALM Committee as well as to the respective department heads and employees.

Internal Control System

Oberbank's Internal Control System (ICS) is an internal mechanism of controls that embraces all the Bank's processes and procedures. The ICS has been continuously developed and refined over the years. Processes and procedures are documented in working instructions and process descriptions, which contain all the basic control principles such as, for example, the separation of functions and dual control rules, provisions governing the authority to sign and the regulation of competences as well as IT authorisation systems. The Internal Audit department of Oberbank AG serves as an independent supervisory body and in this capacity performs audits of the internal control system. It examines the effectiveness and adequacy of all banking procedures and of risk management and reviews compliance with working instructions.

Overall risk management process and calculation of risk-taking capability

At Oberbank AG, the regulatory requirements for qualitative risk management arising from the Internal Capital Adequacy Assessment Process (ICAAP) are fulfilled by the risk-taking capability calculation which has been in use for years. The basis for the assessment of the Bank's risk-taking capability is a quantification of all material banking risks and the economic capital allocated to each of them. Within the framework of the risk-taking capability calculation, risk limits are derived for credit risk (including the counterparty default risk), the equity risk, the market risk in the trading book, the market risk in the banking book and the operational risks. Oberbank's business activities further involve other material risks that are controlled by means of processes and limits rather than allocations of economic capital (liquidity risk and concentration risk). A risk buffer creates the required risk provision for other, non material risks (business, legal, reputational as well as strategic and other risks resulting from the macroeconomic environment).

Internal rating and assessment of creditworthiness

Every lending decision is based on a credit rating, i.e. an assessment of the respective customer's creditworthiness. These assessments are performed using advanced credit rating processes further refined through statistical methods. This system was introduced in early 2009 and complies with the requirements defined for the Basel II IRB approach. Assessments are based on quantitative (hard facts) and qualitative criteria (soft facts, warning signals), which together provide an objective and future-oriented picture of the creditworthiness of a customer. The rating processes are subject to annual validation and the resultant findings are used as a basis for the ongoing further development and optimisation of the system.

Overall banking risk management

Deliberate and targeted assumption of risks is a key feature of banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term. The responsibility for defining the Group's central risk management strategy and implementing the pertinent risk policy standards as well as for risk management and risk controlling across the Oberbank Group lies with Oberbank AG. The Management Board and all of the Bank's employees consistently act in accordance with the principles laid down in the Bank's risk policy, and decisions are invariably made on the basis of these guidelines.

Credit risk

The credit risk is understood to represent the risk of a borrower's full or partial failure to fulfil the contractually agreed payment obligations. The credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group. Credit risk management is the responsibility of the Credit Management department, which is separate from sales operations. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process, up to the Management Board level.

The Bank's credit risk strategy is based on the regionality principle; the headquarters of lending customers are located in the regions covered by the Bank's branch network. In Austria and Bavaria, the principal focus is on lending to industry and medium-sized enterprises. In the Czech Republic, Slovakia and Hungary, Oberbank lends mainly to small and medium-sized businesses. Operational risk targets are regularly revised by the management in cooperation with the head of the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments. The ICAAP limit assigned to the credit risk within the context of the allocation of economic capital is also taken into account in this process.

Equity risk

Equity risk is defined as the risk of value impairments caused by lost dividends, partial write-offs and disposal losses as well as a reduction of undisclosed reserves caused by the risk of negative business developments.

The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV; together with these two institutions, Oberbank AG forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only for reasons related to banking or sales, i.e. if their activities are a direct extension of banking or constitute services ancillary to banking.

Where new equity investments are made for earnings-oriented or strategic reasons, the Bank performs analyses as soon as the acquisition process is started, in order to gain as complete a picture as possible of the particular entity's earning power, strategic fit and legal position. The procedures that must be followed when acquiring new equity investments are defined in a special equity investment manual.

Market risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in market prices (caused by changing interest rates, foreign exchange rates, share prices or commodity prices). Oberbank approves, measures, monitors and manages interest rate, equity and currency risks applying a variety of different limits generated within the scope of the allocation of economic capital in the course of the Bank's overall risk management process.

Within Oberbank, the management of market risks is split between two competence centres, which manage these risks within the framework of the limits assigned to them.

The Global Financial Markets department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book and the foreign currency risk of the entire Oberbank Group. Risk is calculated using an analytical value-at-risk model (historical simulation). Value at risk is calculated with a confidence level of 99% and a holding period of ten days. The Accounts and Controlling department is in charge of daily value-at-risk calculation, limit control as well as reporting on the risk and earnings situation to the Management Board and the Global Financial Markets department.

The ALM Committee is responsible for managing the interest rate risk of long-term EUR positions (rate commitments > 12 months) as well as for strategic stock and investment fund positions in the banking book. The ALM Committee convenes monthly; its members are the members of the Management Board of Oberbank AG as well as representatives of various departments, namely Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Corporate Secretary, Internal Audit, and Development, Strategy and Process Management.

Operational risk

Operational risks are an inseparable part of banking operations. Oberbank defines operational risks as risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or external events. These risks are broken down into the following categories: internal fraud, external fraud, employment practices and workplace safety, customers, products and business practices, business interruption and system failures, execution, delivery and process management and property damage.

The management of operational risks is carried out by the respective operating departments and the regional sales offices (risk taking units) responsible for operational risk in connection with products and processes within their respective spheres of responsibility. An electronic logging process supports the recording of information regarding nascent operational risks. A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision and adjustment of the applied methodology. Concrete measures have been taken to hedge against any major risks identified within the framework of risk analyses (e.g. insurance contracts, IT emergency concepts, backup computer centre).

Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank's being unable to meet its present and future payment obligations fully and on schedule and having to raise additional capital at increased cost. The primary objective of liquidity management therefore is to ensure the availability of sufficient liquidity at all times and to optimise the Bank's refinancing structure in terms of risk and results. Oberbank has traditionally and steadfastly adhered to the principle of ensuring that the Bank's entire lending volume can be refinanced from primary deposits by customers and assistance funds made available by Oesterreichische Kontrollbank. This principle is invariably valid. Furthermore, Oberbank holds extensive refinancing reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks.

The responsibility for managing short-term liquidity lies with the Global Financial Markets department, which is also responsible for the Bank's compliance with regulatory provisions. The Accounts and Controlling department calculates a 30-days-forward liquidity gap analysis including the available risk buffer, thus determining the limit for the purpose of day-to-day liquidity management and for the information of the Management Board member in charge of risk management. The Bank's long-term, strategic liquidity is managed by the Management Board and the Asset/Liability Management Committee. A comprehensive liquidity gap analysis that presents payment flows resulting from banking products per maturity band is drawn up for the purpose of medium and long-term liquidity risk management. The Accounts and Controlling department is responsible for the reporting. An emergency plan is in place for the eventuality of extreme market conditions.

Share capital, share denomination and authorised capital

As of 31 December 2011, Oberbank AG had a share capital of EUR 86,349,375 divided into 25,783,125 ordinary no-par bearer shares and 3,000,000 non-voting no-par bearer preference shares entitling their holders to a minimum dividend of 6% per share, payable, if necessary, in a later period.

Share buy-back

The Annual General Meeting authorised the Management Board of Oberbank AG to acquire the Company's own shares for securities trading purposes, 5% of own share capital being the limit set for this trading portfolio. The Company may also buy own shares in an amount of up to 5% of the Company's share capital to be passed on to employees of the Oberbank Group and own shares in an amount of up to 10% of the Company's share capital for no immediately intended purpose.

Syndicate agreement and shares vested with special rights of control

A syndicate agreement is in place between Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. Its purpose is to preserve the independence of Oberbank AG. The members of the syndicate have agreed to jointly exercise their voting rights and have granted mutual pre-emptive rights. The voting rights embodied in shares held by Oberbank employees have been assigned to a syndicate called OBK-Mitarbeiterbildungs- und Erholungsförderung registrierte Genossenschaft mit beschränkter Haftung.

Shareholder structure and employee stock ownership

On the reporting date 31 December 2011, Bank für Tirol und Vorarlberg Aktiengesellschaft held 17.00% of the total share capital of Oberbank AG, BKS Bank AG held 16.95%. With a stake of 29.15%, CABO Beteiligungsgesellschaft m.b.H., a wholly owned subsidiary of UniCredit Bank Austria, was the biggest single shareholder of Oberbank AG. Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. held 4.62%, Generali 3 Banken Holding AG 1.98%. The share of Oberbank stock held by its own employees amounted to 3.69%.

Appointment of boards and officers and change of control

No rules and regulations with regard to the appointment and dismissal of the Management Board and the Supervisory Board and amendments of the Articles of Association are in place above and beyond those specified by the law. Given the existing shareholder structure, no single shareholder is in a position to control Oberbank AG directly or indirectly. The Company is not aware of any agreements that could take effect in the event of any arranged change of control. In addition, no indemnity agreements are in place between the Company and the members of its Management Board or Supervisory Board or its employees for the contingency of a public takeover bid.

Linz, 1 March 2012
The Management Board

CEO
Franz Gasselsberger, Chairman
Remit: Corporate and Business Banking

Director
Josef Weissl, Management Board Member
Remit: Personal Banking

Director
Florian Hagenauer, Management Board Member
Remit: Overall Banking Risk Management

Oberbank in Slovakia – 5 branch offices.

Yvonne Janko,
Head of the Regional Business
Division of Slovakia

The segment reporting format is based on the internal structure of customer care responsibilities and defines the segments Corporate and Business Banking, Personal Banking, Financial Markets and Other (primary segments).

The Corporate and Business Banking segment encompasses business with corporates and self employed customers. Vis-à-vis this customer constituency, Oberbank has positioned itself as a banker with profound foreign market expertise serving industry and high-end medium-sized enterprises. The Leasing sub-group is also included in this segment.

The Personal Banking segment comprises business relations with wage and salary earners and private individuals.

The Financial Markets segment covers earnings from equity investments and trading activities as well as interest income from maturity transformation and structural earnings.

The segment "Other" includes income and expense items – notably overheads recognisable as other administrative expenses, staff costs and depreciation and amortisation – which cannot be meaningfully assigned to any of the other segments.

A breakdown according to secondary segments is not required because neither profit contributions nor allocable assets reached the 10% threshold specified in IFRS.

Segment overview 2011 in €m	Corporate and Business Banking	Personal Banking	Financial Markets	Other	Consolidated income statement for 2011
Net interest income	188.0	59.2	94.5		341.7
Charges for losses on loans and advances	(48.9)	(9.8)	(39.0)		(97.6)
Net commission income	58.5	46.0			104.5
Net trading income	0.1		9.2		9.3
Administrative expenses	(108.2)	(88.7)	(5.1)	(27.4)	(229.5)
Other operating profit (loss)	5.2	2.0	(6.1)	(3.5)	(2.4)
Profit (loss) for the year before tax	94.7	8.8	53.5	(31.0)	126.0
Return on equity before tax (ROE)	13.4%	8.3%	14.1%		10.6%
Cost/income ratio	43.0%	82.7%	5.2%		50.6%

At year-end 2011 this segment was servicing more than 38,500 customers, almost 5,500 of which had been newly acquired in 2011.

Corporate and Business Banking segment in €m	2011	Change	2010	2009
Net interest income	188.0	7.3%	175.3	162.4
Charges for losses on loans and advances	(48.9)	(31.6%)	(71.4)	(51.2)
Net commission income	58.5	9.5%	53.4	47.7
Net trading income	0.1	> (100%)	(0.4)	0.4
Administrative expenses	(108.2)	7.5%	(100.7)	(95.5)
Other operating profit (loss)	5.2	(28.1%)	7.3	6.1
Profit (loss) for the year before tax	94.7	49.2%	63.5	69.9
Segment's contribution to consolidated profit before tax	75.2%	19.7 ppt	55.5%	76.1%
Average credit and market risk equivalent (BWG)	7,757.6	1.9%	7,616.3	7,653.3
Segment assets	8,659.8	5.5%	8,212.0	7,744.4
Segment liabilities	5,412.4	0.6%	5,380.2	5,269.7
Average allocated equity	708.1	12.7%	628.5	553.5
Return on equity before tax (ROE)	13.4%	3.3 ppt	10.1%	12.6%
Cost/income ratio	43.0%	0.3 ppt	42.7%	44.1%

Performance overview for 2011

The improved performance in Corporate and Business Banking is attributable both to higher net interest and commission income and to lower allocations to impairment provisions. Net interest income rose by 7.3% to EUR 188.0 million. This improvement is primarily due to an expansion in the volume of business and corporate loans. Net commission income increased by 9.5% to EUR 58.5 million against the backdrop of higher commission income from credit operations and payment transactions. Charges for losses on loans and advances declined by 31.6% to EUR 48.9 million. Administrative expenses rose by 7.5% to EUR 108.2 million. Other operating profit decreased by 28.1% to EUR 5.2 million.

In Corporate and Business Banking, the return on equity improved by 3.3 percentage points to 13.4%; concurrently, the cost/income ratio rose by 0.3 percentage points to 43.0%.

Financing business

Corporate and business loans

Oberbank increased its total volume of loans to corporate and business customers by 5.3% to EUR 8.9 billion in 2011. Thanks to its excellent capital base, Oberbank was 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 volume of Oberbank's investment finance facilities increased perceptibly to a total volume of EUR 6.0 billion in 2011. Subsidised investment finance and innovation finance showed a particularly positive performance: In the year under report, the Bank processed and transacted a total of 473 subsidising projects, which corresponds to an increase by almost 20% on a five-year average. In one out of four projects, subsidies were combined with guarantees by the federal or a provincial government. Oberbank continued to feature as Austria's most successful applicant for ERP funding in 2011; applications filed by Oberbank for its customers accounted for almost 25% of all approved ERP business promotion loans.

Structured finance

Notwithstanding the difficult market environment, Oberbank was able to support numerous companies in projects requiring special financing solutions such as, for instance, ownership change or project finance. All in all, Oberbank concluded financing projects with a volume of EUR 125 million in this field in 2011.

Oberbank's private equity network

Given a total volume of EUR 150 million, the Oberbank Opportunity Fonds is among the largest private equity and mezzanine capital funds in all of Austria, Bavaria and the Czech Republic. Of this total, EUR 50 million are earmarked as equity participation capital (private equity) and about EUR 100 for mezzanine capital finance. The target group of the Oberbank Opportunity Fonds consists in established companies in more mature stages of development. With a view to creating a platform for supporting early-stage ventures as well, Oberbank acquired a stake in the Upper Austrian high-tech incubator fund OÖ HightechFonds in 2011.

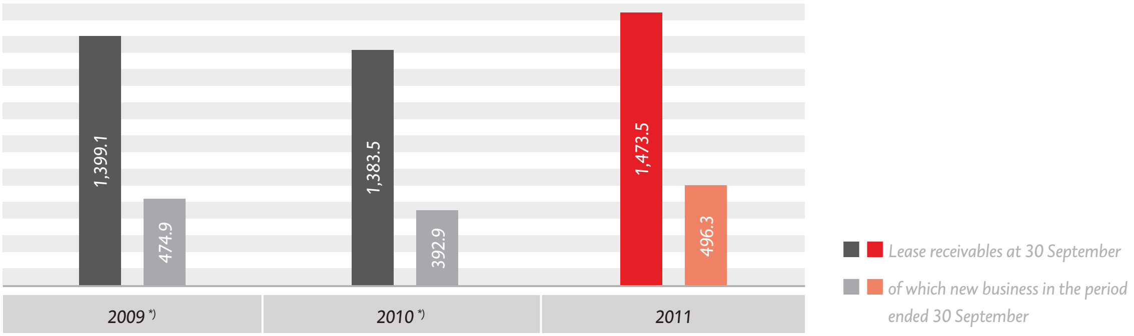
In the reporting year, the Oberbank Opportunity Fonds handled a total of 137 enquiries; seven of these projects were successfully concluded. Since its inception in November 2006, the Oberbank Opportunity Fonds has provided equity and/or mezzanine capital support for a total of 31 projects. The total financing volume of concluded projects amounts to about EUR 405 million. Eleven of these projects have already been concluded with a successful exit and the repayment of the capital.

Leasing

Pronounced increase in new business, market position successfully expanded

Thanks, above all, to dynamic corporate investment activity in the first half of 2011, 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, expanded the volume of new business by 26.3% to EUR 496.3 million. This entailed a marked increase in receivables from customers. Market shares were successfully defended or increased. Two thirds of the new business was generated in Oberbank's core and growth markets in Austria and Germany, one third in the expansion markets, i.e. the Czech Republic, Hungary and Slovakia.

Development of the lease portfolio in €m



*) In order to ensure correct transition to the preparation of financial statements in accordance with IFRSs, the values shown for 2009 and 2010 had to be marginally adjusted compared to the figures published in the annual reports for 2009 and 2010.

In 2011, the Oberbank Leasing group was particularly successful in the product lines vehicles, machinery and equipment leasing. It successfully defended its top position in lorry leasing and expanded its position in movable equipment leasing, now ranking third Austria-wide.

International business

Export finance

The Austrian statistical office Statistik Austria, according to preliminary figures, expects an all-time high for Austrian exports in 2011. Being a traditionally strong export bank, this development benefited Oberbank to a particularly high degree, resulting in an increase in export financing business of approximately 19%. The Bank's market share in SME-relevant export finance under Export Fund procedures increased to the record level of 11.5%; all other product lines also posted growth.

Syndicated loans and international lending

The Bank's syndication and international lending business grew in terms of both deal numbers and volume. Oberbank further consolidated its role as consortium leader in syndication finance transactions for Austrian companies. Subsequent to the transaction handled for Lufthansa concerning the acquisition of two aircraft of the type Airbus A380, which gained Oberbank the "Aircraft Leasing Deal of the Year – Europe" award in 2010, the Bank successfully partnered a further syndicated deal for the acquisition of another Airbus A380 in 2011.

Documentary business and guarantees

Documentary business and foreign guarantees showed a highly positive development, rising by 11% in terms of volume and 7% in terms of numbers in 2011. The trend was towards instruments with higher safety features, i.e. confirmed letters of credit, where the number of enquiries doubled and the volume tripled. This shows that Austrian companies have learned their lesson and stepped up risk management efforts in times of economic instability. The positive trend continued in the field of guarantees as well; high growth rates were seen above all in foreign trade with countries other than EU member states.

Payment services

In 2010, Oberbank resolved to participate in the planned payment clearing system launched by the Austrian central bank OeNB, the so-called Clearing Service Austria (CSA). In the reporting year, the focus of activities was on preparation work and test runs; in November 2011, the CSA was successfully taken into operation.

Notable progress was achieved in the implementation of the SEPA (Single Euro Payments Area) non-cash payment system. In 2011, the number of SEPA payments greatly increased hand in hand with enhanced customer information regarding the replacement of the hitherto customary "bank transfer form" and "payment slip" by the new "payment order".

The cash supply services offered by GSA Geldservice Austria were made available to the Oberbank branches in South Bavaria, thus increasing the efficiency and safety of cash supply in this region.

Electronic banking

In 2011, the product development focus in the field of payment transactions was on improving the information quality of electronic account information, notably by providing electronic banking customers with continuously updated information in the form of interim account statements. Positive feedback confirms the success of these measures. Legally valid PDF account statements as well as a user menu guide in English have been introduced in the context of consistently pursued upgrading of the Oberbank eBanking system. In addition, a new eBanking version that serves the sole purpose of giving customers access to account and custody account information without allowing online transactions was developed in response to requests by many of the Bank's customers.

A point-of-sale non-cash payment transaction solution for business and corporate customers was made available in Slovakia in 2011. The new product solution implemented in cooperation with the Austrian PayLife Bank was tailored to meet market requirements in terms of prices and technical standards. In the Czech Republic, Oberbank's eBanking services were expanded by SIPO, the Czech Post Office's bank collection service, allowing customers to authorise the collection of future claims (e.g. electricity and gas bills) via the Czech Post Office.

Cash management

With its automatic cross-border liquidity management solution, Oberbank introduced another innovative product for large companies and groups of companies. The two-tier cash pooling model allows for conflating the liquidity of several sub-accounts in a main account, which is counterbalanced with a superordinate account.

At the end of 2011 Oberbank was servicing more than 303,800 customers in this segment, 24,531 of whom had been newly acquired.

Personal Banking segment in €m	2011	Change	2010	2009
Net interest income	59.2	11.4%	53.1	57.0
Charges for losses on loans and advances	(9.8)	2.2%	(9.6)	(10.1)
Net commission income	46.0	(3.7%)	47.8	40.9
Net trading income	0.0	–	0.0	0.0
Administrative expenses	(88.7)	2.7%	(86.4)	(83.9)
Other operating profit (loss)	2.0	> (100%)	(2.1)	0.3
Profit (loss) for the year before tax	8.8	> 100%	2.9	4.2
Segment contribution to consolidated profit before tax	6.9%	4.4 ppt	2.5%	4.6%
Average credit and market risk equivalent (BWG)	1,149.7	(4.8%)	1,207.8	1,130.8
Segment assets	1,951.9	1.1%	1,930.7	1,849.6
Segment liabilities	4,991.6	3.9%	4,804.2	4,809.2
Average allocated equity	104.9	5.3%	99.7	81.1
Return on equity before tax (ROE)	8.3%	5.5 ppt	2.9%	5.2%
Cost/income ratio	82.7%	(4.7 ppt)	87.4%	85.4%

Performance overview for 2011

The improved performance in Personal Banking was due to an 11.4% increase in net interest income to EUR 59.2 million. Net commission income, by contrast, declined by 3.7% to EUR 46.0 million, primarily due to lower securities commission income. Charges for losses on loans and advances increased by 2.2% to EUR 9.8 million year on year. Administrative expenses rose by 2.7% to EUR 88.7 million.

The return on equity in the Personal Banking segment increased by 5.5 percentage points to 8.3%; the cost/income ratio decreased by 4.7 percentage points to 82.7%.

Deposit banking

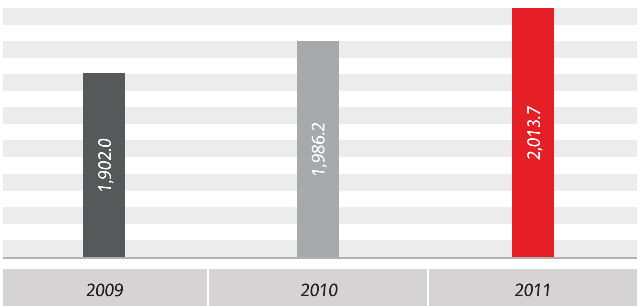
The development of deposits at Oberbank only partly reflects the general decline of the savings rate in Austria. The balance sheet item "Savings deposits" inclusive of capital gains edged down by 1.1% to EUR 3,407.6 million, while savings deposits and comparable saving products including saving accounts and time deposits of households increased by a robust 2.1% to EUR 3,785.3 million.

Personal loans

19.6% more new personal loans

The volume of newly extended personal loans came to EUR 436.3 million, which translates to an increase of 19.6% year on year. The volume of personal loans rose by 1.4% to 2,013.7 million. The ratio between euro denominated and foreign currency loans further shifted in favour of euro loans.

