More than just a bank.

Annual Report 2012

Oberbank
3 Banken Gruppe

Contents

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

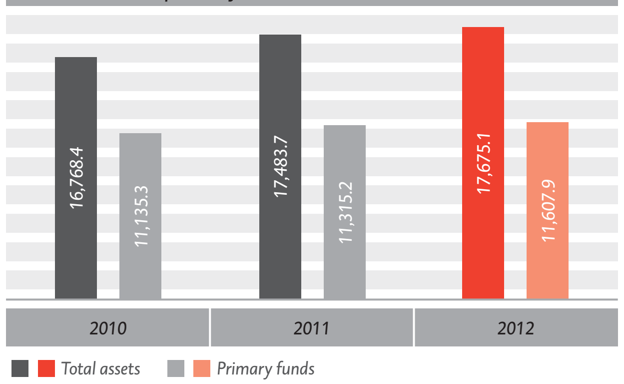
Own funds within the meaning of BWG in €m	2012	Change	2011	2010
Assessment basis	10,481.9	3.3%	10,146.2	9,795.8
Own funds	1,762.5	5.3%	1,673.1	1,635.1
of which core capital (Tier I)	1,245.4	6.7%	1,167.6	1,028.7
Surplus own funds	857.9	7.5%	798.0	789.8
Core capital ratio in %	11.88	0.37 ppt	11.51	10.50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

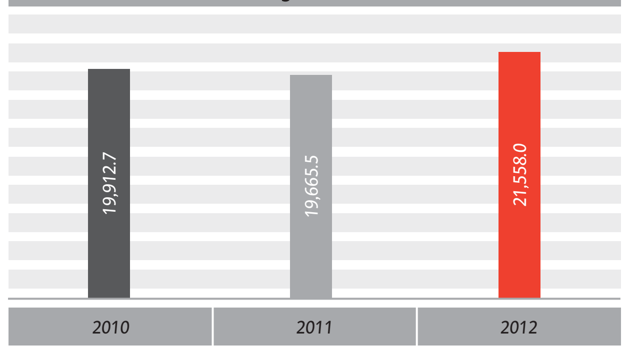
Resources	2012	Change	2011	2010
Average number of staff (weighted)	2,020	(34)	2,054	1,996
Branches	147	(3)	150	143

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

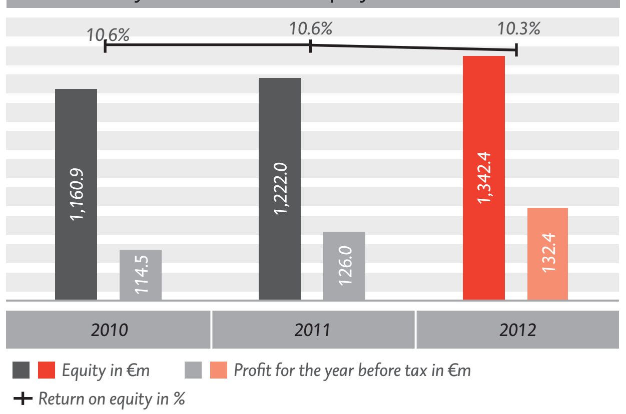
Total assets and primary funds in €m



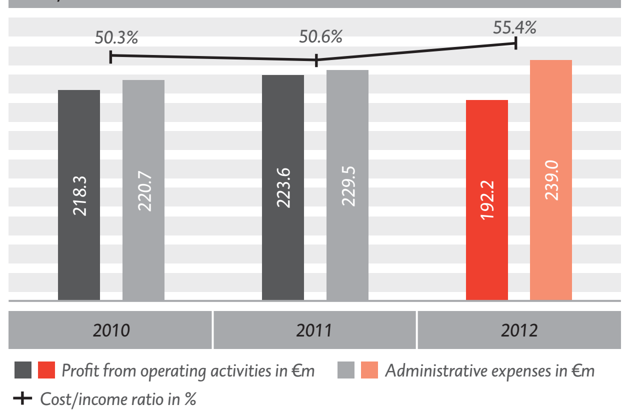
Customer funds under management in €m



Profit for the year and return on equity



Cost/income ratio



MORE THAN JUST A BANK.

Annual Report 2012

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.

Highlights 2012

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)

More than just business management.

Management means leading by example, by being a role model for everyone – in all spheres of life.

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

Dear Readers,

In this Annual Report we would like to give you a review of the development of Oberbank in 2012, a year in which the European sovereign debt crisis and the political efforts towards combating the crisis were the predominant issues.

High uncertainty about the stability of the European monetary union prevailed throughout much of the first three quarters of 2012. The crisis reached a crucial turning point in September, when the European Central Bank (ECB) pledged to ensure the survival of the euro-area currency, resolving, subject to certain conditions, to buy unlimited amounts of government bonds of problem countries and thus to ensure the availability of sufficient liquidity far into 2013. This ECB strategy provided additional time for appropriate reforms aimed at implementing long overdue structural measures, cutting down on debt and, finally, realising some form of fiscal union.

Bank reputations suffered in this environment

A large number of problem cases, above all among big banks, unfortunately discredited the entire banking sector. The reaction, internationally, was a wave of further regulations. Basel III has not yet been finalised, but essentially has already taken effect in daily practice. The EU decision to set up a unified banking supervisory system putting banks with assets of more than 30 billion euro under the direct responsibility of the ECB was certainly a desirable move. The planned bank bankruptcy law is also a welcome step, even though it means that if a bank gets into difficulties in the future, depositors will be asked to bear part of the damage.

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.

The Bank's strategic goals are based on its traditional bedrock values: Our priority goal is to maintain our autonomy and independence, which alone ensures that decisions concerning our region are taken in the region. Our business model is that of a regional bank and we voluntarily restrict our activities to a region in which we know both our markets and our customers.

A broad range of services constitutes the best protection against earnings fluctuations. This is the reason why we are convinced that there is no alternative to the model of a universal bank. Our strength lies in complex top quality advisory services and we set great store by a cautious risk policy because a cautious approach to credit risk is the decisive key to a bank's success.

Expansion course consistently continued

We established three new branch offices in 2012 and thus continued on our consistent organic growth path. This approach may be long and painstaking, but it is safe: There are no overpriced bank purchases and no inflated goodwill requiring to be written off in our balance sheet. More than one third of our 150 branches have been opened in our foreign markets and in Vienna since 2005. While Upper Austria and Salzburg certainly continue to be our core markets, the Bank's expansion markets already contribute some 30% in terms of earnings and business volume. As a matter of fact, it has become quite impossible to imagine Oberbank without these markets today.

Outlook for 2013

As things are, it appears that growth prospects for Europe will be rather restrained for some years to come; a real economic recovery, at any rate, is still a long way off. Interest rates are anticipated to remain low for quite some time still. The US central bank intends to continue its zero-rate policy up to 2015 at least; there are no indications that interest rates will rise in Europe either. Capital markets are likely to remain attractive for investors: After the strong equity market performance in 2012, our prognosis for equities in 2013 is cautiously optimistic as well. The euro, against the backdrop of the problems in Europe, has been surprisingly robust: The euro exchange rate is well above the level of January 1999, when the common currency was introduced, and its purchasing power is high indeed: Inflation rates have been clearly lower since the introduction of the euro. In view of all this, we expect the euro to maintain its strength as compared to the world's major currencies in 2013.

Oberbank in 2013

In this environment, Oberbank plans to strengthen its position as a strong financing partner for businesses and personal customers. The Bank's excellent capital base and its outstanding liquidity position create scope for planning substantial growth in new lending, while customer assets under management are envisaged to increase significantly at the same time. We also hope to acquire about 26,000 new customers.

The earnings development in 2013 will no doubt continue to bear the mark of the current, particularly low interest margin. We expect net interest income to roughly match the level of 2012, whereas net commission income is projected to rise. Overall, we are endeavouring to match the excellent result of 2012 both in pre-tax and after-tax terms in the current financial year, which will permit the Bank to make substantial allocations to reserves and thus strengthen its capital base, finance further growth from own resources and distribute an attractive dividend to our shareholders.

Gratitude for outstanding dedication and commitment

In the name of the entire Board of Oberbank, I would like to extend my thanks to everyone who contributed to our success in the past financial year. Our employees have rendered exemplary work for Oberbank in the difficult setting of 2012 and have given our customers a feeling of security in a turbulent environment. They have thus once again contributed decisively to the outstanding success of our Bank. We would also like to thank our customers for the continued trust they have placed in us.

Naturally, we also extend our thanks to the members of the Supervisory Board, which is not only the supreme monitoring body of Oberbank, but 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 2012. Let us continue together on this path of trust and success!

Linz, in February 2013

CEO Franz Gasselsberger
Chairman of the Management Board

Josef Weissl,
Member of the Management
Board of Oberbank AG

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

Florian Hagenauer,
Member of the Management
Board of Oberbank AG

More than just success.

Corporate success is just one of our goals.
The well-being of our staff is another.

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 at its meeting on 26 November 2007. The most recent amendment of the Code became effective in January 2012 (and, in a revised version, as of July 2012) and was applicable, as amended, for the business year 2012. At its meeting on 27 November 2012, the Supervisory Board of Oberbank issued a declaration of conformity with the Code as amended.

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 2012, Oberbank complied with the Code 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 for each Board member. For reasons of privacy and data protection, no breakdown of the individualised remunerations into fixed and variable components is presented.
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 52a 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

In the 2012 financial year, the Management Board of Oberbank consisted of three members.

Board member	Year of birth	First appointed	Tenure until
Franz Gasselsberger CEO and Board Chairman	1959	28 April 1998	13 Mai 2017
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 (until 6 July 2012)
Member of the Supervisory Board of AMAG Austria Metall AG (since 16 May 2012)

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

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
Member of the Supervisory Board of BAUSPARERHEIM
Gemeinnützige Siedlungsgemeinschaft reg. Gen.m.b.H.
Member of the Supervisory Board of VBV-Pensionskasse AG (since 13 June 2012)
Member of the Supervisory Board of BRP-Powertrain Gmbh & Co.KG (since August 2012)

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft

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 the Organisation Department. 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
Member of the Supervisory Board of PayLife Bank GmbH
Member of the Supervisory Board of PSA Payment Services Austria GmbH
Member of the Supervisory Board of Oberösterreichische Kreditgarantiegesellschaft m.b.H.
Member of the Supervisory Board of
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.
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
Deputy Chairman of the Supervisory Board of Buy-Out Central Europe II Beteiligungs-Invest AG
(since 29 August 2012)
Managing Partner of Ottensheimer Drahtseilbrücke Gesellschaft m.b.H.

