

More than just a bank.

The 2012 Financial Year at a Glance



Key Figures in Overview

Income statement in €m	2012	Change	2011	2010
Net interest income	312.9	(8.4%)	341.7	318.9
Charges for losses on loans and advances	(59.8)	(38.8%)	(97.6)	(103.8)
Net commission income	108.2	3.5%	104.5	101.2
Administrative expenses	(239.0)	4.2%	(229.5)	(220.7)
Profit for the year before tax	132.4	5.0%	126.0	114.5
Profit for the year after tax	108.6	(2.4%)	111.2	98.4

Balance sheet in €m	2012	Change	2011	2010
Assets	17,675.1	1.1%	17,483.7	16,768.4
Loans and advances to customers after provisioning charge	10,877.0	3.0%	10,563.9	10,129.7
Primary funds	11,607.9	2.6%	11,315.2	11,135.3
of which savings deposits	3,380.1	(0.8%)	3,407.6	3,447.2
of which securitised liabilities including subordinated capital	2,208.8	(1.9%)	2,250.9	2,232.6
Equity	1,342.4	9.9%	1,222.0	1,160.9
Customer funds under management	21,558.0	9.6%	19,665.5	19,912.7

Own funds within the meaning of BWG in €m	2012	Change	2011	2010
Assessment basis	10,481.9	3.3%	10,146.2	9,795.8
Own funds	1,762.5	5.3%	1,673.1	1,635.1
of which core capital (Tier I)	1,245.4	6.7%	1,167.6	1,028.7
Surplus own funds	857.9	7.5%	798.0	789.8
Core capital ratio in %	11.88	0.37 ppt	11.51	10.50
Total capital ratio in %	16.81	0.32 ppt	16.49	16.69

Performance in %	2012	Change	2011	2010
Return on equity before tax	10.32	(0.24 ppt)	10.56	10.57
Return on equity after tax	8.47	(0.85 ppt)	9.32	9.08
Cost/income ratio	55.4	(4.8 ppt)	50.6	50.3
Risk/earnings ratio (credit risk in % of net interest income)	19.1	9.5 ppt	28.6	32.6

Resources	2012	Change	2011	2010
Average number of staff (weighted)	2,020	(34)	2,054	1,996
Branches	147	(3)	150	143

Outstanding development in a challenging environment:

- Further growth of lending and deposits
- Excellent earnings development notwithstanding a cautious risk policy
- Capital base improved from own resources

Growth	Uninterrupted provision of finance to customers Lending to customers: up 3.0% to EUR 11.2 billion Strongest inflow of customer funds in Oberbank's history Record level of customer assets under management: up 9.6% to EUR 21.6 billion
Earnings	Cautious risk policy: EUR 59.8 million allocated to loan loss provisions Profit for the year before tax: up 5.0% to EUR 132.4 million Cost/income ratio continues to be excellent at 55.4%
Capital	Total capital ratio up to 16.81% (+0.32 percentage points) Core capital ratio up to 11.88% (+0.37 percentage points)

Our success is based on more than just figures

First and foremost, of course, we are a bank. But then, Oberbank is also an enterprise that sets great store by the well-being of all its employees and the health of the Company as a whole. This is because we know that success requires more than commitment, know-how and that all-important quantum of extra effort: Real success requires a nurturing general environment conducive to exceptional performance.

Oberbank offers its employees a variety of additional benefits conducive to health in a general, holistic sense, the most important being the Bank's Asset Health project, which aims at enhancing the quality of life and well-being of Oberbank's employees in a sustainable way. The project is based on three pillars: physical fitness, healthy nutrition and mental equilibrium. Following an in-depth health check, the health incentive plan includes individual counselling, personal coaching and follow-up checks.

Besides the Asset Health project, Oberbank employees benefit from a variety of programmes aimed at promoting the compatibility of family life and work. Needless to say, an employer hoping for extra commitment from its staff has to invest extra effort in their well-being.

Oberbank has once again shown truly excellent development

Our profit before tax – after an excellent performance in the previous year – once again increased, namely by 5.0% to EUR 132.4 million. At EUR 108.6 million, the net profit for 2012 was almost at the level of the previous year, even though the tax burden of approximately EUR 24 million was 61% above the previous year's level. A comparison of results over several years draws attention to the massive margin by which Oberbank has outperformed the banking sector in general. We have not experienced a single year of negative earnings growth, and since 2006, the year preceding the outbreak of the financial, banking and sovereign debt crises, have managed to boost our pre-tax profit by 60%. By contrast, the Austrian banking industry as a whole has suffered a significant decline of almost 30%.