Personal loans in €m



Personal accounts

In the year under review, the Bank's portfolio of personal accounts showed a highly satisfactory growth of 3.2% or 5,262 to a total of 170,956 accounts.

The securities business amidst a difficult market environment

The securities business continued to gain momentum in the first half of 2011, but then, against the backdrop of high tension on international stock markets, stagnated in the second half of the year. Although market conditions were rather precarious and investors' risk aversion continued to increase, securities commission income in this segment declined by a mere 3.6% to EUR 32.1 million year on year.

In tandem with the tense stock market situation, the tax on price gains newly introduced in Austria in 2011 was a factor responsible for lower earnings from securities transactions than in the previous year. Investors' demand for bonds, by contrast, improved perceptibly. This was in particular true for Oberbank bonds, but also for corporate bonds in general.

In 2011, Oberbank again supported a number of companies in various capital measures. A highlight was the secondary offering of Lenzing AG in June 2011. In the placement of corporate bonds by voestalpine, Egger and Strabag, Oberbank formed part of the underwriting syndicates.

The preparatory work for introducing the securities business in the Czech Republic from 2013 onwards was continued with verve in 2011.

Oberbank issues

In total, Oberbank placed a volume of EUR 391.0 million distributed across 19 issues of bonds of all types in 2011. The balance sheet item "Securitised liabilities" edged up by 1.4% to EUR 1,506.6 million. As in the previous year, demand focused on fixed-rate bonds with medium-term maturities or money market floaters; demand for structured products was low.

3 Banken-Generali Investment GmbH

3 Banken-Generali Investment GmbH once again outperformed the Austrian market in general in 2011. In the unusually difficult market setting, the volume of funds managed by the company decreased by a mere 2.7% to EUR 5.0 billion, whereas the overall market reported 7.3% volume loss. Specialised investment vehicles and funds addressed to large-scale investors posted robust growth; retail funds, by contrast, reflected the generally high risk aversion.

Innovative concepts such as the value-based Sachwertefonds enjoyed particularly high investor demand. In the weak environment of Vienna Stock Exchange in 2011, the 3 Banken Österreich-Fonds outperformed the ATX by 9% and thus topped all other products in its category for the third time in a row. Managing Director Alois Wögerbauer thus again came out the number one in the annual ranking of Austria's best equity funds and in acknowledgment of his achievement was elected investment fund manager of the year for the third consecutive year.

Individual portfolio management (iPM)

Oberbank again recorded perceptible volume growth in terms of assets under management. New mandates were mostly based on a defensive strategy, which mirrors the difficult market environment and investors' low risk inclination. As the portfolio contained no Greek, Irish or Portuguese sovereign bonds, the portfolio performance was not negatively affected.

Brokerage services

In the fifth year since their introduction, Oberbank's brokerage services again witnessed a new record year. The overall value development across all portfolios of assets under management was clearly better than the sluggish developments on the major exchanges would suggest.

Service provider to private foundations

The volume of private foundation assets managed by Oberbank continued to grow at a healthy rate. The key challenge and top priority in this field is to ensure real asset value preservation, i.e. to achieve a positive yield after adjustment for inflation, taxes and costs. In this context, the 3 Banken Sachwertefonds concept (real value funds invested in equities, commodities, gold and real estate) of 3 Banken-Generali Investment GmbH, in particular, met with a decidedly positive response.

Private Banking – growth thanks to expertise and know how

At the end of 2011, total assets managed in the Private Banking segment amounted to EUR 4,012 million. The level of the previous year was more or less maintained thanks to a predominantly conservative investment structure and high net inflows of funds. Location development has been concluded for the time being; activities continue to focus on acquiring new customers. In Vienna, in particular, these efforts helped to achieve a notable expansion of assets under management.

Building and loan association saving

The number of building and loan contracts brokered by Oberbank for the building and loan association Bausparkasse Wüstenrot increased by 4% to a total of 13,016 in 2011.

Insurance services

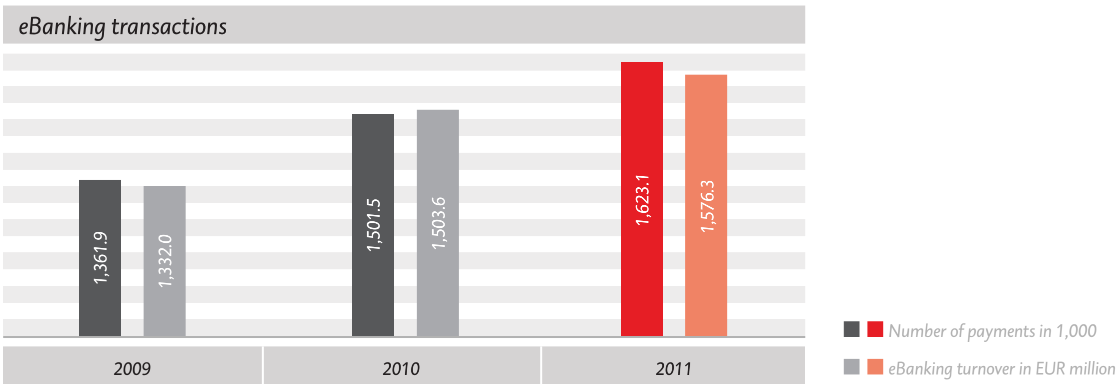
Drei-Banken Versicherungs-Aktiengesellschaft and 3 Banken Versicherungsmakler GmbH, the joint insurance and insurance brokerage companies of the 3 Banken Group, were able to maintain their premium volume at a consistently high level despite adverse framework conditions. Sales of own risk insurance products was strongly linked to the development of the lending business. Within the scope of the companies' activities as brokers of endowment policies of cooperation partner Generali, classical endowment insurance policies with recurring premiums were the key driver of year-on-year growth of premium volumes. Sales of single-premium endowment insurance policies declined due to the low level of interest rates and the statutory minimum term of 15 years.

All in all, the companies sold 41,296 policies in 2011 (44,862 in 2010). 34,364 (37,535 in 2010) were proprietary risk insurance products and 5,481 (5,702 in 2010) Generali-sourced capital guarantee products.

As in the previous two years, the 3 Banken insurance brokerage company continued to expand its activities in the field of company pension plans throughout the Austrian market and thereby achieved approximately 20% volume growth. In eastern Austria, the company strengthened its market presence by establishing a new branch office in Vienna. The joint premium volume of the two companies amounted to EUR 69.3 million, of which Oberbank accounted for 48.6% or EUR 33.7 million.

Payment services

Accounting for approximately 80% of all transactions, the share of payments made via electronic channels remained almost unchanged. The share of eBanking transfer orders increased by the highly satisfactory rate of 8% year on year.



Financial Markets segment in €m	2011	Change	2010	2009
Net interest income	94.5	4.4%	90.5	42.9
Charges for losses on loans and advances	(39.0)	70.8%	(22.8)	(29.4)
Net commission income	0.0	–	0.0	0.0
Net trading income	9.2	33.6%	6.9	10.8
Administrative expenses	(5.1)	(4.4%)	(5.4)	(4.9)
Other operating profit (loss)	(6.1)	> (100%)	9.8	22.6
Profit (loss) for the year before tax	53.5	(32.2%)	79.1	42.0
Segment's contribution to consolidated profit before tax	41.7%	(27.4 ppt)	69.1%	45.7%
Average credit and market risk equivalent (BWG)	4,166.0	(3.3%)	4,306.3	4,125.6
Segment assets	6,261.1	3.1%	6,075.0	5,883.0
Segment liabilities	6,448.1	7.9%	5,977.4	5,368.3
Average allocated equity	380.3	7.0%	355.3	298.4
Return on equity before tax (ROE)	14.1%	(8.2 ppt)	22.2%	14.1%
Cost/income ratio	5.2%	0.2 ppt	5.0%	6.4%

In the Financial Markets segment, net interest income increased by 4.4% to EUR 94.5 million; this rise was primarily due to higher income from equity participations. Charges for losses on loans and advances increased by 70.8% to EUR 39.0 million.

Net trading income surged by 33.6% to EUR 9.2 million. Other operating profit declined to a negative balance of EUR 6.1 million. Primarily responsible for this decrease were securities valuation changes and the first-time payment of the newly introduced Austrian bank levy.

Due to the above developments, the ROE in the Financial Markets segment declined by 8.2 percentage points to 14.1%, whereas the cost/income ratio increased by 0.2 percentage points to 5.2%.

Asset/Liability Management – maturity transformation

Oberbank's Asset/Liability Management Committee strives to optimise the relationship between so-called structural earnings and interest rate risk on the basis of interest rate projections. Structural earnings are generated by maturity transformation, i.e. short-term refinancing of long-term investments. The turbulences caused by the financial market crisis made it extremely difficult to project developments on money and capital markets and thus made 2011 a particularly challenging year for the Bank's Asset/Liability Management team.

Interest rate and currency risk management

The very low level of interest rates in absolute terms and first signs of rising rates in the first half of 2011 were the reasons for increased demand for interest rate hedging instruments. All in all, the Bank concluded new interest rate hedging contracts in a volume of approximately EUR 200 million. The robust economic development and, consequently, higher exports boosted customer demand for foreign currency hedging solutions. Hedging transactions continued to focus on the US dollar, followed by the Czech crown. For the first time, the Bank also hedged transactions denominated in Brazilian real and Chinese renminbi.

Direct customer services

While the volume of short-term money market deals traded for large customers was deliberately reduced, foreign exchange trading was stepped up in 2011. Foreign currency hedging transactions increased by more than 8%; the number of customers in this line of business surged by more than 20%.

Liquidity

The liquidity situation in the banking industry, exacerbated by the sovereign debt crisis, took a further turn for the worse in 2011. Concurrently, the preparations towards compliance with Basel III liquidity requirements had adverse effects on banks' refinancing options. The development of ECB business volumes confirms these tensions: on the one hand, commercial banks borrowed more than EUR 700 billion from the ECB; on the other hand, high liquidity surpluses (of up to EUR 450 billion) were invested with the ECB by other banks.

In this environment, the conservative business model of Oberbank once again demonstrated its strength. Primary deposits and OeKB refinancing funds exceed the volume of loans extended by the Bank by a considerable margin, thus securing Oberbank a "liquidity buffer" of about EUR 1 billion and creating scope for increasing investments in fixed-interest securities with attractive yields.

Primary deposits

Massive fluctuations of money market rates were a predominant feature of 2011. The volatility of the 3-months Euribor varied from a low at around 1% at the beginning of the year to highs of above 1.6% by mid-year. In two steps, the ECB increased its key rate from 1.0% to 1.5% in the first half of 2011, but in another two steps cut it back to its initial level in the autumn of 2011. Against this volatile backdrop, Oberbank again enhanced its position in terms of primary deposits: The volume of primary deposits rose by 1.6% to EUR 11.3 billion; interest rates for sight deposits were kept stable against the tide of massive competition.

International network of partner banks and institutions

World-wide network of 2,500 bank partners

In 2011, Oberbank continued to intensify relations within an international network of banks and institutions, above all in Asia, the CEE countries, India and Brazil as well as in Austria's neighbouring states and in important European financial centres. The central objectives of these efforts were the acquisition of new customers, support of existing customers in foreign markets and the safeguarding of Oberbank's liquidity.

Other segment

The segment "Other" encompasses the income and expense items which cannot be meaningfully assigned to any of the other segments, including, above all, overheads classified as staff costs and other administrative expenses and depreciation and amortisation. This segment posted a loss of EUR 31.0 million in 2011.

Oberbank in Hungary – 6 branch offices.

Friedrich Ofenauer,
Head of the Regional Business
Division of Hungary

Consolidated Financial Statements

Consolidated Financial Statements of Oberbank Group for 2011 Prepared in Accordance with IFRS

Contents of the Consolidated Financial Statements Prepared in Accordance with IFRS

Statement of comprehensive income for the financial year 2011

Consolidated income statement for the financial year 2011

in €k			2011	2010	Change in €k	Change in %
1.	Interest and similar income	(3)	598,621	540,860	57,761	10.7
2.	Interest and similar expenses	(3)	(319,713)	(265,473)	(54,240)	20.4
3.	Income from entities accounted for using the equity method	(3)	62,777	43,544	19,233	44.2
	Net interest income	(3)	341,685	318,931	22,754	7.1
4.	Charges for losses on loans and advances	(4)	(97,649)	(103,826)	6,177	(5.9)
5.	Commission income	(5)	115,242	112,402	2,840	2.5
6.	Commission expenses	(5)	(10,724)	(11,195)	471	(4.2)
	Net commission income	(5)	104,518	101,207	3,311	3.3
7.	Net trading income	(6)	9,253	6,480	2,773	42.8
8.	Administrative expenses	(7)	(229,453)	(220,733)	(8,720)	4.0
9.	Other operating profit (loss)	(8)	(2,358)	12,424	(14,782)	> (100.0)
	a) Net income from financial assets – FV/PL	(8)	(8,145)	8,446	(16,591)	> (100.0)
	b) Net income from financial assets – AfS	(8)	1,935	2,844	(909)	(32.0)
	c) Net income from financial assets – HtM	(8)	1,708	610	1,098	> 100.0
	d) Other operating profit (loss)	(8)	2,144	524	1,620	> 100.0
	Profit for the year before tax		125,996	114,483	11,513	10.1
10.	Income taxes	(9)	(14,760)	(16,108)	1,348	(8.4)
	Profit for the year after tax		111,236	98,375	12,861	13.1
	of which attributable to the owners of the parent company		111,211	98,346	12,865	13.1
	of which attributable to minority interests		25	29	(4)	(13.8)

Income and expenses recognised directly in equity

in €k	2011	2010
Profit for the year after tax	111,236	98,375
+/- Unrealised gains and losses not recognised in the income statement under IAS 39	(39,887)	41,083
+/- Deferred taxes on items recognised directly in equity under IAS 39	9,972	(10,271)
+/- Exchange differences	81	988
+/- Other changes recognised directly in equity of which changes in equity of associates	(1,738)	9,865
Total income and expenses recognised directly in equity	(31,572)	41,665
Total comprehensive income for the period of net profit for the period and income and expenses recognised directly in equity	79,664	140,040
of which attributable to the owners of the parent company	79,640	140,005
of which attributable to minority interests	24	35

Performance indicators	2011	2010
Cost/income ratio in %	50.64	50.28
Return on equity before tax in %	10.56	10.57
Return on equity after tax in %	9.32	9.08
Risk/earnings ratio (credit risk to net interest income) in %	28.58	32.55
Earnings per share in €	3.87	3.43

Balance sheet as at 31/12/2011

in €k		31/12/2011	31/12/2010	Change in €k	Change in %
Assets					
1. Cash and balances at central banks	(11)	300,172	226,923	73,249	32.3
2. Loans and advances to credit institutions	(12)	1,566,172	1,856,019	(289,847)	(15.6)
3. Loans and advances to customers	(13)	10,914,226	10,442,324	471,902	4.5
4. Impairment provisions	(14)	(350,289)	(312,585)	(37,704)	12.1
5. Trading assets	(15)	50,351	45,493	4,858	10.7
6. Financial investments	(16)	4,392,223	3,959,503	432,720	10.9
a) Financial assets – FV/PL	(16)	288,528	336,182	(47,654)	(14.2)
b) Financial assets – AfS	(16)	1,075,451	752,368	323,083	42.9
c) Financial assets – HtM	(16)	2,506,843	2,406,477	100,366	4.2
d) Interests in entities accounted for using the equity method	(16)	521,401	464,476	56,925	12.3
7. Intangible assets	(17)	4,561	6,155	(1,594)	(25.9)
8. Property, plant and equipment	(18)	220,080	221,083	(1,003)	(0.5)
a) Investment property	(18)	76,302	76,953	(651)	(0.8)
b) Other property, plant and equipment	(18)	143,778	144,130	(352)	(0.2)
9. Other assets	(19)	386,208	323,449	62,759	19.4
a) Deferred tax assets	(19)	39,922	20,837	19,085	91.6
b) Other	(19)	346,286	302,612	43,674	14.4
Total assets		17,483,704	16,768,364	715,340	4.3

Balance sheet as at 31/12/2011

in €k		31/12/2011	31/12/2010	Change in €k	Change in %
Equity and liabilities					
1. Amounts owed to credit institutions	(20)	4,278,563	3,833,165	445,398	11.6
2. Amounts owed to customers	(21)	9,064,238	8,902,751	161,487	1.8
3. Securitised liabilities	(22)	1,506,552	1,486,395	20,157	1.4
4. Provisions for liabilities and charges	(23)	402,634	378,441	24,193	6.4
5. Other liabilities	(24)	265,316	260,527	4,789	1.8
a) Trading liabilities	(25)	36,359	32,376	3,983	12.3
b) Tax liabilities	(24)	12,609	2,356	10,253	> 100.0
c) Other	(24)	216,348	225,795	(9,447)	(4.2)
6. Subordinated debt capital	(26)	744,367	746,159	(1,792)	(0.2)
7. Equity	(27)	1,222,034	1,160,926	61,108	5.3
a) Equity after minorities	(27)	1,220,627	1,159,543	61,084	5.3
b) Minority interests in equity	(27)	1,407	1,383	24	1.7
Total equity and liabilities		*17,483,704*	*16,768,364*	*715,340*	*4.3*

Consolidated statement of changes in equity as at 31/12/2011

in €k	Subscribed capital	Capital reserves	Retained earnings
As at 1/1/2010	86,229	194,481	512,389
Consolidated net profit for the year			63,769
Dividend distribution			(14,335)
Capital increase			
Reacquired Oberbank shares	67	143	
Unrealised gains and losses not recognised in the income statement			
As at 31/12/2010	86,296	194,624	561,823
As at 1/1/2011	86,296	194,624	561,823
Consolidated net profit for the year			61,809
Dividend distribution			(14,299)
Capital increase			
Reacquired Oberbank shares	(55)	(169)	
Unrealised gains and losses not recognised in the income statement			(7)
As at 31/12/2011	86,241	194,455	609,326

Changes in equity due to available-for-sale assets	2011	2010
Gains	4,382	37,255
Losses	(35,059)	(4,878)
Deducted from equity	762	(1,565)
Total	(29,915)	30,812

Translation reserve	Gains (losses) recognised in equity acc. to IAS 39	Associated companies	Equity after minorities	Minorities	Equity
(620)	*14,159*	*227,589*	*1,034,227*	*1,348*	*1,035,575*
988	30,812	44,436	140,005	35	140,040
			(14,335)		(14,335)
			210		210
		(564)	(564)		(564)
368	*44,971*	*271,461*	*1,159,543*	*1,383*	*1,160,926*
368	*44,971*	*271,461*	*1,159,543*	*1,383*	*1,160,926*
81	(29,915)	47,665	79,640	24	79,664
			(14,299)		(14,299)
			(224)		(224)
		(4,026)	(4,033)		(4,033)
449	*15,056*	*315,100*	*1,220,627*	*1,407*	*1,222,034*

Consolidated statement of cash flows

in €k	2011	2010
Profit for the year	111,211	98,346
Non-cash positions in profit for the year and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	60,392	72,000
Change in provisions for staff benefits and other provisions for liabilities and charges	24,193	15,451
Change in other non-cash items	(68,980)	(84,003)
Realised gains and losses on financial investments, property, plant and equipment and intangible assets	(1,531)	(574)
Subtotal	125,285	101,220
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
Loans and advances to credit institutions	333,391	286,316
Loans and advances to customers	(486,619)	(610,166)
Trading assets	(962)	5,186
Other current assets	(251,451)	91,019
Other assets arising from operating activities	54,807	107,499
Amounts owed to credit institutions	418,944	345,194
Amounts owed to customers	113,030	11,278
Securitised liabilities	(6,070)	153,994
Other liabilities arising from operating activities	(32,543)	(69,552)
Net cash from operating activities	267,812	421,988
Proceeds from sales of		
Financial investments	423,511	227,602
Property, plant and equipment and intangible assets	3,668	6,286
Outlay on purchases of		
Financial investments	(513,266)	(599,063)
Property, plant and equipment and intangible assets	(23,380)	(26,603)
Net cash from (used in) investing activities	(109,467)	(391,778)
Capital increase	0	0
Dividend distributions	(14,299)	(14,335)
Subordinated liabilities and other financing activities	(35,193)	5,224
Net cash from (used in) financing activities	(49,492)	(9,111)
Cash and cash equivalents at the end of previous period	226,923	164,730
Net cash from operating activities	267,812	421,988
Net cash from (used in) investing activities	(109,467)	(391,778)
Net cash from (used in) financing activities	(49,492)	(9,111)
Effects of changes in the scope of consolidation and revaluation	(35,685)	40,106
Effects of foreign exchange rate changes	81	988
Cash and cash equivalents at the end of the period	300,172	226,923
Interest received	598,963	494,376
Dividend received	21,202	18,945
Interest paid	(312,757)	(259,700)
Income taxes paid	8,379	(10,797)*)

Cash and cash equivalents comprises the line item Cash and balances at central banks, consisting of cash on hand and credit balances with central banks of issue.
*) The figure for 2010 was adjusted by non-cash allocations in the amount of €k 19,360 made in previous years.

Breakdown of interest, dividends and income tax payments

in €k		Operating activities	Investing activities	Financing activities	Total
Interest received	2011	521,649	77,314	0	598,963
	2010	423,570	70,806	0	494,376
Dividends received	2011	1,391	19,811	0	21,202
	2010	1,117	17,828	0	18,945
Interest paid	2011	(299,787)	0	(12,970)	(312,757)
	2010	(247,475)	0	(12,225)	(259,700)
Dividends paid	2011	0	0	(14,299)	(14,299)
	2010	0	0	(14,335)	(14,335)
Income tax payments	2011	24,465	(19,329)	3,243	8,379
	2010*)	3,849	(17,702)	3,056	(10,797)

*) The figure for 2010 was adjusted by non-cash allocations in the amount of €k 19,360 made in previous years.

Notes to the consolidated financial statements

Introduction

Oberbank AG is Austria's oldest remaining independent Aktienbank (joint stock bank). It is wholly privately owned and is listed on Vienna Stock Exchange. Oberbank's registered office is at Untere Donaulände 28, 4020 Linz, Austria. Oberbank AG's positioning in the marketplace is characterised by its regional ties, its independence, its strong focus on customer relationships and its deep regional penetration of its catchment areas. Oberbank offers all the classical banking services of a so-called universal bank. Oberbank does not strive to carry on any proprietary foreign business unassociated with its customers but aims to assist and support customers operating abroad.

The financial statements for the financial year 2011 were approved and released for publication on 29 March 2012.

1) Scope of consolidation of Oberbank

In addition to Oberbank AG, the scope of consolidation in 2011 included 24 Austrian and 20 foreign subsidiaries. Compared to 31 December 2010, the consolidated group changed owing to the first-time inclusion of the following companies: Oberbank airplane Leasing GmbH, Linz; Oberbank Leasing KIKA, s.r.o., Bratislava; OBK München 3 Immobilien Leasing GmbH, Neuötting; Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz; also, Oberbank Bohemia Leasing s.r.o., Ceské Budejovice, was incorporated into Oberbank Leasing spol s.r.o., Prague as of 1 July 2011. ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was accounted for in the consolidated financial statements by proportionate consolidation. In addition to Drei-Banken Versicherungs-Aktiengesellschaft, BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was accounted for in the consolidated financial statements using the equity method. 25 subsidiaries and 24 associates whose influence on the Group's assets and financial position and on the results of its operations was, overall, immaterial were not consolidated. The reporting date for the purposes of the consolidated financial statements is 31 December. Sub-group financial statements were prepared as at and for the period ended 30 September for the leasing companies accounted for in the consolidated financial statements.