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of 3-Banken Wohnbaubank AG
Member of the Supervisory Board of Drei-Banken Versicherungs-Aktiengesellschaft

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)	Risk Controlling
PER (Human Resources)		ZSP (Payment Systems and Central Production)
RUC (Accounts & Controlling)		SEK (Corporate Secretary & Communication)
		ORG (Organisational Development, Strategy and Process Management)
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	

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 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 in accordance with the Standing Orders 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, the respective Management Board member is entitled to termination benefits in the maximum amount of two annual salaries, subject to the provision that no material reason for which the respective Board member is responsible in accordance with Rule 27a of the Austrian Code of Corporate Governance as amended applies. The total remuneration of the members of the Management Board disbursed in the reporting year amounted to TEUR 1,430, of which TEUR 1,021 related to fixed salary components and TEUR 409 constituted variable remuneration components.

Name	Total remuneration 2012
Franz Gasselsberger	TEUR 633
Josef Weissl	TEUR 392
Florian Hagenauer	TEUR 365 *)
Ludwig Andorfer (balance for 2011)	TEUR 40

*) Including anniversary bonus for 25 years of service.

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	Annual General Meeting (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
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 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	1949	23 April 2001	AGM 2017
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 2017

*) 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	1944	22 April 2002	AGM 2017
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	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
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 2012 and consists of 13 elected shareholder representatives and seven staff representatives delegated by the Staff Council. During the financial year 2012, 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 plenary meeting.

Members of the Committee:
Hermann Bell (Chairman)
Heimo Penker
Peter Gaugg
Herbert Walterskirchen
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 2012 the Working Committee approved three time-critical resolutions. 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
Herbert Walterskirchen
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 2012 the Credit Committee approved 39 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. The Nomination Committee held no meetings in 2012 as no appointments to fill vacancies arising in the Management Board had to be made. However, in line with the Standing Orders of the Management Board, the acceptance of supervisory board positions by members of the Management Board was submitted to the Nomination Committee for decision by way of written circular, and the approval of these positions was reported to the Supervisory Board at its meeting on 30 September 2012.

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). In this function, 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. 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.

At its meeting on 29 March 2012, the Remuneration Committee dealt in detail with the implementation of the Bank's previously approved remuneration policy and fixed the variable remuneration components of the Management Board members for the financial year 2011 on the basis of the documented long-term goals. In November 2012 the Remuneration Committee adjusted the pertinent assessment parameters to the strategic key indicators defined within the context of the 2016 strategy process and, accordingly, also revised the parameters for the proportionality analysis. The results were subsequently reported to the Supervisory Board at its meeting on 27 November 2012.

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 and for 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.

The Annual General Meeting on 8 May 2012 resolved to disburse annual emoluments to the members of the committees in remuneration of the work rendered effective from the financial year 2012 onwards. The Annual General Meeting set the annual emoluments per committee member at EUR 4,000 for the members of the Audit Committee and the Credit Committee, EUR 2,000 for the members of the Working Committee and EUR 1,000 for the members of the Nomination Committee and the Remuneration Committee.

Supervisory Board member	Fixed annual Supervisory Board emolument in €	Fixed annual committee emolument in €	Meeting fee in €	Total in €
Hermann Bell	17,000	12,000	480	29,480
Heimo Penker	13,000	12,000	480	25,480
Peter Gaugg	13,000	10,000	480	23,480
Ludwig Andorfer	11,000		480	11,480
Luciano Cirinà	11,000		360	11,360
Wolfgang Eder	11,000		360	11,360
Waldemar Jud	11,000	4,000	480	15,480
Christoph Leitl	11,000		240	11,240
Helga Rabl-Stadler	11,000		360	11,360
Peter Mitterbauer	11,000		480	11,480
Karl Samstag	11,000		480	11,480
Herbert Walterskirchen	11,000	7,000	480	18,480
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, was commissioned with the rendering of services in connection with the drafting the 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. In addition, Univ. Prof. DDr. Waldemar Jud Unternehmensforschungs GmbH was commissioned with the drafting an expert opinion in connection with regulations governing the reimbursement of administrative penalties. The costs amounted to EUR 6,500 plus VAT. Both these mandates were approved by the Supervisory Board.

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 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, i.e. until the Annual General Meeting that decides on the financial year 2013, within the meaning of this declaration, and 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 2012, Oberbank employed a total of 75 women in executive positions; this corresponds to 21.2% of all executive positions (2011: 70 women or 20.7%). 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 childcare services in the holiday month of August, targeted career planning, 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 for three years 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, 5 March 2013
The Management Board

CEO
Franz Gasselsberger
Chairman

Director
Josef Weissl
Management Board Member

Director
Florian Hagenauer
Management Board Member

More than just well-balanced.

At Oberbank, it’s not only our books that are well balanced. Our staff also strive for a healthy balance of body and mind.

Karin Badegruber-Kröner,
Assistant to the Oberbank Vienna Regional Division Management

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, 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.

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 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.

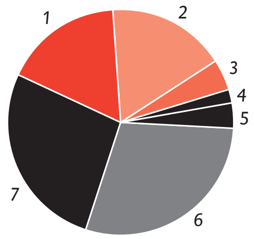
The Oberbank ordinary share has been listed on the Vienna Stock Exchange since 1 July 1986 and has maintained a conspicuously steady value appreciation ever since: Shareholders who acquired the Oberbank share in 1986 and participated in all capital increases achieved an average annual yield of 8.7% gross of withholding tax and taking into account dividend distributions.

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

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.

Oberbank shareholder structure at 31/12/2012	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%



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 (26.8% if preference shares are included) is held by corporates, institutional investors and private shareholders.

Investor relations and communications

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 2012, Oberbank published no such disclosure.

Investor relations – contact

Frank Helmkamp
Phone: +43 (0)732 78 02-7247
frank.helmkamp@oberbank.at
www.oberbank.at

2013 financial calendar

Publication of the Annual Financial Statements in Wiener Zeitung	3 April 2013
Record date in respect of Oberbank shares	4 May 2013
Annual General Meeting	14 May 2013
Ex-dividend date	17 May 2013
Dividend payment date	21 May 2013

Publication of quarterly results

1^{st} quarter	24 May 2013
1^{st} half	23 August 2013
1^{st} – 3^{rd} quarter	29 November 2013

Information regarding the 132nd Annual General Meeting

The Annual Shareholders Meeting of Oberbank AG convened on 8 May 2012 was attended by 1,983 ordinary shareholders entitled, on their own behalf or as proxies on behalf of third parties, to represent 22,758,771 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 2011 (unanimous)

- Agenda item 3:
  Discharge of the Management Board (unanimous)
  Discharge of the Supervisory Board (unanimous)

- Agenda item 4:
  Election of Supervisory Board members
  Peter Mitterbauer (unanimous)
  Christoph Leitl (99.99% for, 0.01% against)
  Karl Samstag (unanimous)

- Agenda item 5:
  Determination of the amount of the remunerations for the members of Supervisory Board committees for the financial year 2012 and subsequent financial years (99.99 for, 0.01% against)

- Agenda item 6:
  Appointment of the bank auditor for the financial year 2013 (99.99% for, 0.01% against)

- Agenda item 7:
  Revocation of authorised capital and granting of newly authorised capital for employee options under exclusion of the existing shareholders' subscription rights (99.99 for, 0.01% against)

- Agenda item 8:
  Revocation of authorised capital and granting of newly authorised capital (unanimous)

- Agenda item 9:
  Revocation of authorised capital and granting of newly authorised capital for the repurchase of own shares pursuant to Article 65 (1) number 4 of the Austrian Joint Stock Companies Act (99.99 for, 0.01% against)

- Agenda item 10:
  Revocation of authorised capital and granting of newly authorised capital for the repurchase of own shares pursuant to Article 65 (1) number 7 of the Austrian Joint Stock Companies Act (unanimous)

- Agenda item 11:
  Revocation of authorised capital and granting of newly authorised capital for the repurchase of own shares pursuant to Article 65 (1) number 8 Austrian Joint Stock Companies Act (unanimous)

- Agenda item 12:
  Amendment of the Articles of Association (unanimous)

Information on the meeting of the holders of preference shares

The meeting of holders of preference shares on 8 May 2012 was attended by a total of 21 holders of Oberbank preference shares. These holders were entitled, on their own behalf or as proxies on behalf of third parties, to represent 1,108,476 preference shares and exercise the attached rights.

The following resolutions of material importance were passed:

- Revocation of authorised capital and granting of newly authorised capital for employee options excluding the existing shareholders' subscription rights (unanimous)

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 2012, five such notifications were filed and, in accordance with Article 48 d (4) of the Stock Exchange Act, 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 2012. Benefitting from automated processes, the Compliance Office carried out regular checks of financial transactions in 2012. 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 2012. 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.

Petra Fuchs,
Deputy Head of the Oberbank Salzburg Regional Division

More than just a career.
Where staff enjoy equal opportunities,
women in leading positions are a matter of course.

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. In 1929, Creditanstalt für Handel und Gewerbe (CA) became the majority owner of Oberbank.

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.

Listing on the Vienna Stock Exchange

By going public on 1 July 1986, Oberbank and its sister banks paved the way 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.

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). A complete list of Oberbank's investments is provided on pages 147 to 149 of this Annual Report.

- The most important equity investments of Oberbank are stakes held in the sister banks BKS and BTV. Details regarding the shareholder structure of the three banks and their key figures are provided on pages 168 to 169 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, 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).

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

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.

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. 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 private banking as well as residential construction finance.