Solid basis

Thanks to its excellent earnings position, Oberbank boasts a very sound base of both own funds and core capital. With an own funds ratio of 16.81% and a core capital ratio of 11.88%, the Bank already meets the more stringent requirements of Basel III and therefore, in contrast to a number of large international banks, has never been compelled to restrict lending. This is clear evidence of the sustained success of our strategy and our business model. We are steadfastly and consistently adhering to our conservative set of values and concentrating on classical banking business: Sustainable business management and long-standing customer relations guarantee a high level of continuity. For our customers, we stand for predictability, stability and a maximum level of safety.

Oberbank Shares

Stable price development also in 2012

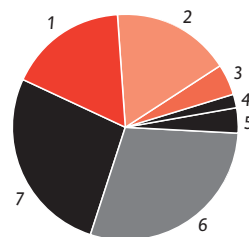
The Oberbank ordinary share continued to be traded near its historical high in 2012. The Oberbank ordinary share reached its peak at EUR 48.10 on 9 March 2012, the preference share at EUR 39.75 on 5 January 2012. The overall annual share performance (price movement and dividends) came to 2.55% gain for the ordinary share and 1.63% loss for the preference share. The market capitalisation of Oberbank AG amounted to EUR 1,353.4 million at the end of 2012, as compared to EUR 1,338.8 million at the end of 2011.

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 8.7% gross of withholding tax and taking into account dividend distributions.

Attractive valuation, constant dividend

Earnings per Oberbank share declined slightly from EUR 3.87 to EUR 3.78 year on year. Based on the shares' closing price in 2012, the price-earnings ratio (PER) for the ordinary share was 12.7 and 10.2 for the preference share. At the 133rd Annual General Meeting held on 14 May 2013, 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 31/12/2012</i>	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	3.73%	3.46%
CABO Beteiligungsgesellschaft m. b. H., Vienna ⁶	32.54%	29.15%
Free float ⁷	19.37%	26.84%



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, 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 (BTV) 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.

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.

Assuming Responsibility

Oberbank 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 an asset that 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.

Timelessly modern values create a solid foundation

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

Eight strategic goals of Oberbank

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

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

Oberbank's Investment Portfolio

Oberbank only makes long-term investments in other companies if these investments serve to safeguard the survival of headquarters and locations of local enterprises or help enable the Bank to live up to its role of principal local banker, or if the activities of a potential joint venture partner are complimentary to the Bank's core banking business (e.g. real estate or investment fund companies).

- The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV. Oberbank also holds stakes in other companies with which the Bank closely cooperates in day-to-day business, among them Bausparkasse Wüstenrot, Oesterreichischen Kontrollbank AG, Wiener Börse AG and PayLife Bank GmbH.
- As a strategic partner, Oberbank holds, among others, an equity interest in the steelmaker voestalpine AG (7.75%), the Upper Austrian energy provider Energie AG (4.13%), the pulp, paper and textile manufacturer Lenzing AG (5.22%), the aluminium products producer AMAG (5.01%), the spinning and weaving company Linz Textil Holding AG (6.22%) and the lift operator Gasteiner Bergbahnen AG (32.62%).
- On 7 January 2013, Oberbank and the industrial holding company B&C Industrieholding GmbH concluded a contract in which the two shareholders agreed to coordinate their votes in the annual general meeting of AMAG in the future. With this move, Oberbank aims to strengthen its voice in the AMAG annual general meeting, live up to its responsibility as a co-owner, support the investment and development strategy of AMAG and help to ensure that the AMAG headquarters and the pertinent jobs stay at Ranshofen.
- The Oberbank Opportunity Fonds creates the basis for Oberbank to act as a private equity finance partner.
- 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.
- Oberbank's leasing sub-group bundles the Bank's Austrian and foreign leasing companies and also includes companies established for the purpose of financing individual customer projects or Oberbank projects.
- Other investments include stakes in companies whose activities lie outside the core business of Oberbank and which either provide bank-related services (DREI-BANKEN-EDV Gesellschaft and Einlagensicherung der Banken und Bankiers GmbH, the deposit protection company of the Austrian commercial banks) or have specific regional significance in the catchment area of Oberbank (various technology or business incubation centres).