2) Summary of accounting policies

Applied IAS and IFRS

The consolidated financial statements of Oberbank AG for the financial year 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as in force and as adopted by the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC). They also satisfy the requirements of Section 59a of the Austrian Banking Act (BWG) and Section 245a of the Austrian Enterprise Code (UGB) regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. The going-concern assumption was applied. No events of special significance took place after the end of the financial year.

The following table lists newly published and amended standards and interpretations as at the balance sheet date, which were applied for the first time in the reporting period. The first-time adoption of the new standards does not have any significant effects on the Oberbank Group.

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
IAS 24 - amended	Related Party Disclosures	01/01/2011	Yes
IAS 32 - amended	Classification of Rights Issues	01/02/2010	Yes
IFRS 1 - amended	Exemption from IFRS 7 Comparatives	01/07/2010	Yes
IFRIC 14 - amended	Prepayments of a Minimum Funding Requirement	01/01/2011	Yes
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01/07/2010	Yes

The next table shows standards and interpretations published and amended as at the balance sheet date that have fully been put into effect by the IASB or partly by the EU endorsement procedure but are not yet mandatory and were not applied in the present Consolidated Financial Statements.

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
IAS 1 - amended	Presentation of Items of Other Comprehensive Income	01/07/2012	No
IAS 12 - amended	Deferred Tax Recovery of Underlying Assets	01/01/2012	No
IAS 19 - amended	Employee Benefits	01/01/2013	No
IAS 27 - amended	Separate Financial Statements	01/01/2013	No
IAS 28 - amended	Investments in Associates and Joint Ventures	01/01/2013	No
IAS 32 - amended	Offsetting Financial Assets and Financial Liabilities	01/01/2014	No
IFRS 1 - amended	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01/07/2011	No
IFRS 7 - amended	Disclosures - Transfers of Financial Assets	01/07/2011	Yes
	Disclosures - Offsetting Financial Assets and Financial Liabilities	01/01/2015	No
IFRS 9	Financial Instruments	01/01/2015	No
IFRS 10	Consolidated Financial Statements	01/01/2013	No
IFRS 11	Joint Arrangements	01/01/2013	No
IFRS 12	Disclosure of Interests in Other Entities	01/01/2013	No
IFRS 13	Fair Value Measurement	01/01/2013	No
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	No

To the extent that Oberbank has already examined the remaining standards, these are not expected to have any substantial material effects on future consolidated statements.

The effects of IFRS 9 on the Oberbank Group will be conclusively examined following final publication of the standard. A reliable statement regarding the effects of IFRS 9 on future financial statements is not possible on the basis of current knowledge.

In conformity with IAS 39, all financial assets and liabilities, including all derivative financial instruments, are carried on the balance sheet. Financial guarantees were likewise recognised in conformity with IAS 39. All financial instruments held for trading and securities not held for trading were recognised as at the day on which they were traded, whereas other financial instruments were recognised as at the day on which they were realised or settled. Financial assets were valued according to the particular asset class to which they belonged. These asset classes were differentiated as follows:

The principal purpose of financial assets and liabilities held for trading is to effect gains from short-term price fluctuations or dealer's margin. Financial investments held to maturity are assets with fixed payments and fixed maturities that the Bank has the positive intent and ability to hold to maturity. All assets and liabilities to which the fair value option within the meaning of IAS 39 was applied were measured at fair value. On the one hand, use of the fair value option under IAS 39 serves to avoid or rectify inconsistencies in recognition and measurement of assets and liabilities. On the other hand, the fair value option was applied in respect of a group of financial assets whose changes in value were assessed and managed at fair value on the basis of a documented investment strategy. Loans and receivables are financial assets which the enterprise has originated itself through the direct provision of money, goods or services and which are not held for trading. Essentially, this class comprises loans and advances to credit institutions and customers. Receivables purchased by the enterprise were not recognised here. Instead, they were assigned to the held-for-trading or available-for-sale portfolio. The remaining items, i.e. all assets that are not assignable to one of the aforesaid classes, were designated as available-for-sale assets. The Bank recognised these holdings as financial investments. Financial liabilities not held for trading included, in particular, amounts owed to credit institutions and customers, securitised liabilities, and subordinated debt capital.

All financial instruments were initially recognised at cost; these amounts correspond to the fair value of consideration given (when financial assets are acquired) or received (when financial liabilities are acquired). Thereafter, financial assets were generally measured at fair value. Exceptions included originated loans and receivables that were not held for trading and certain financial assets whose fair value could not be reliably measured. Another exception was held-to-maturity securities. These exceptions were recognised at amortised cost. Insofar as they were not trading liabilities, financial liabilities were also recognised at amortised cost. A financial asset is derecognised when control of the contractual rights arising from that asset is lost. A financial liability is derecognised when it has been settled. If impairment existed for the purposes of IAS 39, such impairment was recognised in the income statement.

Consolidation policies

All material subsidiaries under the control of Oberbank AG were accounted for in the consolidated financial statements. Material equity investments up to a participating interest of 50% were accounted for using the equity method (Drei-Banken Versicherungs-Aktiengesellschaft, BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG). For an entity to be accounted for using the equity method, Oberbank must be able to exert a significant influence on its business policies. Such an influence also gives a strategic investor a degree of responsibility for the entity concerned. Consequently, it seems insufficient for its valuation to be based solely on its share price. In the interest of a sustainable equity investment strategy, it is in any event appropriate also to take account of the entity's equity from time to time. Similarly, profit distributions are no yardstick for the Group's interest in an associate's performance. Income from an equity investment is more accurately captured by taking into account the Group's interest in its profit for the year. Joint ventures (ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.) were accounted for by proportionate consolidation. Subsidiaries whose effect on the assets and financial position of the Group and the results of its operations was, as a whole, immaterial were not consolidated. Other equity investments were recognised at their fair values.

Capital consolidation took place in accordance with the provisions of IFRS 3 using the revaluation method. Positive differences attributable to separately identifiable intangible assets acquired during the business combination were recognised distinctly from goodwill, differences also being disclosed on a prorated basis with respect to minority interests. Insofar as a useful life could be determined for such assets, they are being amortised over their expected useful lives. Insofar as they were not immaterial, intra-Group receivables and payables, expenses and income were eliminated. An elimination of intercompany profits was not required because there were no material intercompany profits.

Corporate acquisitions

On 31 March 2011, the Company acquired 100% of the shares in Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H. This resulted in acquisition costs of €k 31.3. Equity at the date of acquisition amounted to €k 31.3. At this point in time, the company's property, plant and equipment was valued at €k 12,611.5; receivables amounted to €k 609.4, and liabilities and provisions to €k 13,189.5. The acquired company contributed €k 49.5 in net profit for the year to the consolidated result. The value of assets included in the Consolidated Financial Statements amounted to €k 19,310.3.

Foreign currency translation and Group currency

Foreign-currency translation took place in conformity with the provisions of IAS 21. Accordingly, monetary assets and liabilities not denominated in euros were translated into euros at the market exchange rates ruling on the balance sheet date. Outstanding forward transactions were translated applying the forward rates ruling on the balance sheet date. The annual financial statements of foreign subsidiaries prepared in foreign currencies were translated applying the middle rates of exchange ruling on the balance sheet date for the purposes of the balance sheet and applying average rates of exchange over the year for the purposes of the income statement. The consolidated financial statements were prepared in euros.

Cash and balances at central banks

The line item Cash and balances at central banks consists of cash on hand and credit balances at central banks of issue.

Trading assets

All trading assets, comprising securities held for trading, the positive fair values of derivative financial instruments, and open or non-hedged derivative financial instruments in the trading book were recognised at their fair values. In addition to stock exchange prices, commercially available prices were also applied when valuing trading assets. If such prices were not available, generally accepted valuation models were employed.

Loans and advances to credit institutions and customers

These were recognised at amortised cost with the exception of hedged items, in respect of which use was made of the fair value option. Instead of being charged against the corresponding receivables, impairment provisions for specific and country risks were disclosed on the balance sheet.

Derivatives
Financial derivatives were recognised in the balance sheet at their fair values, changes in value in the course of the financial year in general being recognised immediately through profit or loss. Insofar as use was made of the fair value option under IAS 39, it served to eliminate or reduce inconsistencies in the recognition and measurement of assets and liabilities. Accordingly, in such cases, assets and liabilities were measured at fair value through profit or loss. The Management Board has elected to pursue an investment strategy within the scope of which the elimination of mismatches through the use of the fair value option is prescribed.

Leasing
As lessor under a finance lease, Oberbank has a right of claim against the lessee in the amount of the present value of the contractually agreed payments. In the case of operating leases, the Bank recognised the leased items, minus depreciation, in the line item Property, plant and equipment. Real estate held as investment property was recognised at amortised cost.

Impairment provisions
The calculation of impairment provisions depended above all on expectations regarding future loan losses and the structure and quality of the loan portfolio. Specific allowances or provisions in the amount of expected loan losses were recognised for all identifiable credit risks arising from domestic and foreign credit operations. The Bank also recognised a general allowance for impairment of the portfolio in accordance with IAS 39. The assessment of the risk associated with loans to borrowers abroad (country risk) took into account the respective economic, political and regional circumstances. The total balance of impairment provisions is disclosed as a deduction on the assets side of the balance sheet. The impairment provisions associated with off-balance-sheet transactions (including in particular guarantees and other loan commitments) are reported in the line item Provisions for liabilities and charges.

Financial investments
Financial investments comprise the categories FV/PL (Fair Value/Profit or Loss), HtM (Held to Maturity), AfS (Available for Sale) and interests in entities accounted for using the equity method. Assets recognised using the fair value option pursuant to IAS 39 are measured at their fair values. Assets in the held-to-maturity portfolio were measured at amortised cost; impairments arising due to reduced creditworthiness that were expected to be permanent were recognised in the income statement. Interests in entities that were neither consolidated nor accounted for using the equity method were classified as available-for-sale. Assets in the available-for-sale portfolio were measured at fair values and unrealised gains and losses were booked without impact on income. If no market prices were available, these assets were valued at amortised cost. For the purpose of determining the need to recognise impairment, Oberbank distinguishes between debt instruments (loans and receivables, HtM securities, and fixed-interest AfS securities) and equity instruments. Interests in entities accounted for using the equity method are recognised proportionate to the equity held by Oberbank.

Debt instruments have to be tested for impairment if their fair value has fallen by at least 20% below the cost of the debt instruments and this decline persists over a period of nine months. The instrument is reviewed to determine whether an event has occurred that has an impact on future cash flows of the debt instrument that can be reliably estimated (IAS 39.59). If it is found that the debt instrument cannot be expected to recover its initial value during the planned holding period (exclusion of market fluctuations), impairment has to be recognised.

Equity instruments have to be tested for impairment if their fair value has fallen by at least 20% below the cost of the equity instruments or if the fair value of an equity instrument remains persistently below its cost for a period of not less than nine months. The instrument is reviewed to determine whether an event has occurred that has an impact on the future cash flows of the equity instrument that can be reliably estimated (IAS 39.59) or whether there is a danger that the cost of the investment in the equity instrument may not be recovered (IAS 39.61). If it is found that an equity instrument cannot be expected to recover its cost during the planned holding period (exclusion of market fluctuations), impairment has to be recognised.

No reclassifications of assets from AfS to HtM were made in the financial year 2011.

Intangible assets and property, plant and equipment

Intangible assets consisted mainly of patents, licences, software, the customer base and rights as well as acquired goodwill. These assets were valued at cost of purchase and/or conversion less ordinary and extraordinary amortisation. Ordinary amortisation is applied on a straight-line basis over assets' expected useful lives. The useful lives of intangible assets held by Oberbank lie between three and 20 years. Property, plant and equipment (including real estate carried as financial investments) was valued at the cost of acquisition and/or conversion less ordinary depreciation. If impairment was expected to be permanent, extraordinary depreciation was recorded. Ordinary depreciation is applied on a straight-line basis over assets' expected useful lives.

The following average useful lives are applied at Oberbank:

Buildings used for banking operations	10 to 50 years
Business equipment and furnishings	4 to 20 years
Standard software	4 years

As at the balance sheet date, these items are tested for impairment by determining the fair market value of the respective assets. The fair market value is taken to be the higher of utility value or the net sales value. If the fair market value is below the book value of the asset, impairment losses in the amount of the difference are recognised in income.

Deferred tax

The reporting and calculation of income taxes took place in accordance with IAS 12. The calculation for each taxable entity was carried out applying the tax rates that were expected to be applicable in respect of the tax period in which any temporary difference was going to reverse. Deferred tax assets were recognised with respect to tax loss carry-forwards insofar as taxable profits in the equivalent amount were to be expected within the same entity in the future. Income tax assets and income tax liabilities were reported in the line items Other assets or Tax liabilities.

Trading liabilities

This line item consists mainly of negative fair values of derivative financial instruments. Trading liabilities were recognised on the balance sheet in the line item Other liabilities.

Amounts owed to credit institutions and customers

These were recognised at amortised cost with the exception of payables on the hedged items in respect of which use was made of the fair value option.

Securitised liabilities

Securitised liabilities were generally recognised at their repayable amount. Insofar as use was made of the fair value option, securitised liabilities were recognised at fair value. Long maturity bonds issued at a discount (zero coupon bonds) were recognised at their present values. The line item Securitised liabilities was reduced by the cost of securities held in the Bank's own portfolio.

Provisions for liabilities and charges

a) Provisions for staff benefits

Provisions were created if there was a reliably determinable legal or actual obligation to third parties. All social capital provisions (for severance, pensions and anniversary bonuses) were calculated in accordance with IAS 19 on the basis of expert actuarial valuations. In addition to the post-employment benefits and acquired benefit rights known on the balance sheet date, expected future increases in salaries and pensions were also taken into account. The actuarial calculation of all social capital provisions was based on the following parameters:

- An interest rate (long-term capital market interest rate) of 4.0% (previous year: 4.0%);
- Annual salary increases of 4.0% (previous year: 4.0%); increases in post-employment benefits of 3.0% (previous year: 3.0%);
- In accordance with the transitional provisions of the Austrian pension reform, the individually determined retirement age for men is between 59 and 67 years and for women between 55 and 60 years.

No use was made of the option to use the corridor method in accounting for actuarial gains or losses or to recognise actuarial gains and losses outside of the net profit for the year.

b) Other provisions for liabilities and charges

Other provisions for liabilities and charges were created if there was a reliably determinable legal or actual obligation to a third party and if it appeared probable that this liability would give rise to an outflow of funds in the future. Provisions were set up in the amount of the best possible estimate of the expense required to settle the respective liability.

Other liabilities

Deferred income items, obligations whose amounts and due dates were much more certain than in the case of obligations for which provisions were created as well as other obligations that could not be allocated to other line items on the balance sheet, were recognised in the line item Other liabilities.

Equity

Pursuant to a resolution of the Annual General Meeting held on 28 April 1999, Oberbank's share capital was converted from Austrian schillings to euros and from par-value shares to no-par shares (Stückaktien). On the occasion of the capital increase in 2000, carried out pursuant to a resolution of the Annual General Meeting held on 27 April 2000, Oberbank's share capital was increased from EUR 58,160,000.00 to EUR 60,486,400.00 through the issuance of 320,000 ordinary shares. Pursuant to a resolution of the Annual General Meeting held on 22 April 2002, Oberbank's share capital was increased to EUR 70 million out of Company funds. During the 2006 financial year, Oberbank's share capital was increased to EUR 75,384,615.38 through the issuance of 640,000 ordinary shares pursuant to a resolution of the Annual General Meeting held on 9 May 2006. Pursuant to a resolution of the Annual General Meeting held on 14 May 2007, Oberbank's share capital was increased to EUR 75,721,153.84 through the issuance of 40,000 ordinary shares (conditional capital increase). A further conditional capital increase through the issuance of 30,000 ordinary shares was carried out in the 2008 financial year. The share capital of Oberbank thus increased to EUR 75,973,557.69. Pursuant to the resolution of 27 May 2008, the Company carried out a three-for-one stock split and a capital increase out of Company funds, raising the share capital to EUR 81,270,000.00. Upon resolution of the Management Board of 30 September 2009 a capital increase at the ratio of 1:16 was carried out in October 2009, raising the share capital to EUR 86,349,375.00.

The share capital of Oberbank is divided into 25,783,125 ordinary no-par bearer shares and 3,000,000 non-voting no-par bearer preference shares carrying an entitlement to a minimum dividend of 6% of the pro-rata share capital, payable, if necessary, in a later period. The Management Board will be recommending to the Annual General Meeting that a dividend of EUR 0.50 per share be distributed out of the net profit of Oberbank AG for the financial year 2011 (corresponding to a pay out of EUR 14,391,562.50). EUR 65,365,608.80 will be allocated to reserves. The remainder in the amount of EUR 94,984.13 will be carried forward to new account.

On the reporting date, 10,421,249 Oberbank shares were held directly by the Company itself or by Group members. Additional proceeds (premiums) from the issuance of own shares were recognised in capital reserves. Retained earnings include the Group's ploughed-back profits as well as all consolidation entries recognised in the income statement. Unrealised gains and losses recognised in equity in accordance with IAS 39 comprise gains and losses on available-for-sale financial instruments. These are taken to the income statement upon realisation. The reserves attributable to associated companies are equivalent to the difference between historic acquisition costs and the carrying amount of associated companies accounted for using the equity method.

Net interest income

Interest income and interest expenses were accounted for on an accrual basis. Net interest income includes income and expenses paid for the furnishing of capital. In addition, this line item also includes income from equities, other rights and other variable-yield securities insofar as it did not constitute income from securities requiring designation as trading assets. Income from equity investments and investments in subsidiaries – i.e. those which were not consolidated because they were immaterial – was also reported in this line item. Income from entities accounted for using the equity method was reported in a separate line item.

Charges for losses on loans and advances

The line item Charges for losses on loans and advances includes transfers to impairment allowances and provisions and income from reversals of allowances and provisions as well as direct write-offs and subsequent write-backs of receivables already written off in connection with credit operations.

Net commission income

Net commission income comprises income from service business net of expenses arising in connection with the rendering of services.

Net trading income

This line item includes realised gains and losses on securities and other financial instruments held for trading, unrealised gains and losses arising from the measurement at fair value of securities and other financial instruments held for trading, accrued interest arising from fixed-interest securities held for trading and dividend income on equities held for trading as well as the funding costs associated with such securities.

Details of the income statement

in €k	2011	2010
3) Net interest income		
Interest income from		
Credit and money market business	489,426	437,309
Shares and other variable-yield securities	2,987	2,717
Other equity investments	1,329	1,765
Subsidiaries	3,565	5,494
Fixed-interest securities and bonds	101,314	93,575
Interest and similar income	598,621	540,860
Interest expenses on deposits	(248,990)	(199,434)
Interest expenses on securitised liabilities	(44,655)	(41,309)
Interest expenses on subordinated liabilities	(26,068)	(24,730)
Interest and similar expenses	(319,713)	(265,473)
Income from entities accounted for using the equity method	62,777	43,544
Net interest income	341,685	318,931

Interest income on financial assets not designated at fair value through profit or loss came to €k 588,449 (previous year €k 533,834). The corresponding interest expenses on financial liabilities amounted to auf €k 244,192 (previous year €k 190,035).

4) Charges for losses on loans and advances		
Allocated to loan loss provisions	122,646	126,341
Direct write-offs	10,886	4,747
Reversals of loan loss provisions	(32,118)	(24,647)
Recoveries of written-off receivables	(3,765)	(2,615)
Charges for losses on loans and advances	97,649	103,826

5) Net commission income		
Payment services	36,151	33,604
Securities business	32,158	33,362
Foreign exchange, foreign bank note and precious metals business	11,722	11,700
Credit operations	20,727	20,171
Other service and advisory business	3,760	2,370
Net commission income	104,518	101,207

6) Net trading income		
Gains (losses) on interest rate contracts	2,160	3,326
Gains (losses) on foreign exchange, foreign bank note and numismatic business	5,385	4,654
Gains (losses) on derivatives	1,708	(1,500)
Net trading income	9,253	6,480

Details of the income statement

in €k	2011	2010
7) Administrative expenses		
Staff costs	132,686	126,197
Other administrative expenses	74,630	70,253
Write-offs and valuation allowances	22,137	24,283
Administrative expenses	229,453	220,733
8) Other operating profit (loss)		
a) Net income from financial assets – FV/PL	(8,145)	8,446
b) Net income from financial assets – AfS	1,935	2,844
c) Net income from financial assets – HtM	1,708	610
d) Other operating profit (loss)	2,144	524
Other operating income net of other operating expenses	(2,358)	12,424
9) Income taxes		
Current income tax expense	23,874	21,521
Deferred income tax expenses (income)	(9,114)	(5,413)
Income taxes	14,760	16,108
Profit for the year before tax	125,996	114,483
Computed tax expense at a rate of 25%	31,499	28,621
Tax savings arising due to tax-exempt income from equity investments	(4,870)	(3,427)
Tax savings arising due to profits accounted for using the equity method	(12,350)	(8,644)
Tax expenses (income) relating to prior years	(4,112)	(1,018)
Tax savings arising from other tax-exempt income	(3,259)	(1,751)
Tax incurred as a result of non-allowable expenses	8,396	2,388
Tax savings arising due to used carry-forwards of losses	0	0
Tax effects of differing tax rates	(544)	(61)
Reported tax expenses (income)	14,760	16,108
Effective tax rate	11.71%	14.07%
10) Earnings per share in €		
Number of shares as at 31/12	28,783,125	28,783,125
Average number of shares in issue	28,740,137	28,695,932
Profit of the year after tax attributable to the owners of the parent company	111,236	98,375
Earnings per share in €	3.87	3.43

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

Details of the balance sheet

in €k	2011	2010
11) Cash and balances at central banks		
Cash in hand	72,326	64,397
Credit balances with central banks of issue	227,846	162,526
Cash and balances at central banks	300,172	226,923

12) Loans and advances to credit institutions		
Loans and advances to Austrian credit institutions	830,256	1,098,712
Loans and advances to foreign credit institutions	735,916	757,307
Loans and advances to credit institutions	1,566,172	1,856,019
Loans and advances to credit institutions, by maturities		
On demand	144,169	201,376
To 3 months	876,675	1,214,059
3 months to 1 year	404,836	311,870
1 to 5 years	124,991	113,410
Over 5 years	15,501	15,304
Loans and advances to credit institutions	1,566,172	1,856,019

13) Loans and advances to customers		
Loans and advances to Austrian customers	6,851,501	6,490,370
Loans and advances to foreign customers	4,062,725	3,951,954
Loans and advances to customers	10,914,226	10,442,324
Loans and advances to customers, by maturities		
On demand	1,949,148	1,645,971
To 3 months	1,044,430	1,040,273
3 months to 1 year	1,043,577	956,708
1 to 5 years	3,400,682	3,663,834
Over 5 years	3,476,389	3,135,538
Loans and advances to customers	10,914,226	10,442,324
Leasing business (finance leasing) Gross investment value		
To 3 months	53,607	61,299
3 months to 1 year	171,643	171,178
1 to 5 years	480,943	440,017
Over 5 years	334,576	290,565
Total	1,040,769	963,059
Unrealised financial income		
To 3 months	7,747	4,006
3 months to 1 year	18,630	10,893
1 to 5 years	51,892	31,278
Over 5 years	34,941	26,286
Total	113,210	72,463

Details of the balance sheet

in €k	2011	2010
Net investment value		
To 3 months	45,860	57,293
3 months to 1 year	153,013	160,285
1 to 5 years	429,051	408,739
Over 5 years	299,635	264,279
Total	927,559	890,596
Accumulated impairment allowances	13,014	11,392

14) Impairment provisions

See page 126

15) Trading assets		
Bonds and other fixed-interest securities		
Listed	10,374	11,967
Stocks and other variable-yield securities		
Listed	4,363	2,950
Positive fair values of derivative financial instruments		
Currency contracts	1,659	2,707
Interest rate contracts	33,955	27,859
Other contracts	0	10
Trading assets	50,351	45,493

16) Financial investments		
Bonds and other fixed-interest securities		
Listed	3,188,790	2,889,207
Unlisted	97,403	34,081
Stocks and other variable-yield securities		
Listed	124,192	104,593
Unlisted	173,637	178,091

Details of the balance sheet

in €k	2011	2010
Equity investments/shares		
In subsidiaries	226,467	226,974
In entities accounted for using the equity method		
– Banks	213,145	201,160
– Non-banks	308,256	263,316
Other equity investments		
– Banks	10,809	10,809
– Non-banks	49,524	51,272
Financial investments	4,392,223	3,959,503
a) Financial assets – FV/PL	288,528	336,182
b) Financial assets – AfS	1,075,451	752,368
c) Financial assets – HtM	2,506,843	2,406,477
d) Interests in entities accounted for using the equity method	521,401	464,476
Financial investments	4,392,223	3,959,503

17) Intangible assets		
Rights of use and rental rights	1,352	1,578
Custom software	2,334	3,640
Other intangible assets	120	137
Customer base	755	800
Intangible assets	4,561	6,155

18) Property, plant and equipment		
Investment property	76,302	76,953
Land and buildings	65,878	69,491
Business equipment and furnishings	61,867	60,750
Other property, plant and equipment	16,033	13,889
Property, plant and equipment	220,080	221,083

The Group owned land and buildings used by others with a book value of €k 76,302 (previous year: €k 76,953); these properties had a fair value of €k 82,501 (previous year: €k 82,410). Rental income during the financial year came to €k 3,081; the associated expenses (including depreciation) amounted to €k 1,812.