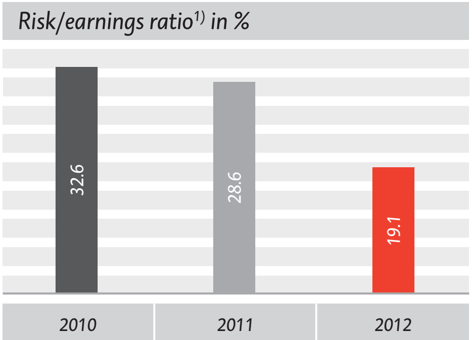
Organic growth

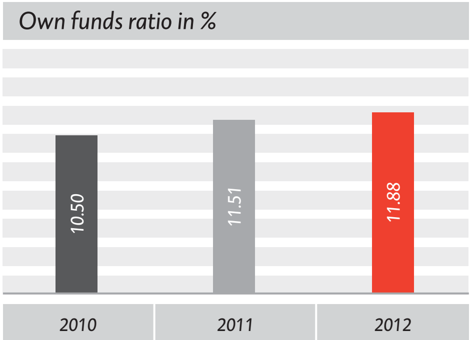
Oberbank's growth course is based on organic growth from its own resources, that is, through expanding its network of branches. For this reason Oberbank, in contrast to many other Austrian banks, has no goodwill in its balance sheet and therefore does not run a risk of having to write off impairment losses on balance-sheet assets. At the end of 2012, Oberbank operated a total of 147 branch offices. In Upper Austria and Salzburg, the Bank's core catchment area, Oberbank had 55 and 16 locations respectively. In the growth regions of Lower Austria and Vienna it operated 27 branches; in Bavaria, the Czech Republic, Hungary and Slovakia, a total of 49.

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.

Risk Management

Oberbank 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%.

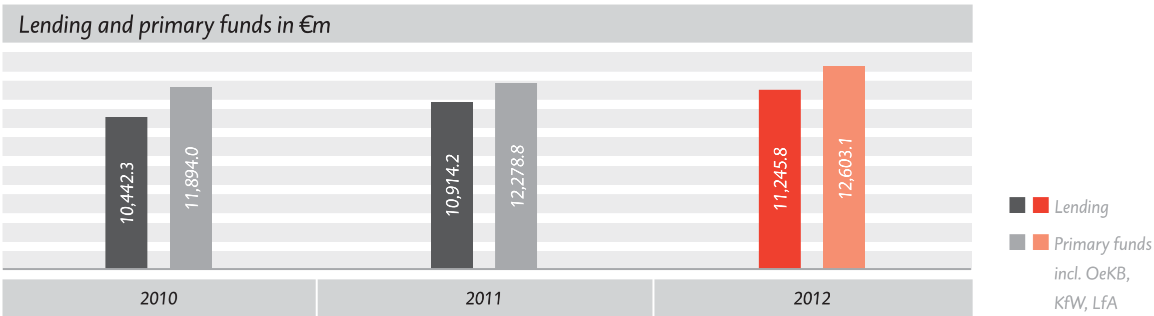




1) Including ALGAR and portfolio adjustment.

Safeguarding long-term liquidity

Oberbank has traditionally adhered to its "golden rule of accounting", which is to ensure that the Bank's entire lending volume can be refinanced from primary deposits by customers and assistance funds made available by Oesterreichische Kontrollbank (OeKB), Kreditanstalt für Wiederaufbau (KfW) and LfA Förderbank Bayern. 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.



No proprietary trading detached from customer business

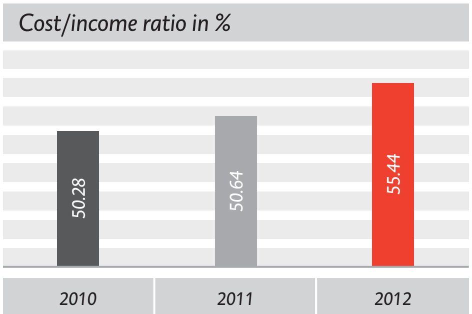
Oberbank focuses on the classical banking business and therefore does not conduct any noteworthy proprietary trading that is not related to customer business. The focus of services rendered by the Global Financial Markets department is, on the one hand, on services in the field of interest rate and currency risk management for customers and, on the other hand, on activities for the Bank's Asset/Liability and Liquidity Management department.

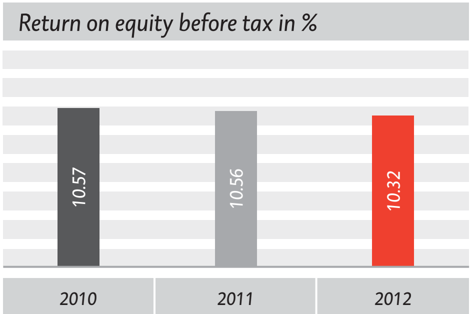
Staff development

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.

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 customer activities contribute to creating the basis for a solid earnings trend and constantly good profitability ratios.





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.

Two years ago, Oberbank, within the framework of the Oberbank Management Academy, concluded a cooperation agreement with the LIMAK Austrian Business School. The training courses and modules offered in this executive training programme are attended by roughly 45 key executives every year. The educational content, which is geared to the specific needs of Oberbank, is continuously enhanced and complies with the strict ECTS standards for the accumulation of higher education credits within the framework of post-graduate programmes such as master programmes. Written project reports on topical issues, prepared by the executives within the framework of their studies, provide for practice-oriented implementation of the educational contents.

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.

Another important focus is on sharpening the canteen guests' awareness of the importance of healthy nutrition. For example, Oberbank offers regular information on "holistic nutrition" in its staff magazine. In cooperation with OÖGKK, the Oberbank kitchen team already attended a jointly organised training course on the basics of modern nutrition. A large-scale event on health promotion that also catered to the family members of employees rounded off the dense project programme in this field. 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

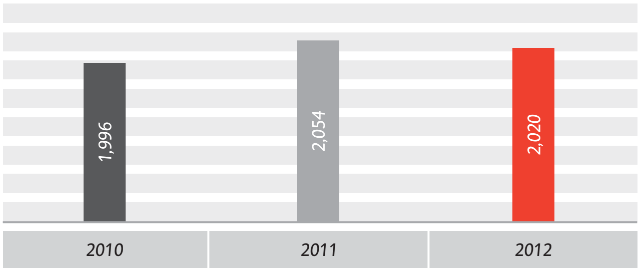
Oberbank views the award of the "berufundfamilie" Basic Certificate in 2011 as a permanent mandate to furthering the creation of family-friendly framework conditions and, most of all, promoting career opportunities for women. Oberbank lives up to this mandate by offering additional support such as childcare 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.

Workforce development



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.

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. Financial and organisational assistance for SOS 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 also takes an active role in promoting cultural activities. Core 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.

More than just an employer.

Oberbank takes employees' private responsibilities very seriously: especially their role as parents.

Melanie Affenzeller with her son Dominik,
Service consultant at Oberbank Traun

Sovereign debt crisis remains dominant theme in 2012

The European sovereign debt crisis was again topic number one in 2012. A number of significant decisions were made, among them the agreement on the European Stability Mechanism, the establishment of a euro-area bank supervisor and the adoption of a huge ECB rescue plan. Although these measures failed to provide a definitive solution to the European debt crisis, they substantially reduced the risk of a break-up of the currency union or the exclusion of individual countries.

A fast review of the year 2012

13 January	The rating agency Standard & Poor's stripped Austria and France of their triple-A ratings and downgraded seven other euro area countries.
16 January	Following its downgrading of several euro area countries, the credit rating agency S&P downgraded the EFSF rescue package from its top rating.
23 January	The EU financial ministers agreed to introduce the European Stability Mechanism (ESM) by summer 2012.
19 February	Greece was granted a second rescue package of up to EUR 130 billion.
2 March	All EU member states with the exception of the United Kingdom and the Czech Republic signed a treaty on tighter budget discipline.
8/9 March	Private investors agreed to a 53.5% debt haircut for Greece.
30 March	The euro area finance ministers agreed on the future size of the ESM, making available a volume of EUR 800 billion for the future bailout of troubled euro area countries.
6 May	French voters elected François Hollande to the office of President in response to his promise to renegotiate the European fiscal pact; in Greece, the governing parties suffered heavy losses in parliamentary elections, making it impossible to continue their coalition government.
11 May	In the context of its banking reform, Spain established a "bad bank" in which to off-load toxic assets.
17 June	In the Greek elections for a new government, the conservative forces, which promised to abide by the agreements made with the EU and the IMF, prevailed.
25 June	Spain officially applied for ESM assistance for its banking sector.
5 July	The ECB cut the key euro interest rate from 1.00% to 0.75%, the lowest level since the introduction of the common currency.
6 September	The ECB adopted its Outright Monetary Transaction (OMT) programme to remove risk from the market and reduce the risk of a break-up of the currency union. The programme's key technical features in summary: Future OMT transactions will be attached to the strict conditionality of government bond purchases' being restricted to countries granted a new EFSF/ESM programme and pledging compliance with its strict terms and conditions. There is no limit as regards volumes; maturities will focus on 1 to 3 years. Government bonds of countries that have already taken refuge under the ESM (Ireland, Portugal) may only be purchased subject to the condition that the respective countries have regained access to the bond market. The ECB will be on an equal footing with all other bond creditors: Hence, unlike the case of Greece, other creditors will not forgo a loss of receivables in the case of a restructuring of debt. The purchases of government bonds will be discontinued when the programme goals have been reached or a country fails to abide by the terms and conditions contained therein.
12 September	The German Federal Constitutional Court cleared the way for the country to ratify the fiscal pact and the ESM treaty.
19 October	The EU Heads of State or Government agreed on setting up a euro area banking supervision.
27 November	Euro area member states and the IMF agreed on adjusting the assistance programme for Greece, thus giving the Greek government more time to implement arranged austerity measures.
13 December	The EU finance ministers released the next tranche of the bailout package for Greece.

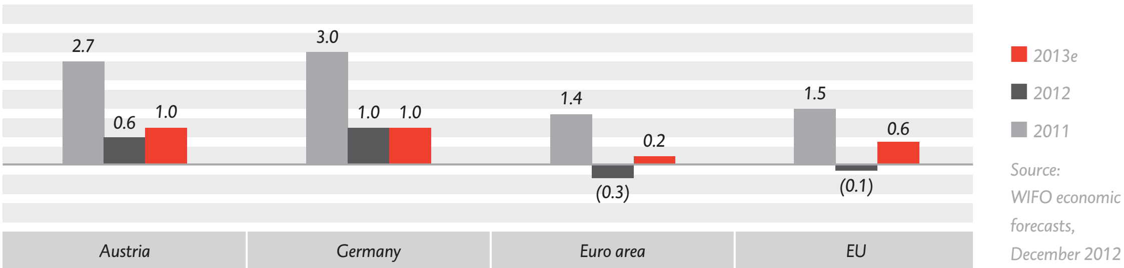
Debt crisis puts a damper on growth

Held in check by the still unsolved European sovereign debt crisis, European economic growth in 2012 was substantially lower than in the other large economic regions. After rising by 1.5% in the previous year, the EU GDP decreased by 0.1% in 2012. Euro area economic growth declined by an even larger margin of 0.3% (after +1.4% in 2011).