Human Resources

A key strategic goal of Oberbank is the Bank's continued investment in developing the professional and social competences of its entire staff. In light of the current economic and social environment marked by a rapid and increasing pace of change, employees' readiness to embrace change and their commitment to lifelong learning have become critical factors for a company's success. Oberbank therefore sets great store by ongoing investment in the enhancement of these qualities, thus creating a stable foundation for its continued positive development.

Attractive employer

In 2012, Oberbank once again conducted a company-wide survey to measure workforce satisfaction. The results attest to a very high level of employee solidarity, loyalty and satisfaction in the Company, even in these economically turbulent times. In fact, the results were clearly above industry averages and even topped the indices established by the previous employee survey conducted four years ago – all of which is evidence of the fact that solid corporate values consistently put into practice in day-to-day business, a business model emphasising stability and sustainability, and the independence and autonomy of Oberbank have lastingly positive and motivating effects on its workforce. The Company's key employees, in particular, exhibit high solidarity with the Bank, and the staff fluctuation rate of 6.96% across all business divisions and hierarchical levels continues to be very low indeed. This, of course, also gives Oberbank an important competitive edge on the labour market.

Leadership as a process

The survey results also show that the leadership philosophy and the management culture practiced throughout Oberbank are of crucial importance in enhancing the motivation and commitment of the staff and their economic success. Permanent and consistent development and promotion of both young employees and key executives on the basis of the Bank's leadership principles is a vital HR strategy focus.

The competences required from executive staff are evaluated within the context of the annual MbO talks as well as a regular "HR Check" interview. Measures to be taken with a view to reaching the defined development goals are jointly agreed upon.

Learning and training

Commitment to continuous education and training is a deeply anchored principle at Oberbank

Top-level quality in all services rendered for customers has always been a matter of course at Oberbank. With this in view, Oberbank defined lifelong learning and targeted investment in refreshing and expanding the professional and social competences of its employees as a further focus of the Bank's human resources strategy. The emphasis of training and development programmes always centres on the specific needs of customers and markets, and the individual modules are continuously enhanced and updated. Close cooperation with renowned institutions, such as the Austrian Institute for SME Research or Management Akademie & Consulting GmbH, ensure that employee training meets top-grade professional standards with concluding certification, which has become a matter of course at Oberbank.

“Asset Health” project successfully continued

Workplace health promotion (WHP) is an issue to which Oberbank attaches eminent importance, which is why the Company has committed itself to business management in line with the principles of the European WHP Charter. The Asset Health project launched more than two years ago was successfully continued in the past financial year: More than 2,000 participants took part in the seminars, workshops, excursions and lectures aimed at promoting physical exercise, healthy nutrition and mental fitness. The comprehensive health promotion package of the Asset Health project is also open to the life partners of Oberbank employees, which additionally strengthens its effectiveness.

“Healthy Eating” sub-project

Given that healthy nutrition is a key pillar of this health promotion project, Oberbank initiated a sub-project that also includes a strict external performance appraisal of the staff restaurant at the Linz location. A partner with rich experience in integrating the latest findings concerning healthy nutrition in canteen kitchens was found in the Upper Austrian regional health insurer OÖGKK. Based on the finding that a well-balanced diet at the workplace creates the best basis for mastering a challenging daily business routine, one of the project goals is to achieve a gradual improvement of employees’ nutritional habits. This end is to be achieved by accustoming them to tasty, healthy meals and, most importantly, by supporting employees in integrating their new nutritional habits in their private lives. A gratifying result of these efforts: the Bank’s traditionally very low sick-leave rate declined even further to 2.4% in 2012.

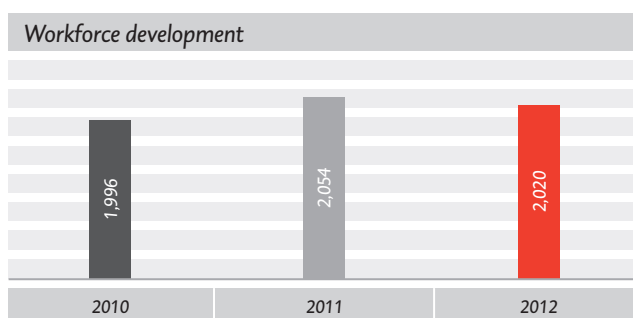
“Future Women 2020” project

Oberbank views the award of the “berufundfamilie” Basic Certificate in 2011 as a permanent mandate to furthering the creation of family-friendly framework conditions and, most of all, promoting career opportunities for women. Oberbank lives up to this mandate by offering additional support such as childcare services during the summer holidays, flexible working time arrangements, special training and education programmes for women and active child-leave planning. An important emphasis in this context is on reconciling work and family life in critical family phases, which is why Oberbank has implemented relevant internal company rules addressed to both women and men.