Leasing (operate leasing)
Minimum lease instalments in the future

To 3 months	3,146	2,943
3 months to 1 year	8,992	8,273
1 to 5 years	29,737	28,918
Over 5 years	37,697	38,254
Total	79,572	78,388

Details of the balance sheet

in €k	2011	2010
19) Other assets		
Deferred tax assets	39,922	20,837
Other items	344,255	300,962
Other deferrals	2,031	1,650
Other assets	386,208	323,449
Deferred tax assets	39,922	20,837
Deferred tax assets	39,922	20,837
Deferred tax assets		
Loans and advances to credit institutions and customers	34,778	25,810
Fixed-interest securities	(1,725)	(2,780)
of which accumulated unrealised gains and losses on AfS financial instruments	(1,725)	(2,766)
Shares and other variable-yield securities	(13,699)	(23,028)
Equity investments	1,856	982
Property, plant and equipment and intangible assets	(237)	(250)
Other assets	(28,014)	(16,890)
Amounts owed to credit institutions and customers	12,625	3,830
Securitised liabilities	3,081	1,464
Other liabilities	13,133	16,402
Provisions for severance and pensions	23,489	23,725
Other provisions for liabilities and charges	(14,540)	(10,991)
Subordinated debt capital	5,607	(143)
Tax loss carry-forwards	3,568	2,706
Deferred tax assets	39,922	20,837

in €k	2011	2010
20) Amounts owed to credit institutions		
Amounts owed to Austrian banks	1,823,204	1,439,190
Foreign banks	2,455,359	2,393,975
Amounts owed to credit institutions	4,278,563	3,833,165
Amounts owed to credit institutions, by maturities		
On demand	243,660	316,510
To 3 months	3,130,211	2,984,247
3 months to 1 year	111,813	137,784
1 to 5 years	387,364	244,350
Over 5 years	405,515	150,274
Amounts owed to credit institutions	4,278,563	3,833,165

Details of the balance sheet

in €k	2011	2010
21) Amounts owed to customers		
Savings deposits	3,407,649	3,447,187
Other	5,656,589	5,455,564
Amounts owed to customers	9,064,238	8,902,751
Amounts owed to customers, by maturities		
On demand	3,334,351	3,285,794
To 3 months	2,104,951	2,343,782
3 months to 1 year	2,588,248	2,165,560
1 to 5 years	631,074	771,715
Over 5 years	405,614	335,900
Amounts owed to customers	9,064,238	8,902,751
22) Securitised liabilities		
Issued bonds	1,370,387	1,285,471
Other securitised liabilities	136,165	200,924
Securitised liabilities	1,506,552	1,486,395
Securitised liabilities, by maturities		
To 3 months	125,458	101,026
3 months to 1 year	181,337	181,598
1 to 5 years	993,911	1,069,440
Over 5 years	205,846	134,331
Securitised liabilities	1,506,552	1,486,395
23) Provisions for liabilities and charges		
Provisions for severance and pensions	207,653	207,363
Other provisions for liabilities and charges	194,981	171,078
Provisions for liabilities and charges	402,634	378,441
Provisions for anniversary bonuses	8,563	8,340
Loan loss provisions	130,981	119,201
Other items	55,437	43,537
Other provisions for liabilities and charges	194,981	171,078

Details of the balance sheet

in €k	2011	2010
Movements in provisions for severance and pensions		
Provisions balance as at 1/1	207,363	208,143
Allocated to/reversed from provisions for termination benefits	206	(6)
Allocated to/reversed from provisions for pensions	84	(774)
Provisions balance as at 31/12	*207,653*	*207,363*
Movements in provisions for severance, pensions and similar obligations		
Provisions balance as at 1/1	215,703	216,229
+ Service cost	3,482	3,631
+ Interest cost	7,999	8,057
- Payments during the reporting year	(10,919)	(11,320)
-/+ Actuarial gain/loss	(49)	(1,894)
+/- Other changes	0	1,000
Provisions balance as at 31/12	*216,216*	*215,703*

In the financial year under review, the actuarial gain (loss) was recognised in the income statement because the corridor method was not applied. Changes in this line item on the balance sheet were recognised in their entirety in the income statement as staff costs. The applied interest rate and the annual rate of increase under collective agreements were maintained unchanged. Assuming that the computational parameters remain unchanged, we anticipate an allocation of about EUR 0.4 million to provisions for severance, pensions and similar obligations in the financial year 2012. The cash value of post-retirement benefit obligations was €k 192,196 for the financial year 2005, €k 210,820 for the financial year 2006 and €k 222,057 for the financial year 2007 and €k 217,521 for the financial year 2008 and €k 216,229 for the financial year 2009.

Movements in other provisions for liabilities and charges

	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
Balance as at 1/1	8,340	119,201	43,537
Allocated	223	29,108	24,004
Used/exchange differences	0	6,433	262
Reversed	0	10,895	11,842
Balance as at 31/12	*8,563*	*130,981*	*55,437*

24) Other liabilities	2011	2010
Trading liabilities	36,359	32,376
Tax liabilities	12,609	2,356
Other obligations	171,871	179,296
Deferred items	44,477	46,499
Other liabilities	*265,316*	*260,527*

Details of the balance sheet

in €k	2011	2010
25) Other liabilities (trading liabilities)		
Currency contracts	1,192	2,861
Interest rate contracts	34,721	27,668
Other contracts	446	1,847
Trading liabilities	*36,359*	*32,376*
26) Subordinated debt capital		
Issued subordinated bonds	6,605	6,674
Supplementary capital	658,352	660,100
Hybrid capital	79,410	79,385
Subordinated debt capital	*744,367*	*746,159*
Subordinated debt capital, by maturities		
To 3 months	35,049	30,814
3 months to 1 year	41,666	15,688
1 to 5 years	190,393	208,619
Over 5 years	477,259	491,038
Subordinated debt capital	*744,367*	*746,159*
27) Equity		
Subscribed capital	86,241	86,296
Capital reserves	194,455	194,624
Retained earnings (including net profit)	915,326	852,783
Untaxed reserves	22,733	23,968
Negative goodwill	1,872	1,872
Minorities	1,407	1,383
Equity	*1,222,034*	*1,160,926*
Shares in issue		
Shares in issue as at 1/1	28,779,035	28,774,075
New shares issued	0	0
Treasury shares purchased	(407,231)	(504,093)
Treasury shares sold	401,569	509,053
Shares in issue as at 31/12	*28,773,373*	*28,779,035*
Treasury shares held in the Group's portfolio	9,752	4,090
Shares in issue as at 31/12	*28,783,125*	*28,783,125*

The book value of Oberbank AG shares held on the balance sheet date was EUR 0.4 million (previous year: EUR 0.2 million).

Details of the balance sheet

in €k

28) Non-current assets statement

Movements in intangible assets and property, plant and equipment

	Intangible assets	Property, plant and equipment	Of which investment property
Cost of purchase/conversion as at 1/1/2011	20,590	414,599	84,250
Exchange differences	(59)	(513)	0
Transfers	0	0	0
Additions	403	22,977	1,161
Disposals	123	11,396	0
Accumulated depreciation	16,250	205,587	9,109
Book value as at 31/12/2011	*4,561*	*220,080*	*76,302*
Book value as at 31/12/2010	*6,155*	*221,083*	*76,953*
Depreciation during the financial year	1,873	20,264	1,812

Change in investments in subsidiaries and equity investments

	Investments in subsidiaries	Equity investments
Cost of purchase/conversion as at 1/1/2011	233,624	532,334
Additions	6,232	1,594
Change in investments in associates	0	56,925
Disposals	2,409	146
Accumulated depreciation	10,980	8,973
Book value as at 31/12/2011	*226,467*	*581,734*
Book value as at 31/12/2010	*226,974*	*526,557*
Depreciation during the financial year	4,330	3,196

In the 2011 financial year, the Company realised proceeds of €k 0 through the disposal of unlisted equity investments/shares in subsidiaries. This resulted in a book value reduction amounting to €k 0 and €k 0 in net income.

Details of the balance sheet

29) Fair value of financial instruments as at 31/12/2011

in €k	HtM Book value/ Fair value*)	FV/PL Book value/ Fair value*)	Trading Book Book value/ Fair value*)	AfS Book value/ Fair value*)	L&R/ liabilities Book value/ Fair value*)	Other Book value/ Fair value*)	Total Book value/ Fair value*)
Cash and balances at central banks						300,172	300,172
						300,172	300,172
Loans and advances to credit institutions					1,566,172		1,566,172
					1,566,908		1,566,908
Loans and advances to customers	40,033	114,599		98,390	10,661,204		10,914,226
	40,033	114,599		98,390	10,709,006		10,962,028
Impairment provisions					(350,289)		(350,289)
					(350,289)		(350,289)
Trading assets			50,351				50,351
			50,351				50,351
Financial investments	2,506,843	288,528		1,075,451		521,401	4,392,223
	2,551,140	288,528		1,075,451		465,601	4,380,720
Intangible assets						4,561	4,561
						4,561	4,561
Property, plant and equipment						220,080	220,080
						248,200	248,200
Other assets						386,208	386,208
						386,208	386,208
Total assets	*2,546,876*	*403,127*	*50,351*	*1,173,841*	*11,877,087*	*1,432,422*	*17,483,704*
	2,591,173	*403,127*	*50,351*	*1,173,841*	*11,925,625*	*1,404,742*	*17,548,859*
Amounts owed to credit institutions		67,535			4,211,028		4,278,563
		67,535			4,223,837		4,291,372
Amounts owed to customers		1,130,508			7,933,730		9,064,238
		1,130,508			7,941,281		9,071,789
Securitised liabilities		820,114			686,438		1,506,552
		820,114			684,994		1,505,108
Provisions for liabilities and charges						402,634	402,634
						402,634	402,634
Other liabilities			36,359			228,957	265,316
			36,359			228,957	265,316
Subordinated debt capital		394,320			350,047		744,367
		394,320			354,659		748,979
Capital						1,222,034	1,222,034
						1,222,034	1,222,034
Total equity and liabilities	*0*	*2,412,477*	*36,359*	*0*	*13,181,243*	*1,853,625*	*17,483,704*
	0	*2,412,477*	*36,359*	*0*	*13,204,771*	*1,853,625*	*17,507,232*

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

Details of the balance sheet

29) Fair value of financial instruments as at 31/12/2010

in €k	HtM Book value/ Fair value*)	FV/PL Book value/ Fair value*)	Trading Book Book value/ Fair value*)	AfS Book value/ Fair value*)	L&R/ liabilities Book value/ Fair value*)	Other Book value/ Fair value*)	Total Book value/ Fair value*)
Cash and balances at central banks						226,923	226,923
						226,923	226,923
Loans and advances to credit institutions					1,856,019		1,856,019
					1,856,256		1,856,256
Loans and advances to customers	40,033	90,509		48,673	10,263,109		10,442,324
	40,033	90,509		48,673	10,300,934		10,480,149
Impairment provisions					(312,585)		(312,585)
					(312,585)		(312,585)
Trading assets			45,493				45,493
			45,493				45,493
Financial investments	2,406,477	336,182		752,368		464,476	3,959,503
	2,444,143	336,182		752,368		643,771	4,176,464
Intangible assets						6,155	6,155
						6,155	6,155
Property, plant and equipment						221,083	221,083
						244,851	244,851
Other assets						323,449	323,449
						323,449	323,449
Total assets	*2,446,510*	*426,691*	*45,493*	*801,041*	*11,806,543*	*1,242,086*	*16,768,364*
	2,484,176	*426,691*	*45,493*	*801,041*	*11,844,605*	*1,445,149*	*17,047,155*
Amounts owed to credit institutions		64,997			3,768,168		3,833,165
		64,997			3,766,957		3,831,954
Amounts owed to customers		1,495,970			7,406,781		8,902,751
		1,495,970			7,403,245		8,899,215
Securitised liabilities		955,332			531,063		1,486,395
		955,332			530,416		1,485,748
Provisions for liabilities and charges						378,441	378,441
						378,441	378,441
Other liabilities			32,376			228,151	260,527
			32,376			228,151	260,527
Subordinated debt capital		383,912			362,247		746,159
		383,912			361,503		745,415
Capital						1,160,926	1,160,926
						1,160,926	1,160,926
Total equity and liabilities	*0*	*2,900,211*	*32,376*	*0*	*12,068,259*	*1,767,518*	*16,768,364*
	0	*2,900,211*	*32,376*	*0*	*12,062,121*	*1,767,518*	*16,762,226*

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

Details of the balance sheet

Presentation of the fair value hierarchy for financial instruments carried at fair value as at 31/12/2011

in €k	HtM Fair value	FV/PL Fair value	Trading Book Fair value	AfS Fair value	L&R/ liabilities Fair value	Other Fair value	Total Fair value
Assets							
Level 1	0	103,570	4,363	729,829	0	0	837,762
Level 2	0	299,557	45,988	189,256	0	151,282	686,083
Level 3	0	0	0	0	0	0	0
Financial instruments, assets	*0*	*403,127*	*50,351*	*919,085*	*0*	*151,282*	*1,523,845*
Liabilities							
Level 1	0	781,022	0	0	0	0	781,022
Level 2	0	1,631,455	36,359	0	0	34,841	1,702,655
Level 3	0	0	0	0	0	0	0
Financial instruments, liabilities	*0*	*2,412,477*	*36,359*	*0*	*0*	*34,841*	*2,483,677*

The fair value corresponds to the amount at which an asset can be sold or a liability settled in a transaction under market conditions between competent, willing and independent parties. The best indicator for the fair value is the market price in an active market. Where market prices are available in an active market, the assets are measured using these prices (level 1). Where no market prices are available, the fair value is determined using valuation models, with assets marked to market on the basis of official prices (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).

The result includes impairments of €k 67,924 (previous year: €k 75,930) of loans and advances to customers, €k 57,038 (previous year: €k 71,183) thereof was added to specific valuation allowances, and direct write-offs amounted to €k 10,886 (previous year: €k 4,747). Taking the relevant hedging relationships into account, the difference between the book values and the higher repayment values of financial liabilities designated at fair value through profit or loss came to €k 9,027 (previous year: €k 9,719). During the financial year, the Company did not acquire any pledged properties intended for immediate resale. The non-interest-related change in the fair value of financial liabilities amounted to €k 693, that of financial assets to €k 4,371. Financial instruments measured at fair value are discounted at market rates and the resulting valuation adjustments are shown.

30) Information regarding persons and entities considered to be related parties

Loans had been granted and guarantees were in place on behalf of the Supervisory Board of Oberbank AG in the amount of €k 665.9 (previous year: €k 743.1). They were subject to the customary terms and conditions. Loans in the amount of €k 116.0 (previous year: €k 117.8) had been granted to the Management Board of Oberbank AG. They were subject to the customary terms and conditions.

Remunerations paid to the Management Board as recognised in the consolidated financial statements amounted to €k 1,865.2 (previous year: €k 1,576.1). The variable component thereof was €k 322.5 (previous year €k 625.1). Payments to former members of the Management Board and their surviving dependents amounted to €k 1,168,5 (previous year: €k 1,203.5). Payments for severance and pensions for members of the Management Board (including former members of the Management Board and their surviving dependents) came to €k 2,264.0 (previous year: €k 972.0). This amount includes expenses caused by changes in the parameters used for actuarial calculation of provisions for severance and pensions.

Remuneration of the Supervisory Board for the financial year 2011 as recognised in the consolidated financial statements came to €k 155.5 (previous year: €k 125.4).

In the course of ordinary business activities, business with companies and individuals considered to be related parties was transacted on arm's length terms. Business transactions between related companies included in the scope of consolidation were eliminated in the context of consolidation and are not explained in these notes.

As at 31 December 2011, business transactions with related companies and persons pursuant to the revised version of IAS 24 were as follows (the previous year's figures were partly supplemented as required):

in €k	Associates	Subsidiaries	Other related companies and persons*)
Business transactions			
Finance	27,128	34,000	2,038
Guarantees/collateral	5,946	0	24
Balances outstanding			
Receivables	244,543	93,110	8,247
Receivables in previous year	216,948	67,341	6,872
Payables	36,873	55,264	1,000
Payables in previous year	20,111	47,806	4,958
Guarantees	40,063	0	994
Guarantees in previous year	40,935	0	1,112
Provisions for doubtful debts	0	0	0
Provisions for doubtful debts in previous year	0	0	0
Income items			
Interest	5,681	913	237
Commission	434	4	119
Expenses			
Interest	1,176	653	48
Commission	3	0	0
Allowances for doubtful receivables	4,200	0	0

*) Other related companies and persons comprise the members of the Management Board and the Supervisory Board of Oberbank AG including their immediate families as well as companies that are controlled, jointly controlled or significantly influenced by these parties.

Oberbank AG shares are offered to employees on favoured terms within an allowed period. Purchases are subject to restrictions on the amounts staff are allowed to invest in these shares. In the financial year under review, the number of shares issued within the scope of this offer came to 70,000.

31) Segment reporting

The basis for segment reporting was the Bank's internal segmental accounting system, which corresponds to the separation between Personal Banking and Corporate and Business Banking operations established in 2003 and the resultant management remits within the Oberbank Group. The segments were presented in the segment reports as if they were autonomous enterprises with their own equity and with responsibility for their own results. The primary criterion for the delimitation of segments was the customers being serviced.

The segment information presented below is based on the so-called "management approach", which requires that the segment information be presented on the basis of the internal reporting approach as regularly applied with respect to decisions relating to the allocation of resources to the individual segments and the assessment of their performance.

The segments within the Oberbank Group have been defined as follows:

- The Personal Banking segment;
- The Corporate and Business Banking segment: This segment primarily encompasses business with corporate and business banking customers and earnings from 38 leasing companies;
- The Financial Markets segment: This segment encompasses trading activities, the Bank's proprietary positions, positions entered into by the Bank as market maker, the Bank's so-called structural income from maturity transformation and its income from associates as well as the results of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.;
- The segment "Other" encompasses items that do not relate directly to business segments, balance sheet items that cannot be allocated to the abovementioned segments, and those units that contribute to profit but cannot be allocated to any business division.

In the financial year 2011, equity allocated was measured throughout the Group applying interest at a rate of 6%. This figure was chosen on the basis of empirical evidence as representing the long-term average return on a risk-free investment in the capital markets. It was recognised in the line item Net interest income as income from the investment of equity capital. This is regulatory capital.

Segment report – core business segments

in €k	Personal	Corporate	Financial Markets	Other	Total
Net interest income	59,165	187,993	94,527	0	341,685
of which income from equity participations			62,777		62,777
Charges for losses on loans and advances	(9,792)	(48,871)	(38,986)	0	(97,649)
Net commission income	46,033	58,485	0	0	104,518
Net trading income	0	66	9,187	0	9,253
Administrative expenses	(88,680)	(108,213)	(5,116)	(27,444)	(229,453)
Other operating profit (loss)	2,031	5,249	(6,129)	(3,509)	(2,358)
Profit for the year before tax	8,757	94,709	53,483	(30,953)	125,996
Average risk-weighted assets	1,149,666	7,757,589	4,165,999	0	13,073,254
Average allocated equity	104,944	708,128	380,281	0	1,193,353
Return on equity before tax	8.3%	13.4%	14.1%		10.6%
Cost/income ratio	82.7%	43.0%	5.2%		50.6%
Cash and balances at central banks			300,172		300,172
Loans and advances to credit institutions			1,566,172		1,566,172
Loans and advances to customers	2,013,669	8,900,557			10,914,226
Impairment provisions	(61,767)	(240,722)	(47,800)		(350,289)
Trading assets			50,351		50,351
Financial assets			4,392,223		4,392,223
Other assets				610,849	610,849
Segment assets	1,951,902	8,659,835	6,261,118	610,849	17,483,704
Amounts owed to credit institutions			4,278,563		4,278,563
Amounts owed to customers	4,818,719	4,245,519			9,064,238
Securitised liabilities			1,506,552		1,506,552
Trading liabilities			36,359		36,359
Equity and subordinated debt capital	172,926	1,166,850	626,625		1,966,401
Other liabilities				631,591	631,591
Segment liabilities	4,991,645	5,412,369	6,448,099	631,591	17,483,704
Write-offs	5,171	13,560	154	3,252	22,137

As a regional bank, Oberbank has a geographically limited catchment area. Consequently, because it would have been immaterial, segmentation by region has not been made.

in €k	2011	2010
32) Non-performing loans		
Loans and advances to credit institutions	3	5,112
Loans and advances to customers	123,465	130,381
Fixed-interest securities	2,878	4,589

See also on page 127

33) Assets pledged as collateral		
Cover pool for trust money in savings deposits	20,144	20,845
Cover pool for covered partial debentures	242,937	242,682
Margin cover and arrangement deposits to back securities transactions	26,976	18,459
Security for Euroclear credit line	86,720	90,068
Security for EIB refinancing loan	46,163	39,861
Security for EIB global loan facility	93,000	93,000
Securities in the Tier 1 pledged securities account at OeNB	709,143	250,000
Assets pledged as collateral	*1,225,083*	*754,915*

Collateral was furnished in accordance with standard commercial practice or legal provisions.