Posting 1.0% GDP growth, Germany stood out positively, preventing an even more pronounced slide into recession for the euro area. The "Oberbank countries", i.e. the Czech Republic (GDP -1.1%), Hungary (-1.4%) and Slovakia (+2.3%), reported noticeably weaker economic growth than one year earlier, the reason being that the effects of the subdued growth dynamics in their major European partner markets had a clear impact on these countries.

The global economy posted 3.3% growth in 2012, down from 3.8% in the previous year. US GDP widened by 2.3% in 2012 (after 1.8% in 2011), while the Japanese economy reversed to 1.7% growth (after declining by 0.6%). China's economy continued to grow at the relatively high rate of 8.0%, however, a declining trend was perceptible compared with the previous two years (+10.4% in 2010, +9.2% in 2011).

GDP growth in %

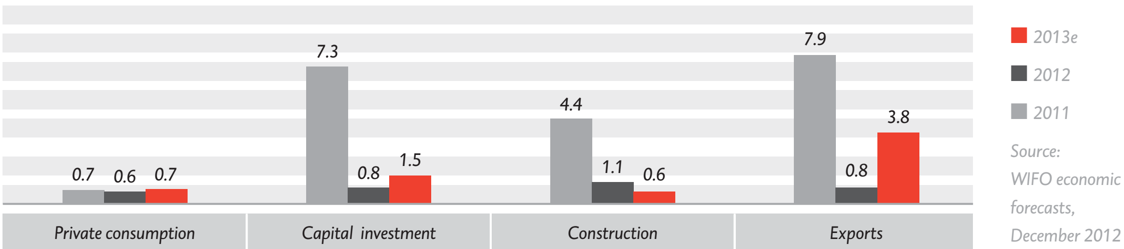


Source: WIFO economic forecasts, December 2012

Austrian economy posted 0.6% growth in 2012

This growth rate fell clearly short of the previous two years, but was still well above the euro area average. Austria thus continued to be one of the major pillars of European economic growth. This stable development was sustained by both domestic and foreign demand. Austrian exports, in particular, widened by a notable rate of 0.8% notwithstanding the general weakness in Austria's European export markets.

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



Source: WIFO economic forecasts, December 2012

Interest rates remained at record low

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 just once in 2012, lowering it from 1.00% to 0.75% on 5 July.

Key interest rates in 2012		USD		EUR
	1/1 – 31/12	0.00% – 0.25%	1/1 – 4/7	1.00%
			5/7 – 31/12	0.75%

Money market and capital market rates also hovered around particularly low levels in 2012. The 3-months Euribor dropped from 1.22% (average of January 2012) to 0.19% (average of December 2012), which translates to a 2012 annual average of 0.57%, after 1.39% in the previous year. The 3-months USD Libor declined from 0.57% to 0.31% between January and December 2012, averaging 0.43% after 0.34% in 2011. The 10-year euro swap rate averaged 1.97% in 2012 (down from 2.34% in January to 1.61% in December); the USD swap rate was 1.86% on average (down from 2.04% in January to 1.74% in December).

Exchange rate developments in 2012

In view of the ongoing turbulences in Europe, the euro showed surprisingly robust development. At an average rate of 1.29 in 2012, the EUR/USD exchange rate was clearly above the rate of 1.18 at the beginning of January 1999, when the euro was first introduced. The main reason for the stable development of the euro is to be found in weak US fundamental economic data: The EU is clearly in better shape than the USA in terms of both overall indebtedness and current fiscal deficit (in relation to GDP). The EUR/CHF exchange rate moved marginally between 1.20 and 1.21, thus remaining exactly within the target bandwidth announced by the Swiss national bank in September 2011.

Robust stock market development

For stock markets, 2012 was a highly satisfactory year: all major indices posted substantial gains. Concerns regarding the euro area crisis obviously had already been priced in and investors seemed to put full trust in ECB and policy efforts to save the euro at any price. Among the individual indices, the Austrian ATX and the German DAX stood out for their conspicuously positive performance, with the DAX achieving the highest gains since 2003. In an international comparison, US stock market indices fell slightly short of expectations in 2012. In particular the budget problems termed “fiscal cliff” in popular shorthand and concerns regarding their possible negative impacts on US economic growth weighed down on US equity markets as the year drew to a close.

Index	Ø January 2012	Ø December 2012	Jan. – Dec. 2012
Dow Jones (USA)	12,551	13,144	+4.7%
S&P 500 (USA)	1,301	1,422	+9.4%
Euro Stoxx 50 (Europe)	2,382	2,626	+10.2%
Topix (Japan)	744	812	+9.1%
DAX (Germany)	6,278	7,576	+20.7%
ATX (Austria)	1,984	2,364	+19.2%

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 Commercial 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 2012 included 26 domestic and 20 foreign subsidiaries. Compared to 31 December 2011, the consolidated group changed owing to the first-time inclusion of the following companies: 3-Banken Wohnbaubank AG, Linz (80%); Oberbank airplane 2 Leasing GmbH, Linz (100%).

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 26 subsidiaries and 22 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 broken down into 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 68 of this Annual Report.

Results of operations

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.

IFRS consolidated 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
Net trading income	7.3	(21.0%)	9.3	6.5
Administrative expenses	(239.0)	4.2%	(229.5)	(220.7)
Other operating result	2.7	> (100.0%)	(2.4)	12.4
Profit for the year before tax	**132.4**	**5.0%**	**126.0**	**114.5**
Income taxes	(23.7)	60.9%	(14.8)	(16.1)
Profit of the year after tax	**108.6**	**(2.4%)**	**111.2**	**98.4**
of which attributable to equity holders of the parent	108.6	(2.4%)	111.2	98.4
of which attributable to minority interests	0.0	(24.0%)	0	0

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

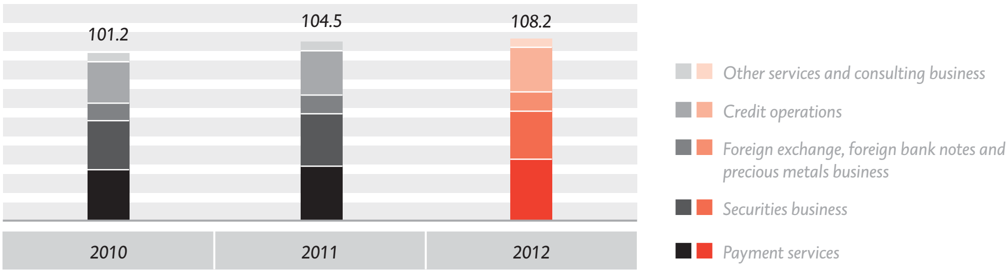
Within the framework of the Bank's credit risk strategy, adequate provisions were set up for all discernible risks. Besides specific valuation allowances, a general allowance for impairment of the portfolio in accordance with IAS 39 was also recognised. In addition, guarantee commissions were paid to 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.

Development and structure of net commission income in €m



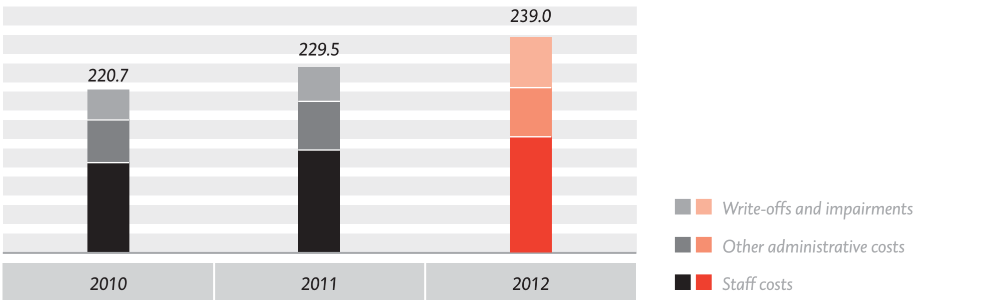
Net trading income

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. 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.

Development and structure of administrative expenses in €m



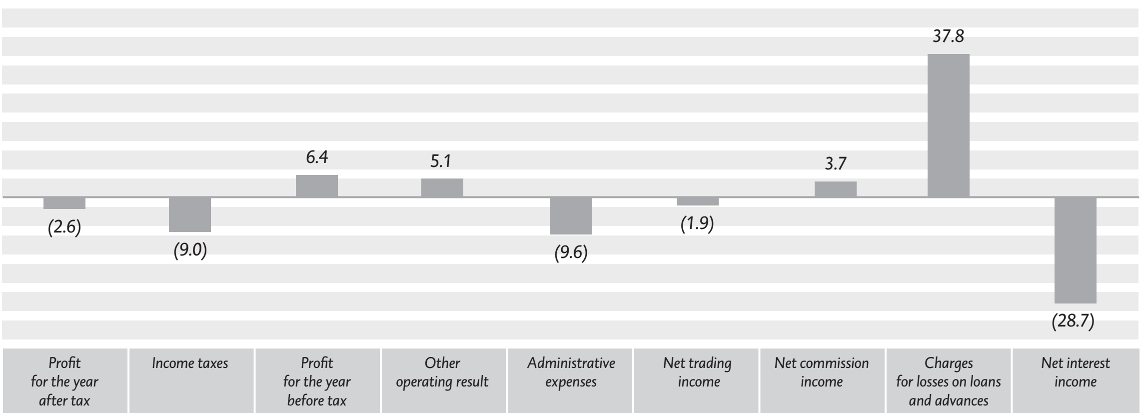
High tax burden weighs down on earnings

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.

Changes in profit components in 2012 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 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.

Analysis of key performance indicators

Key performance indicators, IFRS figures	2012	2011	2010
Return on equity before tax	10.32%	10.56%	10.57%
Return on equity after tax	8.47%	9.32%	9.08%
Cost/income ratio	55.44%	50.64%	50.28%
Risk/earnings ratio (credit risk in% of net interest income)	19.11%	28.58%	32.55%
Total capital ratio	16.81%	16.49%	16.69%
Core capital ratio	11.88%	11.51%	10.50%
IFRS earnings per share in €	3.78	3.87	3.43

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%.