With these activities, Oberbank goes far beyond its long-established equal opportunities culture. This active approach to tailoring workplace conditions to individual needs enables the Bank to offer female and male employees with parental responsibilities even more targeted career assistance and support.

Number of employees

The average number of employees decreased by 34 to 2,020 in 2012, although the Bank established two new branch offices (in Schweinfurt and the Vienna district of Wieden). This efficiency increase was achieved by taking advantage of the effects of natural fluctuation, exploiting synergies, ongoing streamlining and optimisation of internal processes and enhancing efficiency in sales operations. A permanent body specifically set up to define standards in organisational matters and human resources is in charge of monitoring, managing and implementing pertinent measures.



Outstanding Results

Oberbank again achieved very good results in the financial year 2012. Notwithstanding the Bank's cautious risk policy, the profit for the year before tax widened by 5.0% to EUR 132.4 million. The net profit widened by 2.4% to EUR 108.6 million in spite of the fact that tax expenses increased by 61% year on year.

Net interest income

Net interest income decreased by 8.4% to EUR 312.9 million in the financial year 2012. This development was due to a 0.6% decline in profit from credit operations to EUR 277.2 million and a decrease of 43.1% in the contribution attributable to earnings from equity investments to EUR 35.7 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 59.8 million in 2012, after EUR 97.6 million in the previous year, resulting in a decrease of the Bank's impairment allowance ratio from 0.90% to 0.53%.

Net commission income

Net commission income reflected higher commissions from payment services

Net commission income rose by 3.5% to EUR 108.2 million in 2012. The growth of commission income from payment services by 6.7% to EUR 38.6 million was particularly satisfactory thanks, among other things, to the marked expansion of the order volume. Rising by 4.1% and 4.4% respectively, commission income from lending operations and income from foreign exchange and foreign notes and coins business also posted excellent growth. Edging up a mere 0.3%, the securities business practically stagnated at a high level.

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. At EUR 7.3 million, net trading income was 21.0% below the previous year's balance in 2012.

Administrative expenses

Administrative expenses increased by 4.2% to EUR 239.0 million year on year. Staff costs increased by 6.3% to EUR 141.1 million; included in this item are expenses for wages and salaries, which widened by roughly 4% to EUR 99.3 million. Due primarily to higher depreciation of property, plant and equipment in the Leasing subgroup, depreciation increased by 5.7% to EUR 23.4 million. Other administrative costs decreased slightly by 0.2% to EUR 74.5 million. The Bank's cost/income ratio of 55.4% in 2012 continued to outperform the entire Austrian banking industry by a notable margin.

High tax burden weighs down on earnings

Profit before tax +5.0%, after tax -2.4%

At EUR 132.4 million, the profit before tax and after charges for losses on loans and advances increased by 5.0% year on year in 2012. However, income taxes amounted to EUR 23.7 million, which corresponds to an increase of 60.9% year on year. On balance, the consolidated net profit for the year came to EUR 108.6 million, which is 2.4% below the previous year's level. After TEUR 19 in minority interests, the Oberbank Group showed a consolidated net profit for the year of EUR 108.6 million (-2.4%).

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 3.78 in 2012, after EUR 3.87 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 2012 totalled EUR 80.6 million. After a net allocation of EUR 66.1 million to reserves and adding a profit carried forward of EUR 0.1 million, the distributable net profit amounted to EUR 14.6 million. Subject to approval by the Annual General Meeting, the Company will distribute a dividend of EUR 0.50 per eligible share on the share capital of EUR 86.3 million. Given a total of 28,783,125 shares, the distribution will amount to EUR 14,391,562.50. The Management Board will propose to carry forward to new account the remainder of EUR 206,579.01.