34) Subordinated assets		
Loans and advances to credit institutions	22,000	22,000
Loans and advances to customers	50,732	51,430
Bonds and other fixed-interest securities	41,757	41,565
Other variable yield securities	35,177	36,110
Subordinated assets	*149,666*	*151,105*

35) Foreign currency balances		
Assets	1,755,643	1,835,057
Liabilities	2,774,971	2,171,812

36) Fiduciary assets		
Fiduciary loans	289,358	259,954
Fiduciary investments	96	96
Fiduciary assets	*289,454*	*260,050*

37) Genuine repurchase agreements		
Securities underlying genuine repo agreements had a book value of	1,399,900	1,343,500

38) Contingent liabilities and commitments		
Other contingent liabilities (guarantees and letters of credit)	1,341,272	1,360,402
Contingent liabilities	*1,341,272*	*1,360,402*
Liabilities arising from non-genuine repos	0	30,112
Other commitments (irrevocable loan commitments)	1,927,594	1,605,366
Commitments	*1,927,594*	*1,635,478*

39) Scope of consolidation

Group parent
OBERBANK AG, Linz

Consolidated entities	Percentage held
Ober Finanz Leasing gAG, Budapest	100.00
Ober Immo Truck gAG, Budapest	100.00
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	100.00
Oberbank airplane Leasing GmbH, Linz	100.00
Oberbank Eugendorf Immobilienleasing GmbH, Linz	100.00
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	100.00
Oberbank Gumpoldskirchen Immobilienleasing GmbH, Linz	100.00
Oberbank Hybrid 1 GmbH, Linz	100.00
Oberbank Hybrid 2 GmbH, Linz	100.00
Oberbank Hybrid 3 GmbH, Linz	100.00
Oberbank Hybrid 4 GmbH, Linz	100.00
Oberbank Hybrid 5 GmbH, Linz	100.00
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting	100.00
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	95.00
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	100.00
Oberbank Inzersdorf Immobilienleasing GmbH, Linz	100.00
Oberbank KB Leasing Gesellschaft m.b.H., Linz	75.00
OBERBANK LEASING GESELLSCHAFT MBH., Linz	100.00
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	general partner
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting	general partner
Oberbank Leasing GmbH Bayern, Neuötting	100.00
Oberbank Leasing Inprox Misk GmbH, Budapest	100.00
Oberbank Leasing Inprox Znojmo s.r.o., Prague	100.00
Oberbank Leasing JAF Holz, s.r.o., Prague	95.00
Oberbank Leasing KIKA, s.r.o., Bratislava	100.00
Oberbank Leasing KIKA, s.r.o., Prague	100.00
Oberbank Leasing s.r.o., Bratislava	100.00
Oberbank Leasing spol. s r.o., Prague (merged with Oberbank Bohemia Leasing s.r.o., Budweis)	100.00
Oberbank LIV Immobilienleasing GmbH, Linz	100.00
Oberbank MLC – Pernau Immobilienleasing GmbH, Linz	99.80
Oberbank Operating Mobilienleasing GmbH, Linz	100.00
Oberbank Operating OPR Immobilienleasing GmbH, Linz	100.00
Oberbank Pernau Immobilienleasing GmbH, Linz	100.00
Oberbank Riesenhof Immobilienleasing GmbH, Linz	100.00
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	100.00
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	100.00
OBK Ahlten Immobilien Leasing GmbH, Neuötting	94.00
OBK München 1 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 2 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 3 Immobilien Leasing GmbH, Neuötting	100.00
POWER TOWER GmbH, Linz	99.00
Tuella Finanzierung GmbH, Vienna	100.00

Entities accounted for by proportionate consolidation	
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	50.00

Associated companies accounted for using the equity method	
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	13.22
BKS Bank AG, Klagenfurt	18.52
Drei-Banken Versicherungs-Aktiengesellschaft, Linz	40.00
voestalpine AG, Linz	7.90

Non-consolidated entities	
A. SUBSIDIARIES	**Percentage held**
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	58.70
„Gesfö“ Gemeinnützige Bau- und Siedlungsgesellschaft m.b.H., Vienna	74.00
„LA“ Gebäudevermietung und Bau - Gesellschaft m.b.H., Linz	100.00
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Holding GmbH, Linz	100.00
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	100.00
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	100.00
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz	100.00
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	100.00
Oberbank PE Beteiligungen GmbH, Linz	100.00
Oberbank PE Holding GmbH, Linz	100.00
Oberbank Unternehmensbeteiligung GmbH, Linz	100.00
Oberbank Vertriebsservice GmbH, Linz	100.00
OBK Slovakia Project s.r.o., Bratislava	100.00
Oberbank V-Investholding GmbH, Linz	100.00
Opportunity Beteiligungs AG, Linz	100.00
Samson České Budějovice spol. s r.o., Budweis	100.00
„SG“ Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
„SP“ Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
„ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	100.00
TZ-Vermögensverwaltungs GmbH, Linz	100.00
„VB“ Gebäudeerrichtungs- und -vermietungsgesellschaft m.b.H., Linz	100.00
Wohnwert GmbH, Salzburg	100.00

Non-consolidated entities	
B. ASSOCIATES	**Percentage held**
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	20.57
3-Banken Beteiligung Gesellschaft m.b.H., Linz	40.00
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	40.00
ABG Anlagenverwertungs- und Beteiligungs - Gesellschaft m.b.H. & Co. OHG, Vienna	20.25
„ACTIVITAS" Vermögensverwaltungsgesellschaft m.b.H., Linz	50.00
AE Beteiligungsverwaltungs GmbH, Vienna	24.85
Atterbury S.A., Luxembourg	22.92
B.A.O. Immobilienvermietungs GmbH, Vienna	33.33
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	40.00
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	49.00
Buy-Out Central Europe II Beteiligungs-Invest AG, Vienna	24.85
COBB Beteiligungen und Leasing GmbH, Vienna	20.25
Cycleenergy Beteiligungs GmbH, Vienna	26.28
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz	40.00
Duktus S.A., Luxembourg	32.45
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	33.15
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	36.65
Kontext Druckerei GmbH, Linz	25.20
LHL Immobilien Beteiligungs-GmbH, Linz	50.00
MY Fünf Handels GmbH, Vienna	50.00
OÖ HightechFonds GmbH, Linz	24.08
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50
VMS Beteiligung Fünf GmbH, Vienna	38.44

Information regarding associates

On the balance sheet date, the fair value of the listed companies accounted for using the equity method came to €k 465,601. The associates accounted for in the consolidated financial statements showed the following figures as at the balance sheet date (in €k):

	2011	2010
Assets	28,649,107	27,871,330
Liabilities	22,501,718	22,203,559
Revenues	12,131,925	9,992,407
Profit (loss) for the period	783,478	510,000

There is a syndicate agreement in place between Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft and Generali 3 Banken Holding AG regarding the investment held in BKS Bank AG and there is a syndicate agreement in place between Oberbank AG, BKS Bank AG, Generali 3 Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. regarding the investment held in Bank für Tirol und Vorarlberg Aktiengesellschaft. The purpose of these syndicates is to preserve the independence of BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, respectively. BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft were accounted for in the consolidated financial statements by reason of the aforesaid syndicate agreements.

The voestalpine group was mainly included because of the sustained strategic substance of its shareholder structure and the associated possibility of exerting a significant influence on it. Moreover, as a strategic investor, Oberbank AG also has a representative on the Supervisory Board of voestalpine AG. To permit the timely preparation of annual financial statements, a cut-off date of 30 September was applied when recognising associates.

The associates not included in the consolidated financial statements showed the following figures as at the balance sheet date (applying the Austrian Enterprise Code (UGB)):

	2011	2010
Assets	557,862	507,795
Liabilities	341,107	323,005
Revenues	458,543	413,216
Profit (loss) for the period	3,693	460

Risk report

40) Overall risk management

Risk strategy

The targeted assumption of risks is a basic feature of banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term.

The responsibility for defining the Group's central risk management strategy and implementing the pertinent risk policy standards as well as for risk management and risk controlling across the Oberbank Group lies with Oberbank AG. The point of departure and basic principle of Oberbank's risk strategy is the Bank's strategic orientation as a regional bank.

The Management Board and all of the Bank's employees consistently act in accordance with the principles laid down in the Bank's risk policy, and decisions are invariably made on the basis of these guidelines. Before new business lines are taken up or new products introduced, business-specific risks are always adequately analysed.

Organisation of risk management

Risk management encompasses all activities involved in systematically addressing potential risks within the Group. At Oberbank, risk management is an integral element of the Bank's business policy, strategic planning, and operational management and controlling. Central responsibility for risk management lies with the Management Board of Oberbank AG as a whole.

The risk targets for the respective financial year are derived from the Bank's risk strategy, and the available risk coverage capital is distributed across the individual risks by assigning commensurate limits within the framework of the annual planning and budget cycle. These limits create the basis for ongoing strict compliance control throughout the respective year. The responsibility for managing the planning cycle lies with the Controlling department in cooperation with the full Management Board.

Efficient risk management within Oberbank is based on a differentiated management system that actively addresses the individual risk components. The Bank's Asset/Liability Management (ALM) Committee is responsible for coordinating the risk management process and integrating the individual risk types into the overall bank risk. The ALM Committee is headed by the Management Board member in charge of the Risk Management department. The ALM Committee is responsible for allocating the available capital, taking into account the individual opportunity/risk profiles of the Bank's lines of business.

The central and independent risk controlling function required by the Austrian Banking Act (Article 39 (2) BWG) is assumed by the Accounts and Controlling department. This is the unit responsible for measuring, analysing and monitoring all material risks within Oberbank and reporting any such nascent risks to the Management Board and the ALM Committee as well as to the respective department heads and employees.

The responsibility for the risk management of all subsidiaries as well as the Bank's operating units in Austria and abroad rests centrally with Oberbank AG in the departments in charge of the individual risk components.

Risk report to the Supervisory Board

A report describing the Bank's risk strategy and its current risk situation, existing control and surveillance systems and the risk measurement methods used is presented to the Supervisory Board once annually.

Internal Control System

Oberbank's Internal Control System (ICS) is an internal mechanism of controls that embraces all the Bank's processes and procedures. The ICS has been continuously developed and refined over the years. Processes and procedures are documented in working instructions and process descriptions, which contain all the basic control principles such as, for example, the separation of functions and dual control rules, provisions governing the authority to sign and the regulation of competences as well as IT authorisation systems. The Internal Audit department of Oberbank AG serves as an independent monitoring body and in this capacity performs audits of the internal control system. It examines the effectiveness and adequacy of all banking procedures and of risk management and reviews compliance with the working instructions, thereby complementing the function of the Bank's supervisory body members and owners' representatives.

Disclosure pursuant to Article 26 of the Austrian Banking Act (BWG) and the FMA Disclosure Regulation (OffV)

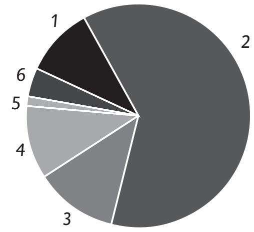
Oberbank has chosen the Internet as the publicly accessible medium for disclosures required pursuant to Article 26 of the Austrian Banking Act (BWG) and the FMA Disclosure Regulation. Disclosures are shown and explained on the Oberbank website at www.oberbank.at (section: Investor Relations).

Overall risk management process

At Oberbank AG, compliance with the regulatory requirements for qualitative risk management arising from the Internal Capital Adequacy Assessment Process (ICAAP) is ensured by means of the risk-taking capability calculation which has been in use for years. The basis for assessing the Bank's risk-taking capability is the quantification of material risks and the corresponding economic capital. The calculation of Oberbank's risk-taking capability is based on the Bank's model capital requirement that results from the specific business model of Oberbank. Within the framework of this process, risk limits are derived for all material banking risks, specifically the credit risk (including the counterparty default risk), the equity risk, the market risk in the trading book, the market risk in the banking book and the operational risks.

Oberbank's business activities further involve other material risks that are controlled by means of processes and limits rather than allocations of economic capital. Thus, no capital is held for the liquidity risk as this approach is not suitable for adequately limiting this type of risk. In this case, risk mitigation is achieved through internally defined processes for controlling liquidity risks, including the emergency plan. Concentration risk is managed by means of country limits, large loan limits and portfolio limits such as the foreign currency loans portfolio limit. A risk buffer creates the required risk provision for other, non-material risks (business, legal, reputational as well as strategic and other risks resulting from the macroeconomic environment).

Share of assigned risk limits in total available capital	
Risk buffer[1]	10.0%
Credit risk[2]	60.0%
Equity risk[3]	12.0%
Banking book market risk[4]	12.8%
Trading book market risk[5]	1.2%
Operational risk[6]	4.0%



On 31 December 2011, limit utilisation stood at 50.1%. The utilisation of assigned limits was 48.7% for credit risk, 52.6% for equity risk, 48.6% for market risk in the banking book, 27.4% for market risk in the trading book and 73.2% for operational risk.

Effects of stress scenarios

Oberbank performs crisis stress tests on a quarterly basis. Four different types of multi-factor stress tests are calculated in this context. The worst-case scenario is based on the following assumptions:

- Internal rating downgrade for the asset classes Retail by one notch and Corporates by two notches (the economic capital for the credit risk is calculated using the Internal Ratings Based (IRB) approach, which involves Bank-internal ratings).
- External rating downgrade for the asset classes Banks and Sovereigns by 1 notch
- Shift in the interest rate curve by +200 basis points
- 20% increase in volatilities
- 40% decrease in fair values of real estate collateral
- 50% decrease in undisclosed reserves of equity investments

As at 31 December 2011, the overall bank limit was not exceeded in any of the scenarios. The overall limit utilisation in the worst case scenario was 68.6%.

Responsibility for the Group's risk management by risk categories

Credit risk

Credit risk management is the responsibility of the Credit Management department, which is separate from sales operations. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process, up to the Management Board level.

Equity risk

The Management Board of Oberbank AG is, as a whole, accountable for investment decisions as well for as the proper organisation and monitoring of the Bank's equity investment management. Operational equity investment management is the responsibility of the Corporate Secretary and Communications department. Equity investments representing direct credit substitutes are subject to the rules and regulations of the credit process.

Market risk

Responsibility for managing market risks at Oberbank is split between two competence centres, which manage these risks independently within the framework of the risk limits allocated to them. The Global Financial Markets department is responsible for the foreign currency risk of the entire Oberbank Group, the market risk in the trading book and the interest rate risk arising within the scope of money market trading. The market risk in the banking book is the responsibility of the ALM Committee.

Operational risk

At Oberbank AG, a separate operational risk management body oversees and controls the process for managing operational risks and is responsible for the ongoing revision and improvement of the processes and methods applied. The operative risk management of operational risks is carried out by the respective operating departments and regional sales units (risk-taking units) responsible for the operational risk of products and processes within their area of responsibility.

Liquidity risk

The Bank's long-term, strategic liquidity is managed by the Management Board and the ALM Committee. Short-term liquidity control is the responsibility of the Global Financial Markets department.

Risk concentration

The concentration risk is defined as the risk arising as a result of individual exposures' accounting for an excessive share of the Bank's total exposures or the Bank's exposures having an above-average correlation to individual asset classes, business segments, sectors, countries, customer groups, etc.

Concentrations may arise in connection with all risk types. Responsibility for the concentration risk therefore lies with the units responsible for the individual risk types; quantitative information regarding the concentration risk is provided in the tables shown for the individual risk types.

Oberbank does not show any excessive risk concentrations, owing to its well-diversified business model as a universal bank with a strong regional focus. Concentration risks are identified in the context of the regular monitoring process (sector analysis, business statistics with breakdown by size, etc.). No significant concentrations of risk were identified.

Large loan exposures are secured by ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. by way of a cover pool, which on 31 December 2011 comprised funds in the amount of EUR 205.0 million for the 3 Banken Group (as compared to EUR 192.0 million in the previous year).

The share of the Bank's ten largest borrowers (groups of related customers) in terms of loans and receivables and fixed-rate securities amounted to 14.26% (previous year: 14.85%). This share, in particular, includes loans and receivables with the federal government (7.7%) and with European banks (5.7%) as well as utilities (0.8%).

Risk maturities were not matched. Total large-loan exposures were far below the regulatory cap.

41) Credit risk

The credit risk is understood to be the risk of a borrower's partly or fully failing to meet the contractually agreed payment obligations. The credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group. Risk management in the credit management field encompasses credit risks, country risks and counterparty risks. Oberbank has no business in the field of securitisation in its portfolio.

Credit risk strategy

The Bank's credit risk strategy is founded on the application of the regionality principle, i.e. the locations of headquarters of lending customers are in the regions covered by the Bank's network of branches.

In Austria and Bavaria, the principal focus is on lending to industry and medium-sized enterprises. In the Czech Republic, Slovakia and Hungary, Oberbank lends mainly to small and medium-sized businesses. Operational risk targets are defined by management in cooperation with the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments, always taking into account the ICAAP limit assigned to the credit risk within the framework of the allocation of the available capital. For foreign currency loans, the limit is set at 20% of the total lending volume. The extension of new foreign currency loans to consumers is subject to compliance with the strict FMA minimum standards issued in March 2010. The Bank's organisation is structured in conformity with the minimum standards for credit operations.

Lending decision process

Duties and responsibilities in the lending decision process are clearly delineated, and competences are unambiguously and transparently defined. This provides the basis for establishing standardised work processes, avoids needless parallel procedures and thus offers a sound foundation for loan applications to be processed swiftly and smoothly. The lending decision process encompasses all workflows up to the granting of a loan, the performance of a contract or the establishment of a credit line. These processes are based on standardised procedures in compliance with the Bank's risk strategy.

Internal rating and assessment of creditworthiness

An efficient system for the assessment of a customer's creditworthiness (customer rating system) is a central prerequisite for effective credit risk management in the sense of fair and risk-adequate pricing in the lending business of a bank. In both personal and business banking operations, Oberbank performs these assessments using advanced credit rating processes further refined through statistical methods. This system was introduced on 1 January 2009 and complies with the requirements defined for the Basel II IRB approach. In fact, Oberbank considers its credit rating process as one of the Bank's core competences.

The credit assessment procedures applied in corporate and business banking (rating procedures) and in personal banking (scoring process) differ in terms of their approach. The rating-based approach determines a hard-facts rating (based on balance sheet data) and a soft-facts rating (qualitative information such as on products, markets, etc.), which, additionally taking into account warning signals and account data, are compounded to the final rating. The scoring procedures include the credit scoring (negative information and structural data) and behaviour scoring (account behaviour and structural data). All rating and scoring procedures serve to establish the estimated probability of default per customer. The estimated probability of default is mapped into a default risk grid, which ensures that a rating grade established by means of different rating procedures reflects a uniform probability of default.

A special position in this context is occupied by the procedures based on supervisory slotting criteria for specialised lending, under which banks are required to map their internal grades into specific supervisory rating categories.

The rating processes are subject to annual validation and the resultant findings are used as a basis for the ongoing further development and optimisation of the system.

Credit ratings on credit institutions and central governments and other sovereign counterparties, as well as the respective limits, are assigned on the basis of external ratings and/or balance sheet analyses combined with qualitative criteria.

The rating process is carried out in the run up to the granting of a loan and at least once annually thereafter. The competence for approving the ratings lies with the Credit Management department.

There are logical correlations between the rating assigned to a customer in an IT-supported process and the terms and conditions granted to the respective customer (risk-based pricing).

Risk management and controlling

The operational management of the credit portfolio is primarily based on the calculation of capital deficiencies per rating grade. For rating grades of 4a and lower, capital deficiencies are planned at the level of the individual customers within the framework of the annual budget cycle and the deviation from target values is calculated monthly for each branch. Risk provisioning needs are calculated on a monthly basis and the earnings preview is updated accordingly.

Maintaining close relations with customers is a key priority at Oberbank. The results of regular personal talks with customers are reflected in the soft facts taken into account in the rating process. The frequency of these talks was increased as the current crisis evolved, enabling the Bank to adjust customers' credit ratings to their actual business situations very quickly during these critical years.

Presentation of the portfolio

The credit risk exposure is made up of the balance sheet items Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities of financial investments as well as credit risk exposure from derivatives and contingent liabilities, including non-utilised credit lines of the entire Oberbank Group, and is shown in gross terms, i.e. before charges for losses on loans and advances.

in €m	Value of exposures as at 31/12/2011	Value of exposures as at 31/12/2010
Loans and receivables [1]	12,444	12,179
Fixed-interest securities	3,384	2,971
Credit risk from derivatives and contingent liabilities	3,451	3,174
Total exposure	*19,279*	*18,324*

1) Deviations from the presentation in the consolidated financial statements result from the inclusion of the Leasing sub-group, which deviates in terms of the balance sheet cut-off date (as of 31 December 2011 here and as of 30 September 2011 in the consolidated financial statements). Trust liabilities – i.e. liabilities involving only an administration risk for Oberbank – are no longer shown in the total exposure volume. The previous year's figures were adjusted for the amount of EUR 260 million.

Presentation of the portfolio by rating grade [2]

The rating category "very strong" embraces the rating grades AA, A1, A2, 1a and 1b, the rating category "strong" the rating grades 2a, 2b, 3a and 3b and the category "weak" the rating grades 4a and 4b. The category "non-performing" comprises exposures to which a default definition within the meaning of Basel II applies: Rating grade 5a refers to exposures not yet transferred to the workout process. Exposures in the rating grades 5b and 5c are already in the process of liquidation. Non-performing loan exposures totalled EUR 101.6 million (previous year: EUR 123.1 million) in non-impaired receivables in the reporting year.

in €m	31/12/2011	31/12/2010
Very strong	10,916	10,022
Strong	7,125	6,867
Weak	750	924
Non-performing	488	511
Total	*19,279*	*18,324*

2) In contrast to the previous year, the presentation includes the total loan exposure volume (including non-weighted contingent liabilities and non-utilised credit lines; the previous year's values were adjusted accordingly).