Assets and financial position

At EUR 17,675.1 million, total assets of the Oberbank Group as at the end of 2012 showed an increase of 1.1% year on year. The key balance sheet assets and equity and liability items are analysed below.

Balance sheet assets

Further rise in loans and advances to customers

Loans and advances to credit institutions increased by 13.0% to EUR 1,769.4 million in 2012; their share in total balance sheet assets thus increased by 9.0% to 10.0%. Loans and advances to customers widened by 3.0% to EUR 11,245.8 million. While loans and advances to Austrian customers increased by 1.2% to EUR 6,936.4 million, loans and advances to foreign customers widened by 6.1% to EUR 4,309.4 million. Broken down by customer groups, personal loans widened further by EUR 90.2 million and corporate and business loans increased by EUR 241.4 million.

The increase of impairment provisions by 5.3% to EUR 368.8 million on balance is due to differences between allocations and reversals of specific valuation allowances and portfolio adjustments recognised in accordance with IAS 39.

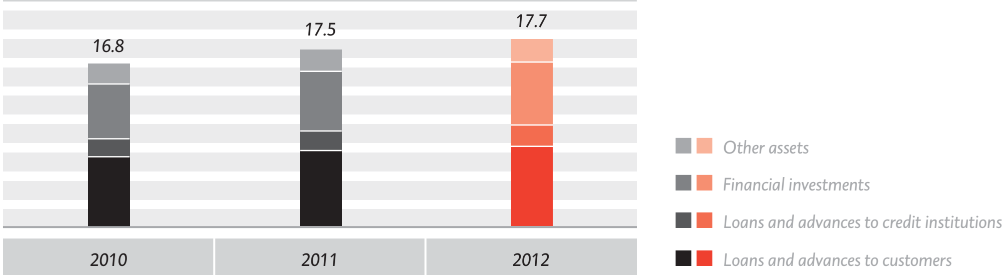
Financial investments declined by 4.8% to EUR 4,182.0 million year on year. This volume is spread across the different sub-items as follows: EUR 278.0 million in financial assets recognised at fair value; EUR 1,121.9 million in available-for-sale financial assets; EUR 2,231.0 million in held-to-maturity financial assets and EUR 551.1 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 19.9% to EUR 60.4 million, intangible assets declined by 15.4% to EUR 3.9 million.

Property, plant and equipment increased by 4.1% to EUR 229.1 million year on year. The line item Other assets, which declined by 4.0% to EUR 370.6 million, comprises other asset items such as positive fair values of derivatives in the banking book, down payments on lease contracts as well as 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.

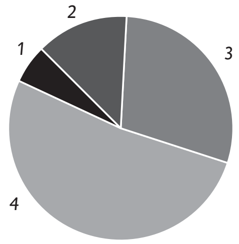
Structure of balance sheet assets in €bn



Balance sheet equity and liabilities

Amounts owed to credit institutions were reduced by 5.6% to EUR 4,039.7 million in 2012. Primary funds widened by 2.6% to EUR 11,607.9 million on balance. Amounts owed to customers included in this item increased by 3.7%, i.e. somewhat more than in the previous year, to EUR 9,399.1 million because customers, in view of the insecure developments on securities markets, continued to reshuffle assets into traditional types of investments. Savings deposits slightly declined by 0.8% to EUR 3,380.1 million, while other liabilities, rising by 6.4% to EUR 6,019.0 million, increased markedly. Securitised liabilities edged up by 1.8% to EUR 1,533.7 million. The balance sheet item Subordinated debt capital decreased by 9.3% to EUR 675.1 million. The increase in equity capital by 9.9% to EUR 1,342.4 million is to a large extent due to the Bank's excellent profit situation, which permitted substantial allocations to reserves.

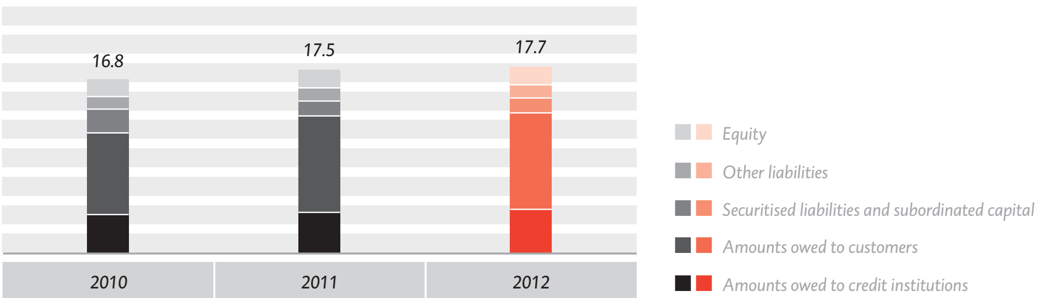
Structure of primary funds in %	
Subordinated debt capital [1]	5.8%
Securitised liabilities [2]	13.2%
Savings deposits [3]	29.1%
Sight and time deposits [4]	51.9%



The equity-and-liabilities-side item Other includes provisions for liabilities and charges and other liabilities. Provisions for liabilities and charges decreased by 0.6% to EUR 400.2 million in total. They are mainly made up of provisions for termination and post-employment benefits (EUR 210.0 million) and loan loss provisions (EUR 128.9 million).

Other liabilities increased by 7.4% to EUR 284.9 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 €m



Funding base in €m	2012	Change	2011	2010
Savings deposits	3,380.1	0.8%	3,407.6	3,447.2
Other amounts owed to customers	6,019.0	6.4%	5,656.6	5,455.6
Securitised liabilities	1,533.7	1.8%	1,506.6	1,486.4
Subordinated debt capital	675.1	(9.3%)	744.4	746.2
Primary deposits including subordinated debt capital	**11,607.9**	**2.6%**	**11,315.2**	**11,135.3**
Amounts owed to credit institutions	4,039.7	(5.6%)	4,278.6	3,833.2
Total	**15,647.6**	**0.3 %**	**15,593.8**	**14,968.5**

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%.

Equity on the balance sheet in €m	2012	Change	2011	2010
Share capital	86.1	(0.2%)	86.3	86.3
Capital reserves	194.0	(0.3%)	194.5	194.6
Retained earnings	1,036.1	13.2%	915.3	852.8
Untaxed reserves	21.4	(5.7%)	22.7	23.9
Negative goodwill	1.9		1.9	1.9
Minority interests	2.9	> 100.0%	1.4	1.4
Equity on the balance sheet	**1,342.4**	**9.9%**	**1,222.0**	**1,160.9**
Own funds within the meaning of Sections 23 and 24 BWG	1,762.5	5.3%	1,673.1	1,635.1
of which core capital (Tier 1)	1,245.4	6.7%	1,167.6	1,028.7
Own funds requirement	904.6	3.4%	875.1	845.3
Own funds ratio in %	16.81	0.32 ppt	16.49	16.69
of which core capital ratio in %	11.88	0.37 ppt	11.51	10.50
Surplus own funds, in percentage points	8.81	0.32 ppt	8.49	8.69
Assessment basis for own funds	10,481.9	3.3%	10,146.2	9,795.8

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.

The German economy is expected to continue growing at the previous year's level of 1.0%, whereas the Central and Eastern European EU member states may well achieve 1.5% growth (after 1.2% in 2012) and are thus once again positioned for above-average performance. The Czech economy is anticipated to reverse and post 0.6% growth in 2013 after declining by 1.1% in 2012, while Hungary is likely to achieve 0.3% growth after a 1.4% downturn in 2012. Economic growth in Slovakia is set to continue at approximately the previous year's level of 2.1%.

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.

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 basis for the risk strategy of Oberbank is the Bank's position 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.

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) has been continuously developed and refined over the years. A detailed description of ICS processes and procedures is available; all risk-relevant processes in the Bank and the pertinent control measures are consistently documented. Responsibilities and functions relating to the ICS are clearly defined. Internal control activities are documented and monitored. ICS-relevant risks are regularly evaluated and adjusted. A regular, multi-level reporting process on the efficiency and maturity of the ICS is in place. 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 the ICS 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, ICAAP risk limits for material banking risks resulting from the business model of Oberbank are derived on the basis of the economic coverage capital. These risks include 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 (liquidity risk and concentration risk). A risk buffer creates the required risk provision for other, non material risks (business, 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.

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.

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.

Equity risk

Equity risk is defined as the risk of value impairments caused by lost dividends, partial write-offs and disposal losses 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 to be made, the Company, as a matter of principle, 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.

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). The currency and interest rate risks of the Bank's foreign business units as well as its fully consolidated subsidiaries are centrally managed by Oberbank AG.

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 & Communication, 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 threatening the Company's existence 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, Kreditanstalt für Wiederaufbau and LfA Förderbank Bayern. 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. The Accounts and Controlling department is responsible for the reporting. A comprehensive liquidity gap analysis is drawn up for the purpose of medium and long-term liquidity risk management. An emergency plan is in place for the eventuality of extreme market conditions.

Concentration risk

Risk concentrations constitute a concentration risk with a potential to cause losses large enough to threaten the stability of a financial institution's health or to produce a material change in its risk profile.

A differentiation is made between two types of risk concentration:

- Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category.
- Inter-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories.

Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories, while responsibility for the inter-risk concentration risk lies with the ALM Committee.

Oberbank does not show any excessive intra-risk and inter-risk concentrations, owing to its well-diversified business model as a universal bank with a strong regional focus.

Share capital, share denomination and authorised capital

As of 31 December 2012, 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 2012, 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 3.46%.

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, 5 March 2013
The Management Board

CEO
Franz Gasselsberger, Chairman
Sphere of responsibility: Corporate and Business Banking

Director
Josef Weissl
Sphere of responsibility: Personal Banking

Director
Florian Hagenauer
Sphere of responsibility: Overall Banking Risk Management

More than just stamina.

Every working day brings a new challenge. Physical exercise helps keep our staff fit to master them.

