

The 2011 Financial Year at a Glance

Success Needs  
Growth.

2011

**Oberbank**  
3 Banken G

## Key Figures in Overview

<b>Income statement in €m</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>	<b>2009</b>
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
<b>Balance sheet in €m</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>	<b>2009</b>
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
<b>Own funds within the meaning of BWG in €m</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>	<b>2009</b>
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
<b>Performance in %</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>	<b>2009</b>
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
<b>Resources</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>	<b>2009</b>
Average number of staff (weighted)	2,054	58	1,996	1,990
Branches	150	7	143	133

## 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

## 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.

### ***Oberbank performed better than the market in general***

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. 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 Shares***

#### ***Stable price development in 2011***

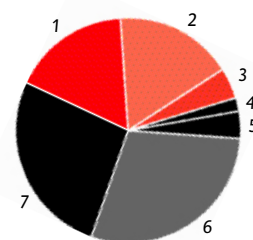
In the turbulent market environment of the past few years, Oberbank's shares were notable for their exceptionally stable development and they continued to exhibit a robust performance in 2011. The Oberbank ordinary share reached its high at EUR 47.30 on 29 December 2011, the preference share at EUR 39.85 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.

#### ***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 132<sup>nd</sup> 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.

<i>Oberbank shareholder structure at 31/12/2011</i>	Ordinaries	Total
Bank für Tirol und Vorarlberg AG, Innsbruck <sup>1</sup>	18.51%	17.00%
BKS Bank AG, Klagenfurt <sup>2</sup>	18.51%	16.95%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg <sup>3</sup>	5.13%	4.62%
Generali 3 Banken Holding AG, Vienna <sup>4</sup>	2.21%	1.98%
Staff shares <sup>5</sup>	3.98%	3.69%
CABO Beteiligungsgesellschaft m. b. H., Vienna <sup>6</sup>	32.54%	29.15%
Free float <sup>7</sup>	19.12%	26.61%



### **Corporate Governance**

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.

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](http://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](http://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.

### **Assuming Responsibility**

#### ***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.

### ***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

### ***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.

### ***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](http://www.voestalpine.com)), as well as in the Upper Austrian energy provider Energie AG (4.13%, [www.energieag.at](http://www.energieag.at)), the pulp, paper and textile manufacturer Lenzing AG (5.22%, [www.lenzing.com](http://www.lenzing.com)), the aluminium products producer AMAG (5% + 1 share, [www.amag.at](http://www.amag.at)) and the lift operator Gasteiner Bergbahnen AG (32.62%, [www.skigastein.com](http://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. 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).

## **Human Resources**

### ***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**

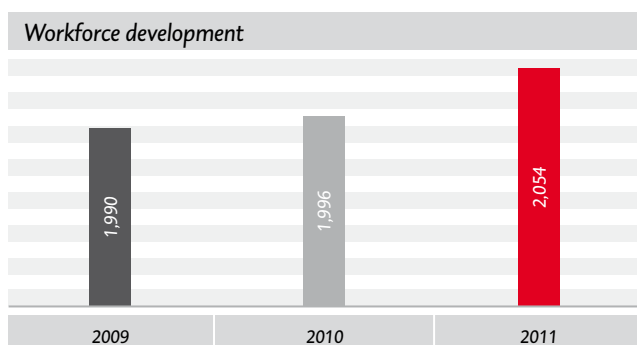
The new concept for the Oberbank Management Academy was implemented in cooperation with LIMAK Austrian Business School with the objective of imparting and deepening all success-relevant leadership competences in line with the specific needs of Oberbank and the respective leadership functions of the participants. 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.





### **Outstanding Results**

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

### **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.

### **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.

### **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.

### **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.

### **Key performance indicators**

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%.

### **Equity**

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%.

<i>Segment overview 2011 in €m</i>	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%

### **Corporate and Business Banking Segment**

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

#### **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%.

#### **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.

#### **Oberbank's private equity network**

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.