Presentation of the portfolio by region

The credit risk volume in geographical terms is presented on a country-of-debtor basis. The following table shows the overall credit risk volume of the Oberbank Group as at 31 December 2011 and as at 31 December 2010, broken down by Oberbank markets and other regions.

in €m as at 31/12/2011 Geographic distribution	Loans and receivables	Fixed-rate securities	Credit risk from derivatives and contingent liabilities	Total
Austria	7,910	1,359	2,415	11,684
Germany	2,203	429	556	3,187
Eastern Europe (CZ, SK, HU)	1,391	79	288	1,758
Western Europe (except DE)	549	1,038	88	1,675
PIIGS countries	61	317	44	421
Other countries	331	164	60	555
Total	*12,444*	*3,384*	*3,451*	*19,279*

in €m as at 31/12/2010				
Austria	7,745	1,235	2,236	11,217
Germany	2,200	459	443	3,102
Eastern Europe (CZ, SK, HU)	1,256	99	261	1,615
Western Europe (except DE)	561	707	136	1,405
PIIGS countries	129	327	45	501
Other countries	288	144	53	485
Total	*12,179*	*2,971*	*3,174*	*18,324*

The table below shows the PIIGS countries in detail.

in €m as at 31/12/2011 Geographic distribution	Loans and receivables credit institutions and customers	Loans and receivables sovereigns	Fixed-rate securities (credit institutions and customers)	Credit risk from derivatives and and contingent liabilities	Total
Portugal	0	–	5	40	45
Italy	54	–	87	1	141
Ireland	6	–	48	2	56
Greece	0	–	0	0	0
Spain	0	–	177	1	177
Total	*61*	*–*	*317*	*44*	*421*

Presentation of the portfolio by sectors

The following tables show the overall credit risk volume of the Oberbank Group as at 31 December 2011 and as at 31 December 2010 broken down by sectors.

in €m as at 31/12/2011 Sectors	Loans and receivables	Fixed-rate securities	Credit risk from derivatives and contingent liabilities	Total
Credit and insurance industry	1,706	2,292	174	4,172
Public sector	996	1,003	57	2,056
Industry	1,928	12	1,102	3,043
Trade	1,304	9	477	1,790
Services	1,305	10	327	1,642
Construction	297	8	383	688
Real estate	526	0	75	602
Transportation	365		54	419
Utilities	312	3	42	357
Agriculture and forestry incl. mining	106		13	119
Holding and investment companies	545	44	166	755
Private and self-employed persons	2,163		363	2,525
Other	889	4	217	1,110
Total	*12,444*	*3,384*	*3,451*	*19,279*

in €m as at 31/12/2010 Sectors	Loans and receivables	Fixed-rate securities	Credit risk from derivatives and contingent liabilities	Total
Credit and insurance industry	1,951	2,122	178	4,250
Public sector	891	750	53	1,693
Industry	1,668	13	1,003	2,684
Trade	1,248	8	478	1,733
Services	1,171	10	290	1,471
Construction	299	8	383	690
Real estate	545	0	77	621
Transportation	372		48	420
Utilities	163	3	32	198
Agriculture and forestry incl. mining	94		8	103
Holding and investment companies	664	32	111	807
Private and self-employed persons	2,156		316	2,471
Other	956	25	200	1,182
Total	*12,179*	*2,971*	*3,174*	*18,324*

Collateral

Strategies and processes applied in valuating and managing collateral

Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the danger of a shortage of cover poses high demands in terms of correct and up-to-date valuation of collateral. For this reason, the management and administration of collateral is, as a matter of principle, separated from sales throughout the Oberbank Group and is performed by the respective back-office credit management groups of the Payment Systems and Central Production department.

Responsibility for drawing up standardised collateral agreements and documentation generally used throughout the Group lies with the central specialist department for legal matters (Credit Management/Service Group). The management and administration of credit collateral encompasses a material and a formal aspect. All related activities are precisely defined, taking into account the specific requirements of the individual collateral categories. The applicable rules and regulations have been defined in such a way as to guarantee legally sound assignment of credit collateral and to ensure that, in case the need arises, all requirements for the rapid enforcement of claims are met.

As regards the acceptance of mortgage collateral for mortgage-backed loans, Oberbank, in accordance with the regionality principle, primarily accepts collateral located in the Bank's catchment area. Physical collateral is accepted subject to the rule that the financing term must correspond to the useful life of the collateral. Important valuation criteria are the intrinsic value of collateral assets and their rapid enforceability. Concerning personal securities, there must be no material correlations between guarantor and the lender. Lease finance arrangements are subject to the rule that any agreed residual value must be lower than or at most equal to the market value expected upon expiry of the lease agreement.

The method of assessing the objective current nominal value of collateral is bindingly prescribed for each type of collateral. The resulting value is recognised as a basis for calculating the coverage value of the collateral for internal risk management purposes and for credit risk mitigation within the framework of Basel II. The internal coverage values are always maximum values used for determining the shortfall of cover. In duly substantiated cases, the valuation of a collateral asset may be adjusted downward by the respectively competent bank official. An upward adjustment of a valuation is not possible.

The currently applicable valuation principles are derived from estimates based on debt collection and enforcement data collected in the context of the Bank's experience in the realisation of collateral. The valuation discount applied in the valuation process accounts for both the valuation risk and the liquidation risk involved in the respective collateral asset. The market value of financial assets is constantly monitored to ensure up-to-datedness; collateral in the form of mortgage securities is valued and assessed by experts in compliance with the minimum standards defined by the comprehensive collateral valuation principles laid down in the Solvency Ratio Directive. As a rule, internally used collateral assets are subject to the same strict quality requirements in terms of up-to-datedness and legal enforceability as collateral accepted and credited under Basel II. Reported financial assets include the amount of €k 835 (previous year €k 1,199) arising from the assumption of assets pledged as collateral and earmarked for regular resale. Proceeds are used for covering/reducing outstanding receivables. Pledged collateral thus plays an insignificant role and is not used in the context of ongoing business operations.

Types of collateral assets

The most important types of collateral securities are mortgages on residential real estate and commercial property, financial collateral (cash deposits, bonds and shares) as well as personal securities (liabilities, securities, guarantees). The table below shows the reported value of IRB collateral assets for credit risk quantification within the framework of ICAAP.

in €k	Value of collateral
Financial collateral	**333,351**
Cash deposits	205,326
Bonds	69,907
Shares and other variable interest securities	58,118
Real estate collateral	**2,589,449**
Residential real estate	1,453,996
Commercial property	1,135,454
IRB collateral	**411,413**
Physical collateral	411,413

Personal securities accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 68.0% of the entire volume of personal securities, are listed below:

in €k	Rating Standard & Poor's	Amount	in %
Total amount of recognised guarantees		**1,491,102**	**100%**
of which Austria	AAA	713,730	47.9%
of which Germany	AAA	79,595	5.3%
of which Netherlands	AAA	76,427	5.1%
of which Province of Lower Austria	AA+	57,750	3.9%
of which Province of Upper Austria	AAA	49,599	3.3%
of which Province of Carinthia	n.a.	36,908	2.5%

Impairment provisions and non-performing loans

Development of impairment provisions

As in the industry in general, the impacts of the international financial crisis on the economy compelled Oberbank to stock up impairment provisions by a substantial margin, as allocations in line with the precautionary principle were measured in the upper range. The risk result in the credit business nevertheless improved by EUR 6.2 million to EUR 97.6 million as compared to 2010. The cautious risk policy pursued in previous years led to reversals of loan loss provisions in the amount of EUR 32.1 million.

Movements in impairment provisions in 2011 (income statement view)

in €k	31/12/2011	31/12/2010
Allocated to loan loss provisions	120,797	124,177
Reversals of loan loss provisions	(32,118)	(24,647)
Direct write-offs of receivables	10,886	4,747
Recoveries of written-off receivables	(3,765)	(2,615)
Attributable to entities accounted for by proportionate consolidation	1,849	2,164
Total	*97,649*	*103,826*

Movements in impairment provisions in 2011 (balance sheet view)

in €k	As at 1/1/2011	Added	Reversed	Used	Exchange rate changes	As at 31/12/2011
Specific impairment allowances	217,732	58,059	(21,219)	(32,290)	(472)	221,810
Country risks	48		(4)			44
Portfolio impairment provisions under IAS 39	94,805	33,630				128,435
Loan loss provisions [1)]	*312,585*	*91,689*	*(21,223)*	*(32,290)*	*(472)*	*350,289*
Provisions for liabilities and charges in the lending business	119,201	29,108	(10,895)	(6,425)	(8)	130,981
Total impairment provisions	*431,786*	*120,797*	*(32,118)*	*(38,715)*	*(480)*	*481,270*

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

The Oberbank Group's maximum default risk arises from the sum of financial assets recognised on the balance sheet in the items Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities held as financial investments as well as credit risks from derivatives and contingent liabilities including non-utilised credit lines and amounted to EUR 19,279 million (previous year: EUR 18,324 million). Loan collateral, in comparison, totalled EUR 5,291.1 million (previous year: EUR 5,019.1 million) including EUR 224.8 million (previous year: EUR 258.7 million) for impaired and non-performing receivables. The line item Interest and similar income includes €k 11,970 (previous year: €k 10,806) in impaired receivables from loans and advances to customers. The maximum default risk from receivables measured at fair value corresponds to their fair value.

Non-performing loans

Assets are classified as non-performing if a default definition within the meaning of Basel II applies, namely if a material financial obligation is more than 90 days overdue and full repayment is improbable. At Oberbank this is determined on the basis of the following criteria:

- A specific impairment provision has to be set up due to a marked deterioration of the debtor's credit quality
- The loan commitment requires restructuring
- Loan collection measures were initiated due to inability/unwillingness to pay, fraud or other reasons
- Loan recovery procedures result in a loss for Oberbank
- Factoring results in a material loss due to deteriorated credit rating
- Insolvency

Assets answering to these criteria are recognised and shown as non-performing and form part of the balance sheet items shown below. The figures shown provide evidence of the positive development of the key indicators "non-performing loans ratio" and "coverage ratio".

in €k 1)	31/12/2011	31/12/2010
Loans and advances to credit institutions	3	5,112
Loans and advances to customers	123,465	130,381
Fixed-interest securities	2,878	4,589
Total	*126,346*	*140,082*

in %	31/12/2011	31/12/2010
Non-performing loans ratio 2)	0.83%	0.95%
Non-performing loans coverage ratio 3)	144.10%	137.93%

1) Loan loss provisions set up for these items are already taken into account in these values (non-performing loans net).
2) Non-performing loans net in relation to loans and accounts receivable and fixed-interest securities net.
3) Total balance of impairment provisions for the above balance sheet items and collateral for non-performing receivables in relation to gross non-performing loans.

The table below provides a comparison of non-performing receivables and impairment provisions as well as collateral assets as at 31 December 2011.

in €k Sectors	Non performing	SIP	PIA acc. to IAS 39	Loan loss provisions	Collateral assets
Credit and insurance industry	3,116	169			169
Public sector	92	43			24
Industry	82,360	49,134			45,182
Trade	45,370	23,867			13,213
Services	94,562	33,648			43,835
Construction	42,345	8,164			29,228
Real estate	6,994	6,701			3,641
Transportation	14,203	7,551			6,198
Utilities	11,198	3,380			1,182
Agriculture and forestry incl. mining	3,359	471			2,000
Holding and investment companies	23,683	8,451			1,626
Private and self-employed persons	104,946	60,053			32,310
Other	55,986	20,223			10,278
Impairment provisions not assignable to a specific sector			128,435	130,981	
Total	*488,216*	*221,854*	*128,435*	*130,981*	*188,888*

All financial assets not shown in the non-performing category are neither overdue nor impaired.

42) Equity risk

Equity risk is defined as the risk of value impairments caused by lost dividends, partial write-offs and realised losses as well as a reduction of undisclosed reserves caused by the risk of negative business developments.

The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV; together with these two institutions, Oberbank AG forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only for reasons related to banking or sales, i.e. if their activities are a direct extension of banking or constitute services ancillary to banking.

This segment includes, among others, the following stakes held by the 3 Banken Group:

- ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.
- 3 Banken-Generali Investment-Gesellschaft m.b.H.
- 3 Banken-Versicherungs-Aktiengesellschaft
- DREI-BANKEN-EDV Gesellschaft

The equity investment portfolio of Oberbank AG further comprises strategic investments in voestalpine AG, Energie AG and Austria Metall AG. An active industry investment policy above and beyond these equity investments is not consistent with the corporate philosophy of Oberbank.

Furthermore, Oberbank holds equity investments of a purely economic nature made on grounds of either concrete yield expectations or indirect profitability expectations.

The Oberbank Opportunity Fonds set up in 2006 forms the basis for Oberbank to act as a provider of private equity finance, primarily with the goal of supporting customers in need of a financing solution that goes beyond the scope of traditional finance arrangements. Investments in other mezzanine and equity capital providers are made with the objective of gaining access to their expertise and to new markets.

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

Oberbank's leasing companies in Austria, Bavaria, the Czech Republic, Hungary and Slovakia are bundled in its Leasing sub-group.

Where new equity investments are made, the Company performs analyses as soon as the acquisition process is started, in order to gain as complete a picture as possible of the particular entity's earning power, strategic fit and legal position.

The carrying amounts and fair values of equity investments as at 31 December 2011 are shown below:

in €k	Valuation	
Groups of equity instruments by valuation type	Carrying amount	Fair value
Available for sale		
Non-exchange-traded items	254,756	254,756
Fair value through profit and loss		
Non-exchange-traded items	32,045	32,045
Interests in entities accounted for using the equity method		
Exchange-traded items	513,243	457,444
Non-exchange-traded items	8,158	8,158
Total	*808,202*	*752,403*

43) Market risk

Market risk is defined as the risk of possible losses arising due to fluctuations in value as a result of changes in market prices (caused, in turn, by changes in interest rates, foreign exchange rates, share prices or commodity prices). This risk category encompasses both trading book and banking book positions.

Risk management

Oberbank AG approves, measures, monitors and manages interest rate, equity and currency risks by applying a variety of different limits. These are generated within the scope of the Bank's overall risk management process by allocating the available capital for risk coverage to the individual types of risks.

Within Oberbank, the management of market risks is split between two competence centres, which manage these risks within the framework of the limits assigned to them.

Responsibilities of the Global Financial Markets department with regard to managing market risks

The Global Financial Markets department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book and the foreign currency risk of the entire Oberbank Group. The money market trading book comprises the short-term banking book positions.

Risk is calculated using a value-at-risk model (historic simulation). In 2011 Oberbank changed over from the previously used parametric method of calculating value at risk (variance-covariance model) to the historic simulation method, which calculates the current portfolio value on the basis of historic market price changes and therefore is more suitable for assessing the risks of non-linear financial instruments. Value at risk is calculated with a confidence level of 99% and a holding period of ten days. The Accounts and Controlling department is in charge of daily value-at-risk calculation, limit control, and reporting on the Bank's risk and earnings position to the Management Board and the Global Financial Markets department.

The table below shows the development of value at risk in the reporting period:

in €k		Value at risk in 2011		
1/1/2011	Maximum	Minimum	Average	31/12/2011
1,062	4,686	939	1,836	2,225

The back-testing time series, i.e. the comparison of the estimated 1-day value at risk with the actual results, indicates an outlier prior to the changeover to historic simulation and an outlier after the changeover, which is in line with the underlying confidence level of 99%.

Besides value-at-risk limits, measures to limit exposure also include risk reduction limits such as stop-loss limits and volume limits.

The Global Financial Markets department is also responsible for managing the foreign currency risk, which forms part of the market risk. The table below shows open currency positions of Oberbank on 31 December 2011:

in €k	Volume
CHF	624
USD	347
DKK	210
NOK	189
GBP	147
PLN	105
HUF	76
ZAR	55
SEK	54
CAD	44
RON	28

in €k	Volume
HRK	17
HKD	10
RUB	5
AUD	(28)
NZD	(44)
JPY	(47)
CZK	(608)
Other currencies – long	206
Other currencies – short	(59)
Gold	3,415

Responsibilities of the Asset/Liability Management (ALM) Committee with regard to market risk management

The ALM Committee is responsible for managing the interest rate risk of long-term EUR positions (rate commitments > 12 months) as well as for strategic equity and investment fund positions in the banking book. The ALM Committee convenes monthly; its members are the members of the Management Board of Oberbank AG as well as representatives of various departments, namely Global Financial Markets, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Corporate Secretary, Internal Audit and Organisation Development, Strategy and Process Management.

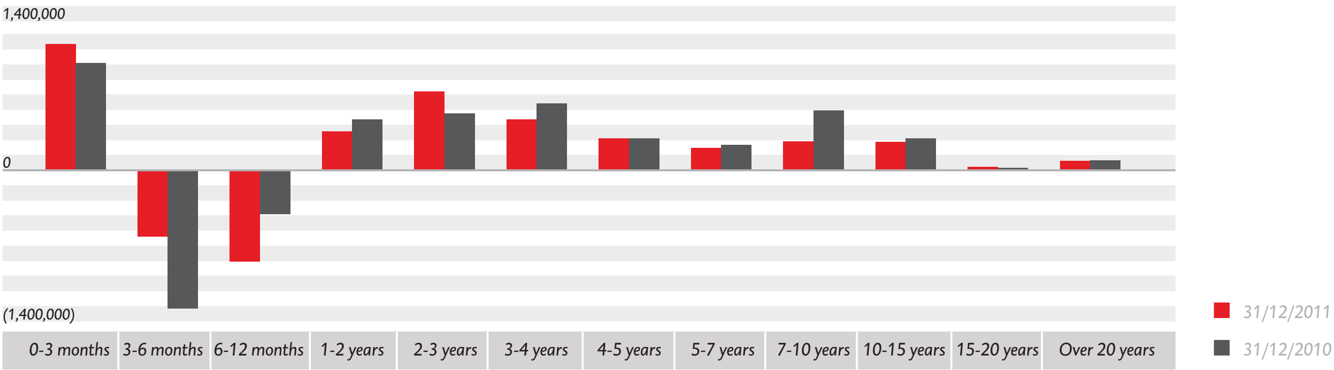
Interest rate risk in the banking book

The acceptance of the interest rate risk, which accounts for the main share of the market risk in the banking book, is an integral part of banking business that constitutes an important source of earnings and requires adequate hedging measures within the scope of risk management. The Bank's strategy aims above all at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. This purpose is achieved by quarterly investments in top-quality fixed-interest securities with long maturities.

The interest rate risk in the banking book is measured using classical methods of interest rate fixation analysis, namely the interest-rate gap analysis, interest-rate sensitivity analysis and the capital-at-risk methodology. The latter is used to quantify the risk of changes in interest rates on the basis of capital at risk, i.e. a statutorily standardised value-at-risk methodology (a variant of the maturity band method for the trading book pursuant to Article 208 of the Solvency Ratio Directive) extrapolated for 30 days.

The interest rate risk of structured bonds in the banking book is presented on the basis of a scenario analysis (taking into account as value at risk the worst case value at risk of the change in the interest rate structure that involves the most negative changes in present value). The most negative change as at 31 December 2011 concerned the +100 basis points shock. As at 31 December 2011, the interest rate risk in the banking book came to EUR 98.8 million (2010 end-of-year value: EUR 118.0 million).
The chart below shows the interest rate sensitivity gap analysis as compared with the end-of-year values of the previous year:

Interest rate gap – banking book positions (comparison of 31/12/2011 with 31/12/2010)



Equity price risk in the banking book

The equity price risk in the banking book (equity and investment fund positions), i.e. other market risks in the banking book, is measured using a value-at-risk approach with a confidence level of 99% and a holding period of 30 days. As at 31 December 2011, the risk involved in these banking book positions amounted to EUR 33.8 million (previous year: EUR 13.6 million).

44) Operational risk

Operational risks are an inseparable part of banking operations. Oberbank defines operational risks as risk of losses occurring due to the inadequacy or failure of internal processes, human error, technical failure or the consequences of external events. This definition includes legal risks, but does not comprise strategic risks and reputational risks. The individual risks are grouped in the following categories: internal fraud, external fraud, employment practice and job safety, customers, products and customary business practices, business interruptions and system failure, execution, delivery and process management, and damage to property.

The management of operational risks is the responsibility of the respective operating department within the Bank and the regional sales units (risk-taking units), which are responsible for the operational risks of products and processes within their spheres of competence. An electronic reporting process is in place to support the monitoring and registration of nascent operational risks.

A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision of the applied methodology.

Risk analyses are performed with the objective of systematically identifying potential problems in processes and systems. They are based on quantitative and qualitative criteria and carried out at regular intervals. Quantitative analyses primarily consist in the interpretation of the operational risk reports. Whenever a significant increase of damages is observed in individual risk-taking units, the Risk Controlling department requests a qualitative risk analysis in the form of a self-assessment. Countermeasures are initiated wherever specific weaknesses are identified (high probability and high impact).

In the context of changes of processes, the introduction of new systems or the launch of internal IT projects, the central risk taking units additionally conduct risk analyses resulting, if required, in corresponding countermeasures aimed at mitigating possible operational risks.

Concrete measures have been taken to hedge against any major risks identified within the framework of risk analyses (e.g. insurance contracts, IT emergency concepts, backup computer centre).

The economic capital for the operational risk is calculated within the framework of the risk-taking capability calculation in accordance with the standardised approach pursuant to Article 22 k of the Austrian Banking Act (BWG). The ratio of actual expenses due to operational risk incidents compared with total ICAAP risk capital was 2.62% in 2011. In the past five years, on average, this ratio was 4.25%. In a total of 320 loss incidents incurred in 2011, the average amount of loss per incident recorded in the central loss database amounted to approximately EUR 5,100 (not included in the central loss database are provisions set up for losses for which the concrete amount has not yet been determined).

45) Liquidity risk

The liquidity risk (or refinancing risk) is the risk that the Bank will not be able to meet its payment obligations at all times or will have to raise additional funding at increased cost.

The liquidity risk comprises the insolvency risk and the liquidity spread risk. The insolvency risk or liquidity risk in the narrower sense is defined as the risk that the Bank will be unable to satisfy its current and future payment obligations in full and in a timely manner. The insolvency risk includes the maturity risk (that the receipt of agreed payments, e.g. loan repayments, will be delayed, leading to a liquidity shortage), the call risk (the risk of customers prematurely or unexpectedly making calls on deposits or credit commitments) and the rollover risk (the risk of an inability to fund follow-up financing arrangements for long-term asset-side positions). In addition to risks potentially liable to trigger insolvency, there is the risk that the funding required for follow-up refinancing arrangements will have to be raised at elevated market rates (spreads) and thus cause a reduction of profits (liquidity spread risk).

The primary objective of Oberbank's liquidity management is:

- to ensure that the Bank is solvent at all times, and
- to optimise the Bank's refinancing structure in terms of risk and results.

Oberbank has traditionally and steadfastly adhered to the principle of ensuring that the Bank's entire lending volume can be refinanced from primary deposits by customers and assistance funds made available by Oesterreichische Kontrollbank, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. This principle is invariably valid. On 31 December 2011 the loan/deposit ratio stood at 88.9% (previous year: 87.8%).