Barbara Schneebauer,
Branch manager of Oberbank Steyr-Ennsleite

The segment reporting format 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 2012 in €m	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%

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

Corporate and Business Banking segment in €m	2012	Change	2011	2010
Net interest income	198.9	5.8%	188.0	175.3
Charges for losses on loans and advances	(43.9)	(10.2%)	(48.9)	(71.4)
Net commission income	59.8	2.2%	58.5	53.4
Net trading income	0.2	> 100%	0.1	(0.4)
Administrative expenses	(120.9)	11.8%	(108.2)	(100.7)
Other operating profit	13.4	> 100%	5.2	7.3
Profit (loss) for the year before tax	107.4	13.4%	94.7	63.5
Segment's contribution to consolidated profit before tax	81.2%	6.0 ppt	75.2%	55.5%
Average credit and market risk equivalent (BWG)	7,941.1	2.4%	7,757.6	7,616.3
Segment assets	8,884.1	2.6%	8,659.8	8,212.0
Segment liabilities	5,811.9	7.4%	5,412.4	5,380.2
Average allocated equity	790.0	11.6%	708.1	628.5
Return on equity before tax (ROE)	13.6%	0.2 ppt	13.4%	10.1%
Cost/income ratio	44.4%	1.4 ppt	43.0%	42.7%

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%.

Financing business

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.

Structured finance

Oberbank supported numerous enterprises by providing finance for acquisitions, investments and special projects, among them special financing facilities for customers in the Bank's growth markets. All in all, Oberbank concluded financing projects with a volume of more than EUR 400 million in this field in 2012.

Oberbank's private equity network

With 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 in equity participation capital (private equity) and about EUR 100 million in mezzanine capital finance (primarily subordinated, unsecured loans) are earmarked for the target group of the Oberbank Opportunity Fonds, i.e. established companies in more mature stages of development. Through its stake in the Upper Austrian high-tech incubator fund OÖ HightechFonds GmbH, acquired in 2011, Oberbank helped support early-stage ventures as well.

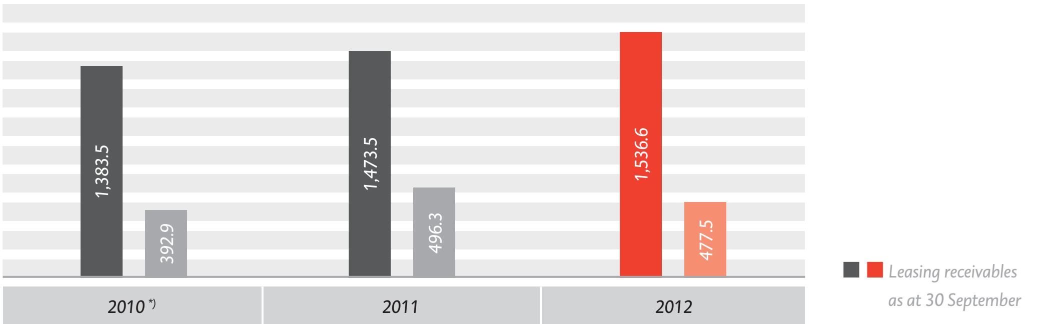
In the reporting year, the Oberbank Opportunity Fonds handled a total of 153 enquiries; seven of these projects were successfully concluded. Since its inception in November 2006, the Oberbank Opportunity Fonds has provided equity and/or mezzanine capital support for a total of 36 projects. The total 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.

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 2010 had to be marginally adjusted compared to the figures published in the annual report for 2010.

International business

Strongest regional bank in foreign business

In foreign business in particular, Oberbank benefits from the top international profile of its customers. An independent survey has confirmed the position of Oberbank as Austria's strongest regional bank in foreign business: In the business lines of subsidised export finance and documentary business, Oberbank holds third place in an Austria-wide comparison, while ranking second in terms of foreign exchange business and international payments.

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.

Syndicated loans and international lending

The performance of the Bank's syndication and international lending business was highly successful in terms of both deal numbers (+5.2%) and volume (+14.2%) in 2012. This growth was primarily attributable to Oberbank's participation in the placement of borrower's note loans, a financing instrument of German origin, which enjoyed increasingly robust demand among investment grade Austrian companies in need of financing for large-volume transactions. Moreover, Oberbank further consolidated its role as consortium leader in syndication finance transactions for Austrian companies.

Documentary business and guarantees

Following highly dynamic growth in documentary business and foreign guarantees in the first half of 2012, growth in terms of both volume and numbers decelerated in the second half. On balance, this business line closed the year at just below the high level attained in 2011. Still, the overall growth trend continued with 5.3% year-on-year growth of income from documentary credit fees and collection commissions and a 4.2% increase in earnings from foreign guarantees.

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 by providing pertinent information in SEPA brochures and newsletters and offering comprehensive information on the Oberbank homepage. In addition, in 2012 the Bank launched an information campaign addressed to both employees and customers and including 30 events at which almost 900 participants were made familiar with the new rules and standards.

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.

The focus of activities in the Bank's foreign markets was on further product development in electronic banking. Numerous new features, such as a summary financial statement as well as features tailored to specific markets, for example a function allowing customers to authorise the collection of future claims for the Czech market and another enabling customers to make book transfers specifically for the German market, greatly enhanced the system's user friendliness. Moreover, in Germany Oberbank introduced a new authorisation procedure, "chipTAN comfort", which features a TAN generator plus a signature card and thus offers even more security and comfort for customers using Homebanking Computer Interface (HBCI) products.

Cash management

In the field of cash management, the innovation focus in 2012 was on the further development and implementation of new pooling techniques. Besides the two-tier, cross-border euro liquidity pooling model, new solutions supporting foreign currency pooling were implemented.

The number of Oberbank cash pooling solutions increased further in 2012. In Austria and Germany the Bank already operates a total of 229 cash pools with daily transaction settlement.

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.

Personal Banking segment in €m	2012	Change	2011	2010
Net interest income	55.6	(5.9%)	59.2	53.1
Charges for losses on loans and advances	(9.7)	(1.4%)	(9.8)	(9.6)
Net commission income	48.5	5.3%	46.0	47.8
Net trading income	0.0	–	0.0	0.0
Administrative expenses	(85.8)	(3.2%)	(88.7)	(86.4)
Other operating profit (loss)	5.8	> 100%	2.0	(2.1)
Profit (loss) for the year before tax	14.4	64.8%	8.8	2.9
Segment contribution to consolidated profit before tax	10.9%	4.0 ppt	6.9%	2.5%
Average credit and market risk equivalent (BWG)	1,180.2	2.7%	1,149.7	1,207.8
Segment assets	2,038.5	4.4%	1,951.9	1,930.7
Segment liabilities	5,014.8	0.5%	4,991.6	4,804.2
Average allocated equity	117.4	11.9%	104.9	99.7
Return on equity before tax (ROE)	12.3%	4.0 ppt	8.3%	2.9%
Cost/income ratio	78.1%	(4.6 ppt)	82.7%	87.4%

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

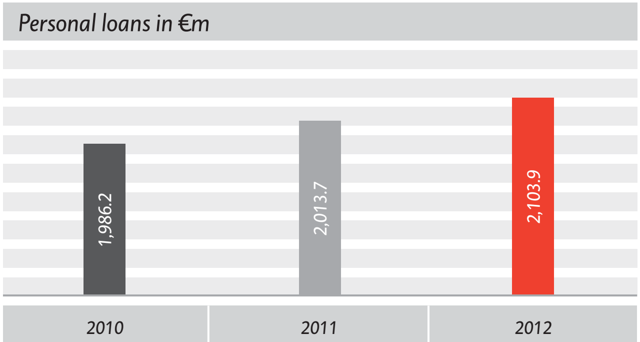
The development of deposits at Oberbank in 2012 reflects the persistently low savings rate. The balance sheet item "Savings deposits" inclusive of capital gains edged down by 0.8% to EUR 3,380.1 million. Investor demand in 2012 primarily focused on fixed-term savings passbooks with full-term guaranteed 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 further in favour of euro loans. In 2012, the balance of foreign currency loans in Swiss francs was reduced by 20% to EUR 187.2 million in euro terms year on year. Altogether, foreign currency loans now comprise only one out of ten of Oberbank's outstanding loans. In comparison, according to a report by the Austrian Financial Market Authority (FMA) published in 2012, one out of four personal loans in Austria is denominated in foreign currency.



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.

Portfolio of card products

The overall card portfolio of Oberbank developed along very satisfactory lines in the reporting period: At the 2012 balance sheet date, the Bank had 135,206 ATM cash cards (+3.9%) and 47,312 credit cards (+3.4%) issued by the various providers in circulation. Oberbank's contract partners in this line are the card organisations PayLife Bank GmbH and card complete Service Bank AG. Oberbank also issues a proprietary MasterCard designated "Oberbank MasterCard"; Diners Club and American Express credit cards round out the Bank's portfolio, giving customers a choice from among the internationally most commonly used credit cards.

Securities business held up well in a difficult environment

Securities commission income increased slightly by EUR 0.1 million to EUR 32.2 million in 2012, despite difficult market conditions. Income from bond transactions was also substantially above the previous year's level; investment fund subscription fees increased as well. Equities business declined somewhat against the backdrop of customers' risk-averse investment approach.

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.

Investor demand for Austrian corporate bonds was high indeed in the year under report. In order to be able to satisfy all the orders placed by investors, Oberbank participated in the placement of corporate bonds by the following companies: Miba AG, KTM Power Sports AG, Strabag SE, Constantia Flexibles Group GmbH, Montana Tech Components GmbH, conwert Immobilien Invest SE, Borealis AG, Immofinanz AG, Andritz AG, SPAR Österr. Warenhandels AG, Egger Holzwerkstoffe GmbH, Cross Industries AG and Swietelsky Baugesellschaft mbH. Oberbank and 3 Banken-Generali Investment GmbH accounted for 13% of the entire placement volume of these issues, which testifies to the high placement power of 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.

Owing to their tax-privileged status, housing bonds are deemed a highly attractive form of investment. Interest income of up to 4% annually on these bonds is exempt from withholding tax for their entire term to maturity, regardless of the actual holding period. 3-Banken Wohnbaubank AG took up operations in July 2012. By the end of the year, the company had placed a total volume of EUR 16.5 million in housing bonds on behalf of Oberbank AG and BTV AG.

Oberbank issues

The volume of Oberbank issues placed with investors in 2012 clearly mirrored the effects of the extremely low level of interest rates. The total volume of securitised liabilities including subordinated capital declined by 1.9% to EUR 2.2 billion year on year. 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. This additional securities backing makes this financial instrument particularly attractive in the current market environment and Oberbank has already issued a volume of more than EUR 100 million.