Key performance indicators

The return on equity (ROE) before tax decreased – owing to a substantial increase of the Group's total capital – to 10.32% from 10.56% one year earlier, while the ROE after tax also declined from 9.32% to 8.47%. Edging down from EUR 3.87 in 2011 to EUR 3.78 in 2012, IFRS earnings per share remained relatively stable year on year.

At 55.44%, Oberbank's cost/income ratio continued to be excellent in 2012. The risk/earnings ratio decreased further, namely from 28.58% to 19.11%, notwithstanding the Bank's cautious provisioning policy and continued high allocations to impairment provisions. Oberbank's core capital ratio rose from 11.51% to 11.88%.

Equity

Equity on the Consolidated Balance Sheet of the Oberbank Group grew by 9.9% to EUR 1,342.4 million year on year. At EUR 86.3 million, the share capital remained unchanged as compared to the end-of-year level of 2011. On 31 December 2012, own funds within the meaning of Section 24 of the Austrian Banking Act (BWG) amounted to EUR 1,762.5 million as compared to EUR 1,673.1 million as at the previous year's balance sheet date. Hence, the surplus of own funds over the applicable own funds requirement of EUR 904.6 million pursuant to Section 22(1) of the Austrian Banking Act (BWG) amounted to EUR 857.9 million, which is 8.81 percentage points above the regulatory requirement of 8%. Consequently, the own funds ratio increased from 16.49% in 2011 to 16.81% in 2012; concurrently the core capital ratio improved substantially, namely from 11.51% to 11.88%.

<i>Segment overview 2012 in €m</i>	Corporate and Business Banking	Personal Banking	Financial Markets	Other	Consolidated income statement for 2012
Net interest income	198.9	55.6	58.4		312.9
Charges for losses on loans and advances	(43.9)	(9.7)	(6.2)		(59.8)
Net commission income	59.8	48.5	0.0		108.2
Net trading income	0.2		7.1		7.3
Administrative expenses	(120.9)	(85.8)	(5.7)	(26.6)	(239.0)
Other operating profit (loss)	13.4	5.8	(12.8)	(3.7)	2.7
Profit (loss) for the year before tax	107.4	14.4	40.8	(30.3)	132.4
Return on equity before tax (ROE)	13.6%	12.3%	10.9%		10.3%
Cost/income ratio	44.4%	78.1%	10.8%		55.4%

Corporate and Business Banking

At year-end 2012 this segment was servicing more than 41,000 customers, almost 5,300 of which had been newly acquired in 2012.

Performance overview for 2012

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 5.8% to EUR 198.9 million. This improvement is primarily due to an expansion in the volume of business and corporate loans. Driven, above all, by higher commission income from payment transactions, net commission income increased by 2.2% to EUR 59.8 million. Charges for losses on loans and advances declined by 10.2% to EUR 43.9 million. Administrative expenses rose by 11.8% to EUR 120.9 million. Other operating profit increased by 156% to EUR 13.4 million. In Corporate and Business Banking, the return on equity improved by 0.2 percentage points to 13.6%; concurrently, the cost/income ratio rose by 1.4 percentage points to 44.4%.

Corporate and business loans

Oberbank increased its total volume of loans to corporate and business customers by 2.7% to EUR 9.1 billion in 2012. 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 substantially in 2012: Handling a total of 750 investment finance and innovation finance projects, the Bank lifted the total volume to EUR 6.8 billion. In the area of subsidised investment finance, Oberbank gained almost 300 new customers, thus marking a new record level of more than EUR 500 million in terms of subsidised lending and EUR 200 million in terms of ERP business promotion loans. In this latter business line, Oberbank again led the Austrian market: 20% of all approved ERP business promotion loans were based on applications filed by Oberbank.

Oberbank's private equity network

In the reporting year, the Oberbank Opportunity Fonds handled a total of 153 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 36 projects. The total financing volume of concluded projects amounts to about EUR 460 million. Eleven of these projects have already been concluded with a successful exit and the repayment of the capital.