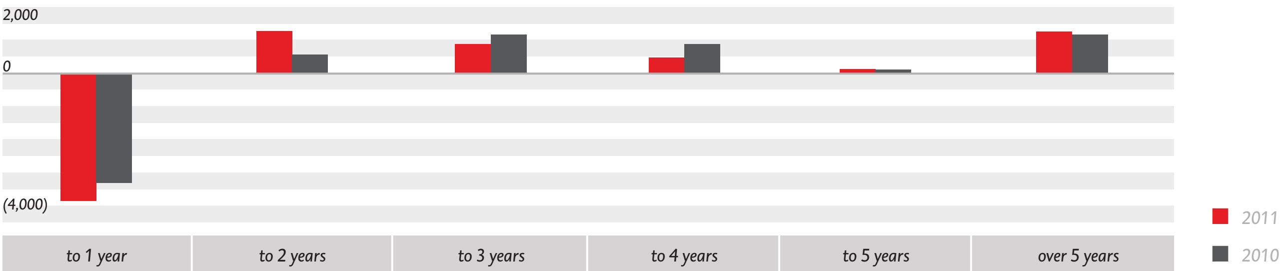
Furthermore, Oberbank holds extensive liquidity reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks.

The responsibility for managing short-term liquidity lies with the Global Financial Markets department, which is also responsible for the Bank's compliance with regulatory provisions. The Accounts and Controlling department calculates a 30-days-forward liquidity gap analysis including the available risk buffer, thus determining the limit for the purpose of day-to-day liquidity management. The liquidity gap analysis shows Oberbank's net cash outflows on a daily basis. The liquidity buffer includes all available and non-utilised bonds and securities eligible for repo transactions at the respective point in time. The accumulated net outflows must not exceed the limit in this 30-day period.

30-days forward liquidity gap analysis as at 31/12/2011 and 31/12/2010 in €m

The Bank's long-term, strategic liquidity is managed by the Management Board and the Asset/Liability Management Committee. The Accounts and Controlling department is responsible for reporting. A comprehensive liquidity gap analysis that presents payment flows resulting from banking products per maturity band is drawn up for the purpose of medium and long term liquidity risk management.

Medium to long term liquidity gap analysis as at 31/12/2011 and 31/12/2010 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 4.0 billion (previous year: EUR 3.6 billion) as at the end of the first year. Liquid assets, in comparison, amounted to EUR 2.6 billion. These can be deposited with the ECB and the OeNB at any time for repo transactions serving the procurement of liquidity. Hence, taking into account available refinancing options, the refinancing requirement at the end of a period of one year stood at EUR 1.4 billion as at 31 December 2011. This corresponds to a funding ratio of 79.6% and is hence clearly better than the internally fixed limit of 70% (corresponding to a refinancing requirement of EUR 2 billion).

The following table shows the maturity structure of securities and liabilities eligible for use as collateral:

in €k	Up to 1 month	1 – 12 months	1 – 5 years	Over 5 years
Securities and liabilities eligible for use as collateral	67,758	445,183	1,750,182	976,499

The calculation of liquidity gaps is based on contractual cash flows excluding interest. Assumptions are made for positions without a defined maturity for the repayment of the principal (e.g. sight deposits are shown as rolling three-month positions, other assets/liabilities as rolling long-term positions and equity as long-term positions).

Furthermore, stress scenarios are calculated to illustrate the effects of liquidity crises. Specifically, the scenarios "deterioration in reputation", "market crisis" and a worst case combining both these factors are simulated. An emergency plan is in place for extreme market conditions.

46) Other risks

The category Other risks covers risks which are classified as non-material within the framework of the business model of Oberbank and which are not separately provided for by allocating a share in total available capital. Any such risks are covered by the Bank's general risk buffer.

The category Other risks specifically includes the following banking risks:

- Business risks are risks that result from unexpected changes in earnings due to a change in the general business environment (e.g. lower earnings that cannot be offset by a proportionate reduction of expenses, a change in the competitive environment, a change in customer behaviour, and the impact of technological progress).
- Reputational risks result from negative publicity impairing the reputation of a bank in the eyes of the general public. A loss of reputation (e.g. with customers, business partners, shareholders, public authorities) and the associated loss of confidence may entail a decline of earnings or losses.
- Legal risks comprise the risk of losses that may result from unfavourable changes in existing legal regulations or their interpretation. Such legal risks may be prevented or limited through the use of internationally recognised standard contracts as well as by obtaining legal opinions.
- Strategic risks result from failure to meet long-term corporate goals based on underlying business assumptions or due to a change in the general business environment. Such risks may be avoided or reduced by continuous observation of the market and competitive conditions as well as by rolling strategic planning with continual adjustments to the market environment.

47) Risk report – summary

At Oberbank, risk management is an integral part of the Bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for the Bank's risk management lies with the Management Board of Oberbank AG. Management competences as well as the share of available economic capital allocated to a specific risk (limits) or predefined management and control processes are specified for every material risk within the Oberbank Group.

48) Total outstanding derivative financial instruments (as at 31/12/2011 and previous year)

	Nominal			2011			2010		
	Residual maturity			Nominal	Fair values		Nominal	Fair values	
in €k	To 1 yr	1-5 yrs	> 5 yrs	Total	Positive	Negative	Total	Positive	Negative
Interest rate contracts									
Interest rate options									
Call	19,954	174,829	106,701	301,484	3,342		396,682	14,922	
Puts	1,946	171,465	99,987	273,398		(3,127)	369,823		(13,779)
Swaptions									
Call	6,500	4,000		10,500	929		10,500	768	
Puts	6,500	4,000		10,500		(929)	10,500		(768)
Interest rate swaps									
Call	967,788	946,921	875,620	2,790,329	126,620	(4,680)	3,262,269	56,332	(14,814)
Puts	71,600	360,453	271,558	703,611	840	(35,273)	596,214	1,283	(21,966)
Bond options									
Call									
Puts	60,000			60,000		(446)	80,000		(1,842)
Futures options									
Call							1,500	10	
Puts									
Currency contracts									
Currency options									
Call	52,821	5,666	5,861	64,348	3,591		122,360	6,097	
Puts	52,946	5,666	5,861	64,473		(3,593)	118,024		(6,099)
Currency forwards									
Call	2,227,856	71,169		2,299,025	47,652		2,007,991	47,972	(7,995)
Puts	2,200,237	70,913		2,271,150		(19,815)	1,973,039	11,707	(16,537)
Securities contracts									
Equity options									
Call		9,330		9,330	0		10,240	679	
Puts		9,330		9,330		0	11,640		(684)

Fair values were calculated using generally accepted price models, with measurements being made under market conditions. The fair values of symmetrical products (interest rate swaps, forwards exchange deals) were measured applying present values on a clean price basis. Calculations were based on Reuters yield curves. The rates of exchange employed were the reference rates published by the ECB. The fair values of asymmetrical products were calculated using the Black-Scholes option price model. Options were valued using implicit volatilities.

49) Letters of comfort on behalf of subsidiaries

Oberbank AG will strive that the following companies are able to fulfil their contractual obligations:

Other finance companies
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz

Property companies
»AM« Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz
»LA« Gebäudevermietung und Bau - Gesellschaft m.b.H., Linz
»SG« Gebäudevermietungsgesellschaft m.b.H., Linz
»VB« Gebäudeerrichtungs- und -vermietungsgesellschaft m.b.H., Linz
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz

Disclosures required by Austrian law

50) Consolidated equity

Consolidated equity was made up of the paid-in capital of Group parent Oberbank AG (share capital plus capital reserves) and earned capital (the Group's retained earnings plus consolidated net profit for the year).The parent's equity came to EUR 987.4 million (previous year: EUR 922.0 million), EUR 86.3 million (previous year: EUR 86.3 million) of which were share capital. As Oberbank AG distributes dividends on the basis of Austrian law, only part of the equity measured in accordance with the Austrian Enterprise Code (UGB)/Austrian Banking Act (BWG) was distributable, namely net profit, unappropriated retained earnings and the unappropriated capital reserve. For 2011, a maximum of EUR 480.8 million would be distributable. Net distributable profit amounts to EUR 14.5 million.

51) Human resources

Averaged over the year, the Oberbank Group had the following human resources in 2011:

	2011	2010
Salaried	2,054	1,996
Blue-collar	21	22
Total resources	2,075	2,018

52) Breakdown of securities holdings pursuant to the Austrian Banking Act (BWG) in €k

	Unlisted	Listed	Measured like non-current assets	Other	Total
Bonds and other fixed-interest securities	261,486	3,260,094	2,557,492	964,088	3,521,580
Stocks and other variable-yield securities	150,352	113,684	74,032	190,004	264,036
Equity investments	66,145	202,814	268,959	0	268,959
Interest in subsidiaries	478,130	0	478,130	0	478,130
	956,113	3,576,592	3,378,613	1,154,092	4,532,705

53) Consolidated own funds and regulatory own funds requirement

Eligible own funds pursuant to Section 24 of the Austrian Banking Act (BWG) in €k

Composition	2011	2010	Change	+/- %
1. Core capital				
Share capital	86,349	86,349	0	0.0
Holdings of Oberbank AG shares	(401)	(179)	(222)	> 100.0
Disclosed reserves	886,531	821,165	65,366	8.0
Minorities	1,511	1,448	63	4.4
Goodwill arising due to capital consolidation	4,320	(2,568)	6,888	> (100.0)
Goodwill arising due to use of the equity method	114,100	48,833	65,267	> 100.0
Hybrid capital	79,000	79,000	0	0.0
Deductions of intangible assets	(3,806)	(5,355)	1,549	(28.9)
Total core capital (Tier 1)	1,167,604	1,028,693	138,911	13.5
Core capital ratio	11.51%	10.50%	1.01 ppt	9.6
2. Supplementary own funds (Tier 2)				
Eligible supplementary capital bonds	467,748	494,351	(26,603)	(5.4)
Revaluation reserves (already comprising 45% of undisclosed reserves)	85,245	146,937	(61,692)	(42.0)
Subordinated bonds (suppl. capital below 3y maturity)	33,139	42,391	(9,252)	(21.8)
Total supplementary own funds (Tier 2)	586,132	683,679	(97,547)	(14.3)

Composition	2011	2010	Change	+/- %
3. Tier 3 capital				
Addition of an amount not exceeding subordinated bonds eligible for Tier 2	1,756	2,772	(1,016)	(36.7)
Total Tier 3 capital	*1,756*	*2,772*	*(1,016)*	*(36.7)*
4. Deductions				
Deduction of interest in banks/other FIs of over 10%	(82,364)	(80,045)	(2,319)	2.9
Deduction of interest in banks/other FIs of up to 10%	0	0	0	0.0
Total own funds	*1,673,128*	*1,635,099*	*38,029*	*2.3*
of which: own funds pursuant to Section 23 (14) no. 7 BWG	1,756	2,772	(1,016)	(36.7)
Own funds ratio	*16.49%*	*16.69%*	*(0.20 ppt)*	*(1.2)*
Own funds requirement				
Credit risk purs. to Section 22 (2) BWG	811,182	783,354	27,829	3.6
Trading book purs. to Section 22o (2) BWG	1,756	2,772	(1,016)	(36.7)
Operational risk purs. to Section 22k BWG	62,179	59,198	2,981	5.0
Qualified investments purs. to Section 29 (4) BWG	0	0	0	0.0
Total own funds requirement	*875,117*	*845,324*	*29,794*	*3.5*
Unappropriated own funds	*798,011*	*789,775*	*8,235*	*1.0*
Basis for the calculation of the reserve and the ratios				
Assessment basis for the credit risk pursuant to Section 22 (2) BWG	10,139,781	9,791,920	347,861	3.6
Specific position risk of the trading book pursuant to Section 22o nos. 1, 3, 6 BWG	6,438	3,863	2,575	66.7
Total basis of assessment	*10,146,219*	*9,795,783*	*350,436*	*3.6*

54) Other disclosures required by the Austrian Banking Act (BWG) and the Austrian Enterprise code (UGB)

A nominal total of EUR 297.2 million of bonds issued by Oberbank will mature during the financial year 2012. As at 31 December 2011, no subordinated borrowings individually exceeded 10% of aggregate subordinated liabilities. Other subordinated borrowings individually coming to 10% or less of aggregate subordinated liabilities totalled €k 723,300.9 (nominal). They included supplementary capital subject to interest rates of 1.853% to 7.4% and maturities in the years 2012 to 2021 as well as four issues with indefinite maturity. The Company incurred €k 26,194.2 in expenses on subordinated liabilities in the year under review. Applying market prices, the trading book was valued at a total of EUR 75.5 million as at 31 December 2011. That total comprised securities (fair value) totalling EUR 15.1 million and other financial instruments (fair value) totalling EUR 60.4 million. The lease portfolio was worth EUR 927.6 million on 31 December 2011.

Expenses for the auditor amounted to €k 485.2 (incl. VAT and incl. subsidiaries). Of this total, the audit of the annual financial statements accounted for the sum of €k 482.8 and €k 2.4 were expended for other audit services.

55) List of equity investments required by the Austrian Enterprise Code (UGB)

As at 31 December 2011 the Company held stakes of 20% or more in:

	Method of inclusion K [*)]	Share in capital [5)] Direct in %	Total in %	Equity [3)] in €k	Profit (loss) in most recent financial year [4)] in €k	Financial statements
a) Direct investments						
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
„Gesfö“ Gemeinnützige Bau- und Siedlungsgesellschaft m.b.H., Vienna [1) 6)]	N	74.00	74.00			
„LA“ Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
„SG“ Gebäudevermietungsgesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
„SP“ Bau- und Gebäudevermietungs-gesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
„VB“ Gebäudeerrichtungs- und -vermietungsgesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz [6)]	N	20.57	20.57			
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	3,856	0	2011
Beteiligungsverwaltung Gesellschaft m.b.H., Linz [6)]	N	40.00	40.00			
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz [1) 2) 6)]	N	100.00	100.00			
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim [6)]	N	49.00	49.00			
BKS Bank AG, Klagenfurt	E	18.52	20.05	393,518	31,162	2010
Buy-Out Central Europe II Beteiligungs-Invest AG, Vienna [6)]	N	24.85	24.85			
COBB Beteiligungen und Leasing GmbH, Vienna [6)]	N	20.25	20.25			
Drei-Banken Versicherungs-Aktiengesellschaft, Linz	E	40.00	40.00	20,252	578	2011
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz [6)]	N	40.00	40.00			
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg [6)]	N	33.15	33.15			
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg [1) 6)]	N	58.70	58.70			
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein [6)]	N	32.62	32.62			
Ober Finanz Leasing gAG, Budapest [1)]	V	1.00	100.00	684	446	9/2011
Ober Immo Truck gAG, Budapest [1)]	V	1.00	100.00	470	165	9/2011
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest [1)]	V	1.00	100.00	286	(213)	9/2011
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
Oberbank Hybrid 1 GmbH, Linz [1)]	V	100.00	100.00	150	38	2011
Oberbank Hybrid 2 GmbH, Linz [1)]	V	100.00	100.00	157	31	2011
Oberbank Hybrid 3 GmbH, Linz [1)]	V	100.00	100.00	58	9	2011
Oberbank Hybrid 4 GmbH, Linz [1)]	V	100.00	100.00	55	8	2011
Oberbank Hybrid 5 GmbH, Linz [1)]	V	100.00	100.00	31	(2)	2011
Oberbank Immobilien Leasing GmbH Bayern, Neuötting [1)]	V	6.00	100.00	2,081	29	9/2011
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz [1) 6)]	N	100.00	100.00			
OBERBANK LEASING GESELLSCHAFT MBH., Linz [1) 2)]	V	100.00	100.00	210,660	(6,960)	9/2011

	Method of inclusion K *)	Share in capital 5) Direct in %	Total in %	Equity 3) in €k	Profit (loss) in most recent financial year 4) in €k	Financial statements
Oberbank Leasing Inprox Znojmo s.r.o., Prague 1)	V	10.00	100.00	1,768	47	9/2011
Oberbank Leasing KIKA, s.r.o., Prague 1)	V	10.00	100.00	7	52	9/2011
Oberbank Leasing KIKA, s.r.o., Bratislava 1)	V	5.00	100.00	9	(6)	9/2011
Oberbank Leasing s.r.o., Bratislava 1)	V	0.10	100.00	1,508	1,398	9/2011
Oberbank Leasing spol. s.r.o., Prague 1)	V	1.00	100.00	16,011	341	9/2011
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT, m.b.H., Linz 1) 2) 6)	N	100.00	100.00			
Oberbank PE Holding GmbH, Linz 1) 6)	N	100.00	100.00			
Oberbank Unternehmensbeteiligung GmbH, Linz 1) 6)	N	100.00	100.00			
Oberbank V-Investholding GmbH, Linz 1) 6)	N	100.00	100.00			
OBK Slovakia Project s.r.o., Bratislava 1) 6)	N	15.00	100.00			
OÖ HightechFonds GmbH, Linz 6)	N	24.08	24.08			
Samson České Budějovice spol. s.r.o., Budweis 1) 6)	N	100.00	100.00			
TZ-Vermögensverwaltungs GmbH, Linz 1) 6)	N	100.00	100.00			
b) Indirect investments						
ABG Anlagenverwertungs- und Beteiligungs - Gesellschaft m.b.H. & Co. OHG, Vienna 6)	N		20.25			
„ACTIVITAS“ Vermögensverwaltungsgesellschaft m.b.H., Linz 6)	N		50.00			
AE Beteiligungsverwaltungs GmbH, Vienna 6)	N		24.85			
Atterbury S.A., Luxembourg 6)	N		22.92			
„ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz 1) 6)	N		100.00			
3-Banken Beteiligung Gesellschaft m.b.H., Linz 6)	N		40.00			
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck 6)	N		40.00			
B.A.O. Immobilienvermietungs GmbH, Vienna 6)	N		33.33			
Cycleenergy Beteiligungs GmbH, Vienna 6)	N		26.28			
Duktus S.A., Luxembourg 6)	N		32.45			
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz 6)	N		36.65			
Kontext Druckerei GmbH, Linz 6)	N		25.20			
LHL Immobilien Beteiligungs-GmbH, Linz 6)	N		50.00			
MY Fünf Handels GmbH, Vienna 6)	N		50.00			
Oberbank airplane Leasing GmbH, Linz 1)	V		100.00	35	302	9/2011
Oberbank Eugendorf Immobilienleasing GmbH, Linz 1)	V		100.00	35	36	9/2011
Oberbank Goldkronach Beteiligungs GmbH, Neuötting 1)	V		100.00	22	(2)	9/2011
Oberbank Gumpoldskirchen Immobilienleasing GmbH, Linz 1)	V		100.00	35	(1)	9/2011
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting 1)	V		100.00	25	393	9/2011
Oberbank Immobilie-Bergheim Leasing GmbH, Linz 1)	V		95.00	1,278	43	9/2011
Oberbank Immobilien Holding GmbH, Linz 1) 6)	N		100.00			

	Method of inclusion K [*]	Share in capital [5] Direct in %	Total in %	Equity [3] in €k	Profit (loss) in most recent financial year [4] in €k	Financial statements
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz [1]	V		100.00	741	1,229	9/2011
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting [1]	V		6.00	17	3	9/2011
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz [1] [6]	N		100.00			
Oberbank Inzersdorf Immobilienleasing GmbH, Linz [1]	V		100.00	35	78	9/2011
Oberbank KB Leasing Gesellschaft m.b.H., Linz [1]	V		79.86	209	141	9/2011
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting [1]	V		6.00	597	15	9/2011
Oberbank Leasing GmbH Bayern, Neuötting [1]	V		100.00	6,694	3,596	9/2011
Oberbank Leasing Inprox Misk GmbH, Budapest [1]	V		100.00	58	(139)	9/2011
Oberbank Leasing JAF HOLZ, s.r.o., Prague [1]	V		95.00	3,398	156	9/2011
Oberbank LIV Immobilienleasing GmbH, Linz [1]	V		100.00	5,181	137	9/2011
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz [1]	V		99.80	35	133	9/2011
Oberbank Operating Mobilienleasing GmbH, Linz [1]	V		100.00	35	493	9/2011
Oberbank Operating OPR Immobilienleasing GmbH, Linz [1]	V		100.00	35	89	9/2011
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz [1] [2] [6]	N		100.00			
Oberbank PE Beteiligungen GmbH, Linz [1] [6]	N		100.00			
Oberbank Pernau Immobilienleasing GmbH, Linz [1]	V		100.00	35	58	9/2011
Oberbank Riesenhof Immobilienleasing GmbH, Linz [1]	V		100.00	35	32	9/2011
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz [1]	V		100.00	35	50	9/2011
Oberbank Vertriebsservice GmbH, Linz [1] [6]	N		100.00			
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz [1]	V		100.00	168	211	9/2011
OBK Ahlten Immobilien Leasing GmbH, Neuötting [1]	V		94.00	1,000	109	9/2011
OBK München 1 Immobilien Leasing GmbH, Neuötting [1]	V		100.00	27	294	9/2011
OBK München 2 Immobilien Leasing GmbH, Neuötting [1]	V		100.00	27	(1)	9/2011
OBK München 3 Immobilien Leasing GmbH, Neuötting [1]	V		100.00	28	(2)	9/2011
Opportunity Beteiligungs AG, Linz [1] [6]	N		100.00			
POWER TOWER GmbH, Linz [1]	V		99.00	70	82	9/2011
Techno-Z Braunau Technologiezentrum GmbH, Braunau [6]	N		21.50			
Tuella Finanzierung GmbH, Vienna [1]	V		100.00	182,463	2,342	9/2011
Wohnwert GmbH, Salzburg [1] [6]	N		100.00			
VMS Beteiligung Fünf GmbH, Vienna [6]	N		38.44			

K*) Method of inclusion in the consolidated financial statements
V = Consolidated
Q = Accounted for by proportionate consolidation
E = Accounted for using the equity method
N = included in the consolidated financial statements pursuant to IAS 27 in conjunction with Framework 29
1) Subsidiary
2) Profit transfer agreement in place
3) Includes untaxed reserves
4) Profit (loss) for the year within the meaning of Section 231 (2) no. 22 of the Austrian Enterprise Code (UGB)
5) Indirect investments in banks and other financial institutions were measured in accordance with Section 30 of the Austrian Banking Act (BWG), direct investments in other companies were measured in accordance with the Austrian Enterprise Code (UGB)
6) Use was made of Section 241 (2) of the Austrian Enterprise Code (UGB)

Closing remarks by the Management Board of Oberbank AG

The Management Board of Oberbank AG has prepared the consolidated financial statements as at and for the period ended 31 December 2011 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These consolidated financial statements comply with the legislative requirements for exemption from the preparation of consolidated financial statements in accordance with Austrian law and are in conformity with the applicable EU regulations.

The consolidated financial statements and the Group management report contain all the required disclosures. No events of material importance occurred after the end of the financial year.

Declaration in Accordance with Section 82(4) of the Austrian Stock Exchange Act (BörseG)

Statement by all the Company's legal representatives:

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group presents the business trends, including business results and the position of the Group, in such a way as to provide a true and fair view of the financial position and performance of the Group and that it describes the material risks and uncertainties to which the Group is exposed.