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. Bond fund performances, in particular, exceeded expectations owing to substantially lower bond rates, but equities also developed along positive lines. As at the balance sheet date, the capital-weighted performance of the 133 retail and special funds managed by the company averaged around 9% for the year as a whole.

Asset Management

The volume of assets managed by Oberbank's Asset Management rose by 19.5% to the new record level of EUR 244.2 million. This remarkable performance was due, on the one hand, to the good results achieved with the three portfolio strategies on offer and, on the other hand, to the inflow of funds from new mandates.

Brokerage services

Customer demand for the special services offered by the Oberbank Brokerage group remained stable at the high level of previous years. The record result in terms of earnings and volume achieved in 2011 could not be repeated, as investors exhibited some restraint with regard to equity investments. However, 18% year-on-year growth to EUR 130 million in assets managed by the Brokerage group is a more than respectable performance.

Service provider to private foundations

In 2012, decision makers of private foundations continued to show their trust in Oberbank's Private Banking advisory services and Asset Management, as well as in the expertise of 3 Banken-Generali Investment GmbH in the field of special funds. The volume of private foundation assets managed by Oberbank thus grew by more than 13% to over EUR 800 million year on year.

Private Banking: Growth thanks to expertise and know-how

The successful performance in Private Banking continued unbroken in 2012. The volume of assets under management – consisting of sight deposits, time deposits, saving deposits and, primarily, securities – rose to a new record high of EUR 4.6 billion, which translates into 14.1% growth year on year. The inflow of new funds was fuelled by the group's intensive servicing of the individual bank branches as well as by direct customer contacts established, for example, on the occasions of numerous investment lunches and investment dinners organised throughout Oberbank's entire catchment area.

Building and loan association saving

The number of building and loan contracts brokered by Oberbank for the building and loan association Bausparkasse Wüstenrot decreased by 4.8% to a total of 12,377 in 2012. This decline was mainly due to the irritation caused by the new statutory reduction of the government premium on building and loan association contracts from previously 3% to 1.5% in the spring of 2012.

Insurance services

This business line managed to post growth in 2012 despite challenging market conditions. In the autumn of the year, customer demand for some types of insurance products increased in anticipation of the introduction of gender-neutral rating (unisex rating) effective from 21 December 2012.

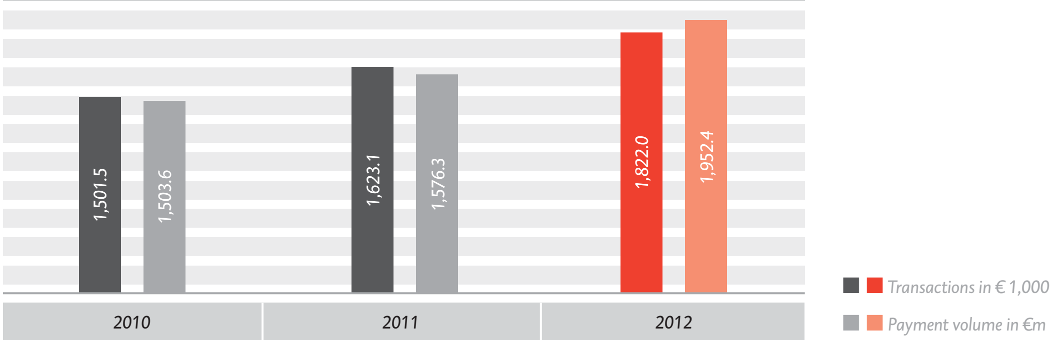
Within the scope of the Companies' activities as brokers of the endowment policies of its cooperation partner Generali Versicherung AG, the Personal Banking segment lifted sales, mainly of classical endowment insurance contracts, by 1.9% year on year. State-subsidised retirement savings products were affected by the fact that the government had halved the subsidies granted on these products. Sales of single-premium endowment insurance policies declined due to the low level of interest rates and the statutory minimum term of 15 years.

The result of activities in the field of company pension plans pursued in cooperation with 3 Banken Versicherungsmakler GmbH showed very positive development, rising by a robust 57% to EUR 8.5 million year on year. Sales of risk insurance products through Drei-Banken Versicherungs-Aktiengesellschaft reflected the sluggish economic environment. Overall, premium volumes in Oberbank's insurance operations in Austria and Germany widened by 20% to EUR 70.8 million.

Payment services

The number of customers using Oberbank's electronic banking services increased by 13% year on year, while the number of eBanking transfer orders widened by 12% to 1.8 million transactions.

eBanking: comparison



Financial Markets segment in €m	2012	Change	2011	2010
Net interest income	58.4	(38.2%)	94.5	90.5
Charges for losses on loans and advances	(6.2)	(84.0%)	(39.0)	(22.8)
Net commission income	0.0	–	0.0	0.0
Net trading income	7.1	(22.3%)	9.2	6.9
Administrative expenses	(5.7)	11.1%	(5.1)	(5.4)
Other operating profit (loss)	(12.8)	> 100%	(6.1)	9.8
Profit for the year before tax	40.8	(23.7%)	53.5	79.1
Segment's contribution to consolidated profit before tax	30.8%	(10.9 ppt)	41.7%	69.1%
Average credit and market risk equivalent (BWG)	3,768.9	(9.5%)	4,166.0	4,306.3
Segment assets	6,148.9	(1.8%)	6,261.1	6,075.0
Segment liabilities	6,215.4	(3.6%)	6,448.1	5,977.4
Average allocated equity	374.9	(1.4%)	380.3	355.3
Return on equity before tax (ROE)	10.9%	(3.2 ppt)	14.1%	22.2%
Cost/income ratio	10.8%	5.6 ppt	5.2%	5.0%

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%.

Interest rate and currency risk management
The sovereign debt crisis in Europe and the pre-presidential election year in the USA had an impact on foreign currency markets. The sharp fluctuations in dollar-denominated markets levelled out somewhat as compared to previous years, but companies' demand for hedging products picked up again. Besides the classical hedging currencies, among them the US dollar, alternative currencies such as the Indian rupee or the Canadian dollar increasingly moved into focus – and this development is set to continue. External evaluations conducted in 2012 again attested to the outstandingly high quality of services offered by Oberbank in this line of business.

Direct customer services
Deal numbers in foreign currency trading increased in 2012. Customers appreciate the Bank's capacity to take quick action and the possibility of exchanging views on markets with externally certified experts in the direct customer services department, which contributed to increasing customer numbers by 10% year on year.

Liquidity
Oberbank enjoys a particularly high degree of trust with other credit institutions. Oberbank thus had access to cover funds for repo transactions and money market facilities made available by other banks in a total amount of several billion euro in the year under report. This is a key pillar supporting stable liquidity.

Primary deposits

Money market rates were at a conspicuously low level in 2012. The 3-month Euribor moved from its high at 1.35% at the turn of 2011/2012 to a low of 0.18%; interest rates finally stabilised at a very low level at the end of 2012. Notwithstanding this adverse environment, Oberbank again improved its position in terms of primary deposits: The volume of primary deposits rose by 2.6% to EUR 11,607.9 million.

International network of partner banks and institutions

World-wide network of 2,500 bank partners

In 2012, Oberbank continued to intensify relations within an international network of banks and institutions in the Central and Eastern European countries, India, China and South-East Asia. By optimising the management of payment flows in the most commonly used currencies, the Bank achieved a further improvement of data quality and a lower rate of complaints. For the currencies of growth countries such as Russia and Mexico, Oberbank set up new currency accounts supporting a rapid and direct transfer of customer payments as well as foreign exchange risk hedging.

Other

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 30.3 million in 2012.

Consolidated Financial Statements of Oberbank Group for 2012 Prepared in Accordance with IFRS

Contents of the Consolidated Financial Statements Prepared in Accordance with IFRS

Statement of comprehensive income for the financial year 2012

Consolidated income statement for the financial year 2012

in €k			2012	2011	Change in €k	Change in %
1.	Interest and similar income	(3)	564,164	598,621	(34,457)	(5.8)
2.	Interest and similar expenses	(3)	(286,952)	(319,713)	32,761	(10.2)
3.	Income from entities accounted for using the equity method	(3)	35,733	62,777	(27,044)	(43.1)
	Net interest income	(3)	312,945	341,685	(28,740)	(8.4)
4.	Charges for losses on loans and advances	(4)	(59,797)	(97,649)	37,852	(38.8)
5.	Commission income	(5)	119,334	115,242	4,092	3.6
6.	Commission expenses	(5)	(11,107)	(10,724)	(383)	3.6
	Net commission income	(5)	108,227	104,518	3,709	3.5
7.	Net trading income	(6)	7,309	9,253	(1,944)	(21.0)
8.	Administrative expenses	(7)	(239,030)	(229,453)	(9,577)	4.2
9.	Other operating profit (loss)	(8)	2,702	(2,358)	5,060	> (100.0)
	a) Net income from financial assets – FV/PL	(8)	13,910	(8,145)	22,055	> (100.0)
	b) Net income from financial assets – AfS	(8)	(19,101)	1,935	(21,036)	> (100.0)
	c) Net income from financial assets – HtM	(8)	0	1,708	(1,708)	(100.0)
	d) Other operating profit (loss)	(8)	7,893	2,144	5,749	> 100.0
	Profit for the year before tax		132,356	125,996	6,360	5.0
10.	Income taxes	(9)	(23,745)	(14,760)	(8,985)	60.9
	Profit for the year after tax		108,611	111,236	(2,625)	(2.4)
	of which attributable to the owners of the parent company		108,592	111,211	(2,619)	(2.4)
	of which attributable to minority interests		19	25	(6)	(24.0)

Income and expenses recognised directly in equity

in €k	2012	2011
Profit for the year after tax	108,611	111,236
+/- Unrealised gains and losses not recognised in the income statement under IAS 39	24,245	(39,887)
+/- Deferred taxes on items recognised directly in equity under IAS 39	(6,061)	9,972
+/- Exchange differences	(228)	81
+/- Other changes recognised directly in equity of which changes in equity of associates	6,941	(1,738)
Total income and expenses recognised directly in equity	24,897	(31,572)
Total comprehensive income for the period of net profit for the period and income and expenses recognised directly in equity	133,508	79,664
of which attributable to the owners of the parent company	133,489	79,640
of which attributable to minority interests	19	24