Leasing

Successful expansion in a challenging environment

Thanks to dynamic development in the first half of 2012, the Oberbank Leasing group almost matched the record result of the previous year. At EUR 477.5 million, the volume of new business fell just slightly short of the excellent result achieved in 2011. The main reason for the slight decline of new business was companies' reluctance to make investments in the second half of 2012. This trend was perceptible throughout the entire market, which stagnated and in some sub-segments even declined by up to 20%. Contrary to this trend, the Oberbank Leasing group, which provides vehicle, movables and real estate leasing services throughout all regions serviced by Oberbank, delivered a very successful performance, posting 34% growth in the Bank's expansion markets and further strengthening its market shares in the Bank's core and growth markets, while successfully defending its top position in truck and movables leasing in its main Austrian market.

Export finance

According to preliminary figures published by the Austrian statistical office Statistik Austria, Austrian exports increased slightly in 2012. Austrian exporters, in addition to their traditional EU export markets, increasingly expanded into new overseas markets. In terms of export finance under Export Fund procedures, Oberbank posted some 21% growth in 2012. Oberbank's market share in SME-relevant export finance under Export Fund procedures came to 11.1% in an Austria-wide comparison, and a robust 27.2% in the export heavyweight region of Upper Austria. What is more, Oberbank supports its export customers with a range of extra financial services, such as, in particular: receivables hedging, support in handling applications for subsidised funding for entering new markets, receivables purchasing to provide the liquidity required until full payment is made, and the provision of equity finance for the establishment of local production and sales units.

Payment services

Under the EU Regulation No. 260/2012, the new Single Euro Payments Area (SEPA) standards will definitely become effective by February 2014. By that time, all national types of payment orders (bank transfer, direct debit) must be replaced by the respective SEPA instruments (SEPA credit transfer, SEPA direct debit). In its function as an advisory bank, Oberbank supports customers in preparing for SEPA.

Electronic banking

In 2012, the product development focus in the field of payment transactions in Austria was on improving the quality of account and interim account statements: customer accounts are now continuously updated for transactions made via electronic banking and at self-service terminals, and payment orders are booked three times a day.

Personal Banking

At the end of 2012, Oberbank was servicing more than 309,000 customers in this segment, almost 24,000 of whom had been newly acquired.

Performance overview for 2012

The Personal Banking segment boosted profit by 64.8% to EUR 14.4 million, although net interest income declined by 5.9% to EUR 55.6 million. Net commission income, by contrast, increased by 5.3% to EUR 48.5 million, primarily thanks to higher commissions from payments and foreign currency transactions. Charges for losses on loans and advances decreased by 1.4% to EUR 9.7 million year on year. Administrative expenses declined by 3.2% to EUR 85.8 million. The return on equity in the Personal Banking segment increased by 4.0 percentage points to 12.3%; the cost/income ratio decreased by 4.6 percentage points to 78.1%.

Deposit banking

The development of deposits at Oberbank in 2012 reflects the persistently low savings rate. The balance sheet item "Savings deposits" inclusive of capital gains edged down by 0.8% to EUR 3,380.1 million. Investor demand in 2012

primarily focused on fixed-term savings passbooks with full-term guaranteed interest rates. In contrast, total savings deposits and comparable saving products, including saving accounts and time deposits of households, increased by a robust 2.3% to EUR 3,872.8 million.

Personal loans

25.8% more new personal loans

The volume of personal loans rose by 4.5% to EUR 2,103.9 million in 2012. The volume of residential loans widened by a gratifying 6.4% to EUR 1,403.0 million. At EUR 548.8 million, the volume of newly extended loans widened by 25.8% year on year. The ratio between euro denominated and foreign currency loans shifted in favour of euro loans.

Personal accounts

In the year under review, the Bank's portfolio of personal accounts showed a very satisfactory growth of 1.5% or 2,558 to a total of 173,514 accounts.

Securities business held up well in a difficult environment

The market value of securities in customer deposits showed very positive development, rising by EUR 1.5 billion to EUR 10.0 billion as at the balance sheet date, which corresponds to a 17.8% gain year on year. This new record level is clear evidence of the quality of advice offered by the Bank and customers' resulting trust in Oberbank.

3-Banken Wohnbaubank AG

Private residential finance being a core competence of Oberbank, BKS Bank and BTV, the three banks, with a view to strengthening their foothold in this business line, established 3-Banken Wohnbaubank AG as a joint subsidiary in June 2012. 3-Banken Wohnbaubank AG is a specialist bank, which, on a fiduciary basis on behalf of its parent banks, serves the exclusive purpose of issuing tax-advantaged home construction bonds. The proceeds of such issues are passed on to the parent banks, which, on their part, use the funds (strictly reserved for this purpose by law) to extend housing loans to their customers.