### ***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.

### ***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.

## ***Personal Banking Segment***

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

### ***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 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.

## **Financial Markets Segment**

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%.

### ***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.

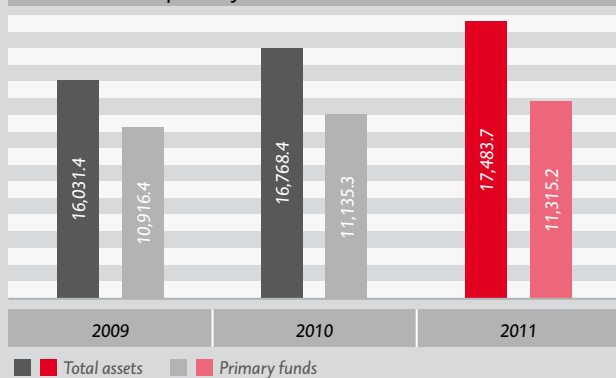
There is still considerable insecurity regarding the extent of the economic slowdown; therefore, it is not possible to formulate precise earnings projections for 2012. However, the Management Board of Oberbank is confident that the excellent result achieved in 2011 will be matched again in terms of both 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.

## Key Figures in Overview

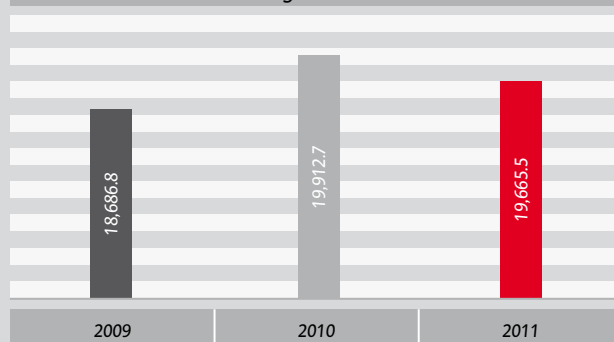
### Oberbank shares, key figures

	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

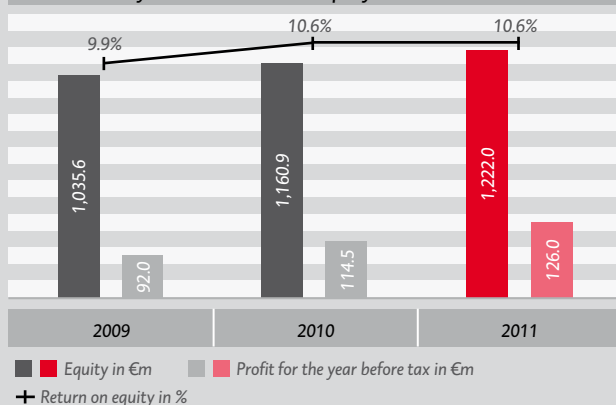
### Total assets and primary funds in €m



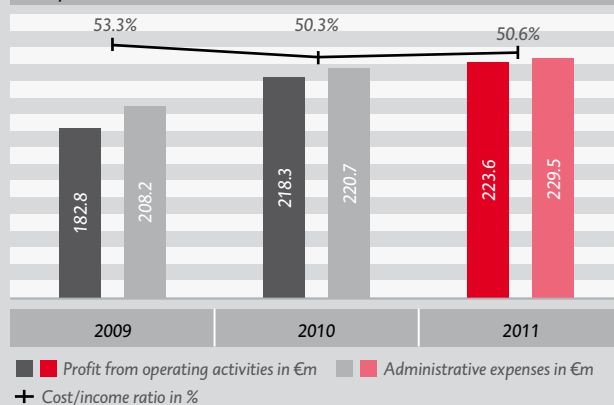
### Customer funds under management in €m



### Profit for the year and return on equity



### Cost/income ratio



### Imprint: Proprietor and Publisher

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Chairman of the Supervisory Board: Hermann Bell

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