Linz, 1 March 2012
The Management Board

CEO
Franz Gasselsberger,
Chairman of the Management Board
Remit: Corporate and Business Customers

Director
Josef Weissl
Remit: Personal Banking

Director
Florian Hagenauer
Remit: Overall Banking Risk Management

Report on the consolidated financial statements

We audited the attached consolidated financial statements of Oberbank AG, Linz, for the financial year from 1 January to 31 December 2011 together with the accounting records. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ended 31 December 2011 as well as the notes to the consolidated financial statements.

The legal representatives' responsibility in respect of the consolidated financial statements and the accounting records

The responsibility for the Group's accounting records as well as for the preparation of consolidated financial statements that present fairly in all material respects the assets and financial position of the Group and the results of its operations in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union lies with the Company's legal representatives. This responsibility encompasses: designing, implementing and maintaining an internal control system insofar as this is material to the preparation of consolidated financial statements and to presenting fairly in all material respects the assets and financial position of the Group and the results of its operations so that such consolidated financial statements are free from material misstatement, whether because of intended or unintended errors; the selection and application of suitable recognition and measurement policies; and the making of estimates that, given the prevailing circumstances, seem appropriate.

The auditors' responsibility and description of type and scope of the statutory audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legislative provisions in force in Austria and the International Standards on Auditing (ISAs) published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). These principles require that we adhere to the rules of our profession and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves audit procedures undertaken in order to obtain evidence of the amounts and other statements in the consolidated financial statements. The choice of audit actions is made at the Group auditor's due discretion taking account of such auditor's assessment of the risk of occurrence of material misstatement, whether because of intended or unintended errors. When carrying out this risk assessment, the auditor considers the internal control system to the extent that it is material to the preparation of consolidated financial statements and to presenting fairly in all material respects the assets and financial position of the Group and the results of its operations so as to choose suitable audit actions given the prevailing circumstances, but not in order to express an audit opinion on the effectiveness of the Group's internal control system. The audit also included assessing the suitability of the recognition and measurement policies employed and material estimates made by the legal representatives as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and suitable audit evidence so that our audit provides an adequately reliable basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of the audit, the consolidated financial statements comply with the legislative provisions and present fairly in all material respects the assets and financial position of the Group as at 31 December 2011 and the results of its operations and cash flows during the financial year from 1 January to 31 December 2011 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Statements on the Group management report

According to the legislative provisions in force in Austria, the Group management report must be audited to ascertain whether it is consistent with the consolidated financial statements and to ensure that the other statements in the Group management report do not give a false view of the Group's position. The auditor's opinion must also contain a statement as to whether the Group management report is in agreement with the consolidated financial statements and whether or not the provisions pursuant to Article 243a of the Austrian Enterprise Code (UGB) are applicable.

In our opinion, the Group management report is consistent with the consolidated financial statements. The provisions of Article 243a of the Austrian Enterprise Code (UGB) are applicable.

Linz, 1 March 2012

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Martha Kloibmüller
Certified Public Accountant

Peter Humer
Certified Public Accountant

Proposed Appropriation of Profit

The amount of the profit available for distribution is determined on the basis of the separate annual financial statements of Oberbank AG, the parent company. Profit for the 2011 financial year at the level of Oberbank AG came to a total of EUR 79.7 million. After the allocation of EUR 65.4 million to reserves and including the profit brought forward of EUR 0.2 million, the profit available for distribution amounted to EUR 14.5 million. Subject to approval by the Annual General Meeting, the Management Board proposes that a dividend of EUR 0.50 per entitled share be paid on the share capital of EUR 86.3 million. As the number of shares is 28,783,125, the total amount of the proposed dividend is EUR 14,391,562.50. Moreover, the Management Board proposes that the balance of EUR 94,984.13 be carried forward to new account

Linz, 1 March 2012
The Management Board

CEO
Franz Gasselsberger, Chairman

Director
Josef Weissl

Director
Florian Hagenauer

During the 2011 financial year, the Supervisory Board performed, at four meetings (once each quarter), the scrutiny required of it by the provisions of the Austrian Joint Stock Companies Act (AktG), and it called upon the Management Board to report regularly on the business situation and on important business transactions both in writing and verbally. In addition, the Supervisory Board's Working Committee and Credit Committee continually scrutinised and ruled upon transactions for which their approval was required.

The Audit Committee met twice in the reporting year. The Audit Committee regularly examined the internal control system and obtained reports on the efficiency of the existing risk management systems, the accounting process and the work of the Internal Audit department.

The Remuneration Committee met once in the reporting year, focusing on the adequate implementation of the compensation rules pursuant to Article 39b of the Austrian Banking Act (BWG). The Remuneration Committee decided on compensation guidelines and the parameters governing their implementation in a resolution passed on 17 February 2011, and reported thereon to the Supervisory Board as a whole at its meeting on 28 March 2011.

In a letter dated 4 November 2011, the Nomination Committee submitted a proposal to the Supervisory Board that the mandate of CEO Franz Gasselsberger, which is to expire on 13 May 2012, be extended for a further five years. The Supervisory Board as a whole unanimously approved this extension and resolved to extend the Management Board mandate of CEO Franz Gasselsberger until 13 May 2017.

Furthermore, the Chairman of the Supervisory Board was in regular contact with the Chairman of the Management Board to discuss the Company's strategy, business development and risk management activities. The general economic environment, in particular the international sovereign debt crisis and its impacts, were taken up and discussed as a central topic by the Supervisory Board. The Management Board informed the Supervisory Board both orally and in writing about material events and their effects on Oberbank.

At all its meetings, the Supervisory Board performed the tasks that are incumbent upon it by virtue of the law and the Articles of Association in compliance with the Austrian Code of Corporate Governance. During the year under review, all members of the Supervisory Board were able to personally attend more than half of the Supervisory Board's meetings.

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the annual financial statements of Oberbank AG for 2011 and the Group management report. The audit did not give rise to any objections and the legal requirements were fully complied with; therefore the auditors expressed their unqualified opinion.

At its meeting on 29 March 2012, the Audit Committee examined the annual financial statements, the Group management report and the corporate governance report of Oberbank AG and reported thereon to the Supervisory Board. The Supervisory Board has endorsed the findings of the audit, expresses its approval of the annual financial statements together with the Group management report as submitted by the Management Board, inclusive of the proposed appropriation of profit and the corporate governance report and approves the annual financial statements for 2011, which are thus final for the purposes of Section 96(4) of the Joint Stock Companies Act (AktG).

Tradition creates breadth of vision.

Hermann Bell,
Chairman of the Supervisory Board
of Oberbank AG

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2011, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Group management report, prepared in accordance with the provisions of the Austrian Enterprise Code (UGB). The audit did not give rise to any objections and the legislative requirements were satisfied. It is the opinion of the Bank's auditors that the consolidated financial statements present fairly the assets and financial position of the Group as at 31 December 2011 and the results of its operations and cash flows during the financial year from 1 January to 31 December 2011 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The auditors confirm that the Group management report is consistent with the consolidated financial statements and that the legislative prerequisites for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been satisfied.

During its meeting on 29 March 2012, the Audit Committee examined the consolidated financial statements and reported thereon to the Supervisory Board. The Supervisory Board concurs with the findings of the audit.

At this meeting, the Audit Committee also examined and approved the Management Board's proposal that a dividend of EUR 0.50 per share be distributed out of the net profit for 2011 of EUR 14.5 million and that the balance be carried forward to new account, and reported thereon to the Supervisory Board.

The agenda of the Annual General Meeting on 24 May 2011 included the appointment of two new Supervisory Board members following the death of Supervisory Board Member Franz Peter Doppler in September 2010 and expiry of the period of office of Birgitte Engleder. Helga Rabl-Stadler and Ludwig Andorfer were newly appointed to the Supervisory Board. The mandates of Heimo Penker and Wolfgang Eder were extended.

The Supervisory Board thanks the Management Board, management and staff for their dedication and for Oberbank's good results in the reporting year. The Supervisory Board recognises as outstanding achievements the Bank's establishment of eight new branches, the fact that the Bank's business performance was clearly above the Austrian banking industry average, and the substantial increase of the Bank's core capital ratio, which is a key factor in determining the credit rating of Oberbank.

Linz, 29 March 2012
The Supervisory Board

Hermann Bell
Chairman of the Supervisory Board

Supervisory Board

Chairman
Hermann Bell

Vice Chairmen
Heimo Penker
Peter Gaugg

Members
Ludwig Andorfer (from 24 May 2011)
Luciano Cirinà
Wolfgang Eder
Birgitte Engleder (until 24 May 2011)
Waldemar Jud
Christoph Leitl
Helga Rabl-Stadler (from 24 May 2011)
Peter Mitterbauer
Karl Samstag
Herbert Walterskirchen
Norbert Zimmermann

Staff representatives
Wolfgang Pischinger, Chairman of the Central Staff Council of Oberbank AG
Peter Dominici
Roland Schmidhuber
Elfriede Höchtel
Alois Johann Oberschmidleitner (until 28 March 2011)
Josef Pesendorfer
Armin Burger
Herbert Skoff (from 28 March 2011)

State Commissioners

Marian Wakounig, State Commissioner, appointed as of 1 August 2007
Edith Wanger, Deputy State Commissioner, appointed as of 1 July 2002

Management Board

Franz Gasselsberger, CEO and Chairman of the Management Board
Ludwig Andorfer, Deputy CEO (until 30 April 2011)
Josef Weissl, Director
Florian Hagenauer, Director

Organisational Structure of Oberbank

Management Board

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Director
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Director
Florian Hagenauer
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Payment Systems and Operational Services
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Corporate Secretary and Communications
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Compliance Officer
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Real estate services

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Private equity and mezzanine finance

Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz
Roland Leitinger
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3 Banken joint ventures

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DREI-BANKEN-EDV Gesellschaft m.b.H., Linz
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3 Banken-Generali Investment-Gesellschaft m.b.H., Linz
Alois Wögerbauer
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Head Office

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Phone: ++43-732-78 02-0
Telefax: ++43-732-78 02-2140

Principal branches and affiliated branches

Please log on to www.oberbank.at for phone and fax numbers and e-mail addresses of branches.

Austria


Günther Ott

Hauptplatz principal branch, Linz

A-4010 Linz, Hauptplatz 10 – 11
Günther Ott
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Affiliated branches:

A-4020 Linz – Donaulände, Untere Donaulände 28
A-4040 Linz – Dornach, Altenberger Strasse 9
A-4020 Linz – Froschberg, J.-Seb.-Bach-Strasse 26
A-4040 Linz – Harbach, Leonfeldner Strasse 75 a
A-4020 Linz – Stadthafen, Industriezeile 56
A-4040 Linz – Urfahr, Hinsenkampplatz 1
A-4070 Eferding, Stadtplatz 32
A-4240 Freistadt, Linzer Strasse 4
A-4210 Gallneukirchen, Hauptstrasse 12
A-4060 Leonding, Mayrhansenstrasse 13
A-4100 Ottensheim, Hostauerstrasse 87
A-4320 Perg, Herrenstrasse 14
A-4150 Rohrbach, Stadtplatz 16


Johann Fuchs

Landstrasse principal branch, Linz

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Johann Fuchs
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Affiliated branches:

A-4030 Linz – Auwiesen, Wüstenrotplatz 4
A-4020 Linz – Bindermichl, Hatschekstrasse 1
A-4020 Linz – Chemie, Buchnerplatz 1
A-4020 Linz – Franckstrasse, Franckstrasse 42
A-4030 Linz – Kleinmünchen, Wiener Strasse 392

A-4020 Linz – Muldenstrasse, Muldenstrasse 31
A-4020 Linz – Neue Heimat, Wegscheider Strasse 1 – 3
A-4020 Linz – Weissenwolffstrasse, Weissenwolffstrasse 1
A-4020 Linz – Wiener Strasse, Wiener Strasse 32
A-4470 Enns, Hauptplatz 9
A-4053 Haid, Hauptplatz 27
A-4400 Steyr – Ennsleite, Arbeiterstrasse 19
A-4400 Steyr – Münichholz, Punzerstrasse 14
A-4400 Steyr – Stadtplatz, Stadtplatz 25
A-4400 Steyr – Tabor, Ennser Strasse 2
A-4050 Traun, Linzerstrasse 12
A-4050 Traun – St. Martin, Leondinger Strasse 2


Manfred Seidl

Salzburg principal branch

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A-5020 Salzburg – Alter Markt, Alter Markt 4
A-5020 Salzburg – Lehen, Ignaz-Harrer-Strasse 40 a
A-5020 Salzburg – Liefering, Münchner Bundesstrasse 106
A-5020 Salzburg – Maxglan, Neutorstrasse 52
A-5020 Salzburg – Schallmoos, Sterneckstrasse 55
A-5020 Salzburg – Südtirolerplatz, Südtirolerplatz 6
A-5020 Salzburg – Taxham, Etrichstrasse 3
A-5640 Bad Gastein, Böcksteiner Bundesstrasse 1
A-5630 Bad Hofgastein, Kurgartenstrasse 27
A-5500 Bischofshofen, Bodenlehenstrasse 2 – 4
A-4890 Frankenmarkt, Hauptstrasse 102
A-5400 Hallein, Robertplatz 4
A-5310 Mondsee, Rainerstrasse 14
A-5760 Saalfelden, Leoganger Strasse 16
A-5201 Seekirchen, Bahnhofstrasse 1


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A-5230 Mattighofen, Stadtplatz 16
A-4780 Schärding, Silberzeile 12

Thomas Eidenberger

Wels principal branch

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A-4600 Wels – Pernau, Linzer Strasse 157 a
A-4600 Wels – Vogelweide, Vogelweiderstrasse 43 a
A-4600 Wels – West, Dragonerstrasse 54
A-4710 Grieskirchen, Pühringerplatz 3
A-4560 Kirchdorf, Bahnhofstrasse 9
A-4550 Kremsmünster, Marktplatz 26
A-4614 Marchtrenk, Linzer Strasse 30
A-4600 Thalheim, Traunufer-Arkade 1

Wolfgang Pillichshammer

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A-4800 Attnang – Puchheim, Dr. Karl-Renner-Platz 2
A-8990 Bad Aussee, Parkgasse 155
A-4820 Bad Ischl, Kaiser-Fr.-Josef-Strasse 4
A-4802 Ebensee, Hauptstrasse 9
A-4663 Laakirchen, Gmundner Strasse 10
A-4860 Lenzing, Atterseestrasse 20
A-4690 Schwanenstadt, Stadtplatz 40
A-4840 Vöcklabruck, Stadtplatz 31 – 33


Ferdinand Ebner

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A-3300 Amstetten, Hauptplatz 1
A-7000 Eisenstadt, Esterhazyplatz 6 a
A-3500 Krems, Sparkassengasse 6
A-2000 Stockerau, Schiessstattgasse 3 a
A-3430 Tulln, Hauptplatz 9
A-3340 Waidhofen a. d. Ybbs, Unterer Stadtplatz 17
A-2700 Wiener Neustadt, Wiener Strasse 25
A-3910 Zwettl, Kuenringer Strasse 3


Andreas Klingan

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Affiliated branches:

A-1090 Wien – Alsergrund, Porzellangasse 25
A-1190 Wien – Döbling, Gatterburggasse 23
A-1210 Wien – Floridsdorf, Brünner Strasse 42
A-1170 Wien – Hernals, Hernalser Hauptstrasse 114
A-1130 Wien – Hietzing, Lainzer Strasse 151
A-1080 Wien – Josefstadt, Josefstädterstrasse 28
A-1020 Wien – Leopoldstadt, Taborstrasse 11 a
A-1230 Wien – Liesing, Lehmanngasse 9
A-1050 Wien – Margareten, Reinprechtsdorfer Strasse 30
A-1070 Wien – Neubau, Neubaugasse 28 – 30
A-1230 Wien – Süd, Laxenburger Strasse 244
A-2500 Baden bei Wien, Beethovengasse 4 – 6
A-3400 Klosterneuburg, Kierlinger Strasse 1
A-2340 Mödling, Hauptstrasse 33
A-2320 Schwechat, Wiener Strasse 3

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South Bavaria principal branch

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D-86150 Augsburg, Maximilianstrasse 55
D-82110 Germering, Therese-Giehse-Platz 2
D-85049 Ingolstadt, Donaustrasse 3
D-84028 Landshut, Altstadt 391
D-84453 Mühldorf am Inn, Brückenstrasse 2
D-85521 Ottobrunn, Rosenheimer Landstrasse 39
D-94032 Passau, Brunngasse 10
D-93047 Regensburg, Zur Schönen Gelegenheit 7
D-83022 Rosenheim, Heilig-Geist-Strasse 5
D-94315 Straubing, Stadtgraben 93
D-85716 Unterschleissheim, Alleestrasse 13
D-82515 Wolfratshausen, Bahnhofstrasse 28

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Affiliated Branches:

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D-96047 Bamberg, Franz-Ludwig-Strasse 7 a
D-95444 Bayreuth, Wölfelstrasse 3 – 5
D-91054 Erlangen, Hauptstrasse 83
D-92318 Neumarkt i.d. Oberpfalz, Ringstrasse 5
D-97421 Schweinfurt, Schultesstrasse 5 – 7
D-92637 Weiden, Sedanstrasse 6
D-97070 Würzburg, Paradeplatz 4

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CZ-16000 Praha 6 – Dejvice, Dejvická 575/35
CZ-17000 Praha 7 – Holešovice, Dukelských hrdinů c. 407/26
CZ-27201 Kladno, Osvobozených politických vězňů čp 339
CZ-60200 Brno, Lidicka 20
CZ-60200 Brno, Trnitá 491/3
CZ-37001České Budějovice, nám. Přemysla Otakara II. 6/3
CZ-50002 Hradec Králové, Gočárova tř. 1096
CZ-38101 Český Krumlov, Panská 22
CZ-29301 Mladá Boleslav, Jaselská 1391
CZ-39701 Písek, Budovcova 2530
CZ-30100 Plzeň, Prešovská 20
CZ-32600 Plzeň – Slovany, nám. Generála Píky 27
CZ-70200 Ostrava, Stodolní 1
CZ-74601 Opava, Masarykova třída 274/27
CZ-39001 Tábor, Pražská tř. 211
CZ-40001 Ústí nad Labem, Hrnčířská 4

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H-4026 Debrecen, Bem tér 14
H-9024 Győr, Hunyadi u. 16
H-6000 Kecskemét, Kisfaludy utca 8
H-9700 Szombathely, Berzsenyi Dániel tér 2

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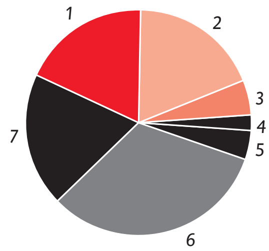
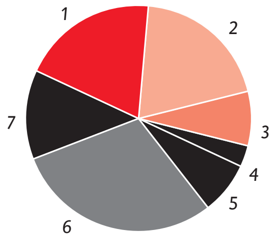
SK-949 01 Nitra, Mostná ulica 70
SK-911 01 Trenčín, Legionárska 4
SK-010 01 Žilina, Jána Kalinčiaka 22

Shareholder Structure of the 3 Banks as at 31/12/2011 by Voting Rights

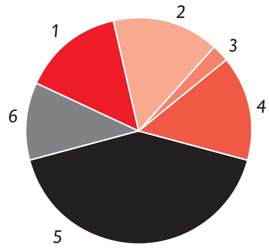
Oberbank	
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck[1]	18.51%
BKS Bank AG, Klagenfurt[2]	18.51%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg[3]	5.13%
Generali 3 Banken Holding AG, Vienna[4]	2.21%
Mitarbeiterbeteiligung[5]	3.98%
CABO Beteiligungsgesellschaft m. b. H., Vienna[6]	32.54%
Free float[7]	19.12%



BKS	
Oberbank AG, Linz[1]	19.54%
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck[2]	19.65%
Generali 3 Banken Holding AG, Vienna[3]	7.88%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg[4]	3.11%
UniCredit Bank Austria AG, Vienna[5]	7.46%
CABO Beteiligungsgesellschaft m. b. H., Vienna[6]	29.64%
Free float[7]	12.72%



BTV	
Oberbank AG, Linz[1]	14.69%
BKS Bank AG, Klagenfurt[2]	15.10%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg[3]	2.53%
Generali 3 Banken Holding AG, Vienna[4]	15.12%
CABO Beteiligungsgesellschaft m. b. H., Vienna[5]	41.70%
Free float[6]	10.86%



A syndicate agreement is in place with each of the shareholders depicted in shades of red.

Key Figures of the 3 Banks

Income statement in €m	Oberbank Group 2011	Oberbank Group 2010	BKS Bank Group 2011	BKS Bank Group 2010	BTV Group 2011	BTV Group 2010
Net interest income	341.7	318.9	150.4	143.6	164.6	146.6
Charges for losses on loans and advances	(97.6)	(103.8)	(33.2)	(47.6)	(37.1)	(42.1)
Net commission income	104.5	101.2	42.3	42.5	42.5	43.3
Administrative expenses	(229.5)	(220.7)	(91.5)	(91.5)	(94.8)	(90.9)
Profit for the year before tax	126.0	114.5	38.6	53.6	64.7	61.8
Consolidated net profit	111.2	98.4	36.4	46.4	53.5	49.2
Balance sheet in €m						
Assets	17,483.7	16,768.4	6,456.0	6,238.2	9,214.7	8,886.6
Loans and advances to customers after provisioning charge	10,563.9	10,129.7	4,647.8	4,498.2	6,030.1	5,774.8
Primary funds	11,315.2	11,135.3	4,251.4	4,158.5	6,627.8	6,167.6
of which savings deposits	3,407.6	3,447.2	1,786.3	1,847.2	1,260.0	1,284.2
of which securitised liabilities including subordinated capital	2,250.9	2,232.6	715.7	667.6	1,255.0	1,287.2
Equity	1,222.0	1,160.9	644.9	627.8	767.4	676.1
Customer funds under management	19,764.5	19,912.7	10,025.5	10,023.5	10,970.6	10,688.9
of which in customers' securities accounts	8,449.3	8,777.4	5,774.1	5,865.0	4,342.8	4,521.3
Own funds within the meaning of BWG in €m						
Assessment basis	10,146.2	9,795.8	4,415.2	4,345.1	6,077.9	5,736.5
Own funds	1,673.1	1,635.1	681.9	567.4	934.7	853.2
of which core capital (Tier 1)	1,167.6	1,028.7	599.5	416.6	776.1	596.7
Surplus own funds	798.0	789.8	301.9	194.8	423.8	370.2
Core capital ratio in %	11.51	10.50	12.46	9.59	12.77	10.40
Total capital ratio in %	16.49	16.69	15.44	13.06	15.38	14.87
Performance in %						
Return on equity before tax	10.56	10.57	6.07	8.90	8.96	9.59
Return on equity after tax	9.32	9.08	5.73	7.70	7.42	7.63
Cost/income ratio	50.64	50.28	46.71	48.77	45.65	47.18
Risk/earnings ratio (credit risk in % of net interest income)	28.58	32.55	22.07	33.11	22.54	28.70
Resources						
Average number of staff (weighted)	2,054	1,996	901	872	790	794
Branches	150	143	55	55	40	41

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A separate glossary has not been included in this Annual Report, as the terms used are either common terminology or, where required, explained directly in the text.

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

150 branches in five European countries.
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