Oberbank issues

In the reporting year, Oberbank placed a total volume of EUR 500 million, distributed across 22 bond issues. While demand by corporate and business customers primarily focused on money-market products of the Cash Garant product line, private investor demand shifted more and more to fixed-rated bonds and step-up bonds with maturities between five and seven years. For institutional investors, Oberbank floated, for the first time, so-called covered bonds, i.e. debt instruments secured by a cover pool of securities.

3 Banken-Generali Investment GmbH

3 Banken-Generali Investment GmbH outperformed the Austrian market in general by a substantial margin in 2012. The volume of funds managed by the company increased by 21.5% to EUR 6.1 billion, whereas the overall market posted 7.3% volume growth. New inflows of funds accounted for some EUR 600 million of this volume growth, while value appreciation of the different products contributed about EUR 470 million to this increase.

Financial Markets

In the Financial Markets segment, net interest income decreased by 38.2% to EUR 58.4 million; this decline was primarily due to lower income from equity participations. Charges for losses on loans and advances decreased by 84.0% to EUR 6.2 million.

Net trading income dropped by 22.3% to EUR 7.1 million. Other operating profit declined to a negative balance of EUR 12.8 million. Due to the above developments, the ROE in the Financial Markets segment declined by 3.2 percentage points to 10.9%, whereas the cost/income ratio increased by 5.6 percentage points to 10.8%.

Heterogeneous economic development

In 2013, economic growth in most economic regions is likely to stagnate, without, however, slipping into recession. After 2.3% in 2012, GDP growth in the USA is anticipated to drop to 1.8% in 2013. Economic growth in Japan is expected to slow from 1.7% to 0.8% in the reporting year, while GDP growth in China is set to decrease from 8.0% to 7.0% in 2013. In the European Union, which was heavily hit by the sovereign debt crisis in 2012, growth is likely to pick up somewhat in 2013. After declining by 0.1% in 2012, economic growth in the EU as a whole is expected to recover slightly to 0.6%, while GDP growth in the euro area countries is anticipated to rise by 0.2% in 2013 after declining by 0.3% in the year under report.

As regards currency developments, the Management Board of Oberbank AG expects the euro to remain stable at a rate of 1.25 to 1.30 against the US dollar. The current level of 1.20 to 1.25 against the Swiss franc is likely to persist. Equally, the Czech crown and the Hungarian forint are anticipated to remain more or less stable against the euro in 2013.

Slight increase of growth in Austria as well

Economic growth in Austria is expected to reach 1.0% or almost that rate, the main pillars of growth being capital investment (+1.5% after +0.8% in 2012) and exports (+3.8% after +0.8%). At +0.7%, private consumption will continue to grow at about the same rate as in 2011 and 2012, i.e. a rate too low to generate any impulse to spur economic growth. At 7.1%, the saving rate is anticipated to remain at the low level of the previous years; lending to businesses and private individuals is expected to increase slightly by 2.1% in 2013. Inflation is set to drop to 2.1% and will thus be back within the ECB's target corridor. Employment growth is likely to decline from 1.4% to 0.6%, hand in hand with a slowdown of production. According to Austrian statistical forecasts, unemployment is anticipated to rise from 7.0% in 2012 to 7.4% in 2013.

Focal points of Oberbank's business activities

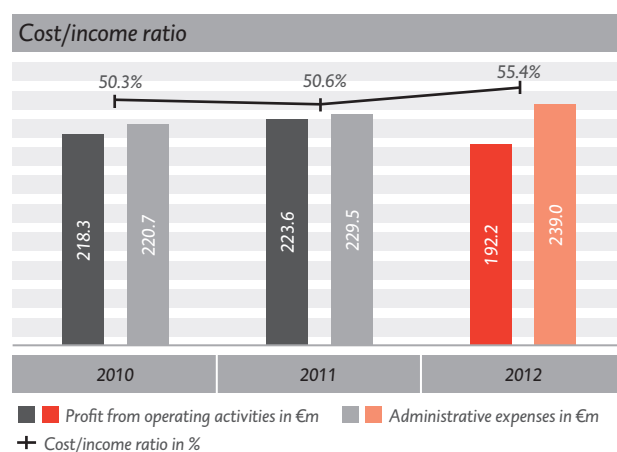
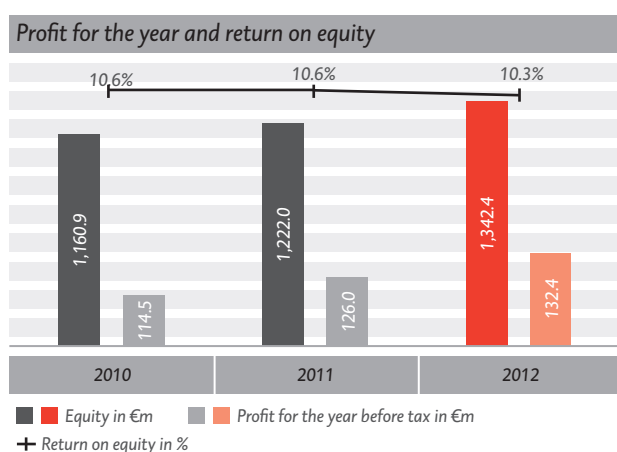
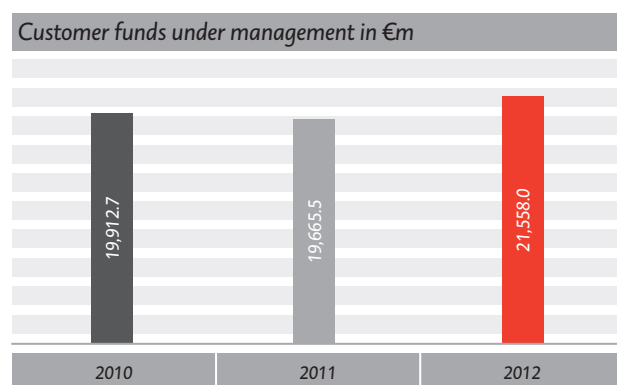
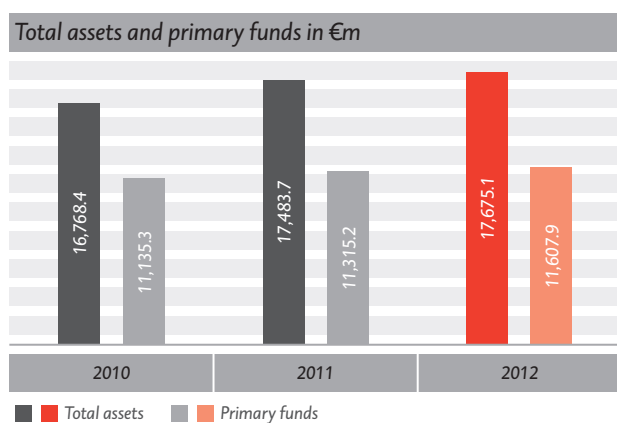
Oberbank's excellent capital and liquidity base enables the management to envisage further substantial lending growth for 2013. The funding base for these loans will be created by boosting growth in primary deposits. No substantial changes are planned with regard to the Bank's time-tested risk strategy. In view of the market developments in the past few months, credit risk is expected to increase slightly compared to 2012. Oberbank will continue its organic-growth-based expansion policy in 2013 and thereafter. The prospective regional target markets for the establishment of new branches are Vienna and the Czech Republic.

Earnings development in 2013

There is still considerable insecurity regarding the extent of the economic upturn; therefore, it is not possible to formulate precise earnings projections for 2013. While anticipating net commission income to improve in 2013, the Management Board of Oberbank expects net interest income to remain roughly at the level of 2012. Overall, the Board is confident that the excellent result achieved in 2012 will be matched again in terms of profit for the year both before and after taxes. Thus, the profit situation expected for 2013 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	2012	2011	2010
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 €	48.10/39.75	47.30/39.85	44.90/39.20
Low (ordinary/preference share) in €	47.00/38.10	44.80/38.80	42.50/36.90
Close (ordinary/preference share) in €	48.00/38.60	47.30/39.75	44.90/39.00
Market capitalisation in €m	1,353.4	1,338.8	1,274.7
IFRS earnings per share in €	3.78	3.87	3.43
Dividend per share in €	0.50	0.50	0.50
P/E ratio (ordinary share)	12.7	12.2	13.1
P/E ratio (preference share)	10.2	10.3	11.4



Please view the complete Annual Report under www.oberbank.at, Investor Relations, Kennzahlen und Berichte.

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