Performance indicators	2012	2011
Cost/income ratio in %	55.44	50.64
Return on equity before tax in %	10.32	10.56
Return on equity after tax in %	8.47	9.32
Risk/earnings ratio (credit risk to net interest income) in %	19.11	28.58
Earnings per share in €	3.78	3.87

Balance sheet as at 31/12/2012

in €k		31/12/2012	31/12/2011	Change in €k	Change in %
Assets					
1. Cash and balances at central banks	(11)	182,793	300,172	(117,379)	(39.1)
2. Loans and advances to credit institutions	(12)	1,769,351	1,566,172	203,179	13.0
3. Loans and advances to customers	(13)	11,245,778	10,914,226	331,552	3.0
4. Impairment provisions	(14)	(368,825)	(350,289)	(18,536)	5.3
5. Trading assets	(15)	60,371	50,351	10,020	19.9
6. Financial investments	(16)	4,181,975	4,392,223	(210,248)	(4.8)
a) Financial assets – FV/PL	(16)	277,982	288,528	(10,546)	(3.7)
b) Financial assets – AfS	(16)	1,121,940	1,075,451	46,489	4.3
c) Financial assets – HtM	(16)	2,230,950	2,506,843	(275,893)	(11.0)
d) Interest in entities accounted for using the equity method	(16)	551,103	521,401	29,702	5.7
7. Intangible assets	(17)	3,859	4,561	(702)	(15.4)
8. Property, plant and equipment	(18)	229,125	220,080	9,045	4.1
a) Investment property	(18)	84,478	76,302	8,176	10.7
b) Other property, plant and equipment	(18)	144,647	143,778	869	0.6
9. Other assets	(19)	370,646	386,208	(15,562)	(4.0)
a) Deferred tax assets	(19)	37,993	39,922	(1,929)	(4.8)
b) Other	(19)	332,653	346,286	(13,633)	(3.9)
Total assets		17,675,073	17,483,704	191,369	1.1

Balance sheet as at 31/12/2012

in €k		31/12/2012	31/12/2011	Change in €k	Change in %
Equity and liabilities					
1. Amounts owed to credit institutions	(20)	4,039,704	4,278,563	(238,859)	(5.6)
2. Amounts owed to customers	(21)	9,399,073	9,064,238	334,835	3.7
3. Securitised liabilities	(22)	1,533,653	1,506,552	27,101	1.8
4. Provisions for liabilities and charges	(23)	400,185	402,634	(2,449)	(0.6)
5. Other liabilities	(24)	284,882	265,316	19,566	7.4
a) Trading liabilities	(25)	52,138	36,359	15,779	43.4
b) Tax liabilities	(24)	4,867	12,609	(7,742)	(61.4)
c) Other	(24)	227,877	216,348	11,529	5.3
6. Subordinated debt capital	(26)	675,132	744,367	(69,235)	(9.3)
7. Equity	(27)	1,342,444	1,222,034	120,410	9.9
a) Equity after minorities	(27)	1,339,519	1,220,627	118,892	9.7
b) Minority interests in equity	(27)	2,925	1,407	1,518	> 100.0
Total equity and liabilities		17,675,073	17,483,704	191,369	1.1

Consolidated statement of changes in equity as at 31/12/2012

in €k	Subscribed capital	Capital reserves	Retained earnings
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
As at 1/1/2012	86,241	194,455	609,326
Consolidated net profit for the year			86,233
Dividend distribution			(14,362)
Capital increase			
Reacquired Oberbank shares	(145)	(414)	
Unrealised gains and losses not recognised in the income statement			(79)
As at 31/12/2012	86,096	194,041	681,118

Changes in equity due to available-for-sale assets	2012	2011
Gains	20,957	4,382
Losses	(7,849)	(35,059)
Deducted from equity	5,076	762
Total	18,184	(29,915)

	Translation reserve	Gains (losses) recognised in equity acc. to IAS 39	Associated companies	Equity after minorities	Minorities	Equity
	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*
	449	*15,056*	*315,100*	*1,220,627*	*1,407*	*1,222,034*
	(228)	18,184	29,300	133,489	19	133,508
				(14,362)		(14,362)
				(559)		(559)
			403	324	1,499	1,823
	221	*33,240*	*344,803*	*1,339,519*	*2,925*	*1,342,444*

Consolidated statement of cash flows

in €k	2012	2011
Profit for the year	108,592	111,211
Non-cash positions in profit for the year and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	57,148	60,392
Change in provisions for staff benefits and other provisions for liabilities and charges	(2,448)	24,193
Change in other non-cash items	(27,125)	(68,980)
Gains and losses on financial investments, property, plant and equipment and intangible assets	(40)	(1,531)
Subtotal	136,127	125,285
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
Loans and advances to credit institutions	(171,313)	333,391
Loans and advances to customers	(347,509)	(486,619)
Trading assets	(5,429)	(962)
Other current assets	(7,836)	(251,451)
Other assets arising from operating activities	108,862	54,807
Amounts owed to credit institutions	(258,215)	418,944
Amounts owed to customers	296,026	113,030
Securitised liabilities	4,270	(6,070)
Other liabilities arising from operating activities	(42,802)	(32,543)
Net cash from operating activities	*(287,819)*	267,812
Proceeds from sales of		
financial investments	470,611	423,511
property, plant and equipment and intangible assets	3,115	3,668
Outlay on purchases of		
financial investments	(182,208)	(513,266)
property, plant and equipment and intangible assets	(34,815)	(23,380)
Net cash from (used in) investing activities	256,703	*(109,467)*
Capital increase	0	0
Dividend distributions	(14,362)	(14,299)
Subordinated liabilities and other financing activities	(97,122)	(35,193)
Net cash from (used in) financing activities	*(111,484)*	*(49,492)*
Cash and cash equivalents at the end of previous period	300,172	226,923
Net cash from (used in) operating activities	(287,819)	267,812
Net cash from (used in) investing activities	256,703	(109,467)
Net cash from (used in) financing activities	(111,484)	(49,492)
Effects of changes in the scope of consolidation and revaluation	25,449	(35,685)
Effects of foreign exchange rate changes	(228)	81
Cash and cash equivalents at the end of the period	182,793	300,172
Interest received	597,697	598,963
Dividend received	26,201	21,202
Interest paid	(289,541)	(312,757)
Income taxes paid	(31,963)	8,379

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.

Breakdown of interest, dividends and income tax payments

in €k		Operating activities	Investing activities	Financing activities	Total
Interest received	2012	524,904	72,793	0	597,697
	2011	521,649	77,314	0	598,963
Dividends received	2012	3,519	22,682	0	26,201
	2011	1,391	19,811	0	21,202
Interest paid *)	2012	(267,764)	0	(21,777)	(289,541)
	2011	(286,564)	0	(26,193)	(312,757)
Dividends paid	2012	0	0	(14,362)	(14,362)
	2011	0	0	(14,299)	(14,299)
Income tax payments *)	2012	(19,209)	(18,198)	5,444	(31,963)
	2011	21,159	(19,329)	6,548	8,379

*) The previous year's figure includes a reclassification in the amount of €k 13,223 from operating activities to financing activities.

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 Wiener Börse. 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 non-associated with its customers but aims to assist and support customers operating abroad.

The financial statements for the financial year 2012 were approved and released for publication on 28 March 2013.

1) Scope of consolidation of Oberbank

In addition to Oberbank AG, the scope of consolidation in 2012 included 26 Austrian and 20 foreign subsidiaries. Compared to 31 December 2011, the consolidated group changed owing to the first-time inclusion of the following companies: 3-Banken Wohnbaubank AG, Linz, and Oberbank airplane 2 Leasing GmbH, Linz. 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 were accounted for in the consolidated financial statements using the equity method. 26 subsidiaries and 22 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 for the leasing companies accounted for in the consolidated financial statements were prepared as at and for the period ended 30 September.

2) Summary of accounting policies

Applied IAS and IFRS

The consolidated financial statements of Oberbank AG for the financial year 2012 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 Enterprises 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
IFRS 7 – amended	Financial Instruments: Disclosures – Transfers of Financial Assets	01/07/2011	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	Yes
IAS 12 – amended	Deferred Tax Recovery of Underlying Assets	01/01/2013	Yes
IAS 19 – amended	Employee Benefits	01/01/2013	Yes
IAS 27 – amended	Separate Financial Statements	01/01/2014	Yes
	Amendment of IAS 27 – Investment Entities	01/01/2014	Yes
IAS 28 – amended	Investments in Associates and Joint Ventures	01/01/2014	Yes
IAS 32 – amended	Offsetting Financial Assets and Financial Liabilities	01/01/2014	Yes
IFRS 1 – amended	First-time Adoption – Government Loans	01/01/2013	Yes
	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	01/07/2013	Yes
IFRS 7 – amended	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	01/01/2013	Yes
	Related to Transitions to IFRS 9 (or otherwise when IFRS 9 is first applied)	01/01/2015	No
IFRS 9	Financial Instruments	01/01/2015	No
IFRS 10	Consolidated Financial Statements	01/01/2014	Yes
	Amendment of IFRS 10 – Investment Entities	01/01/2014	Yes
IFRS 11	Joint Arrangements	01/01/2014	Yes
IFRS 12	Disclosure of Interests in Other Entities	01/01/2014	Yes
	Amendment of IFRS 12 – Investment Entities	01/01/2014	Yes
IFRS 13	Fair Value Measurement	01/01/2013	Yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01/01/2013	Yes

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
There were no corporate acquisitions in the financial year 2012.

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 euro were translated into euro 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 euro.

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. This primarily concerns participating interests and shares in affiliated undertakings, with a volume of EUR 284.5 million, which are not intended to be sold and for which there is no active market. For the purpose of determining the need to recognise impairment, Oberbank distinguishes between debt instruments (loans and receivables, HtM assets, and fixed-interest AfS assets) and equity instruments. Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. If there are objective indications that an asset accounted for using the equity method is impaired, the value in use is calculated on the basis of the estimated future payment flows expected to be generated by the respective associated company. The fair value is determined using a discounted cash flow approach. As at 31 December 2012, no impairment loss had to be recognised.

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 2012.

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 3.5% (previous year: 4.0%);
- Annual salary increases of 3.5% (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 53 and 63 years and for women between 51 and 62 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 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 euro 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 2012 (corresponding to a pay out of EUR 14,391,562.50). EUR 66,123,090.83 will be allocated to reserves. The remainder in the amount of EUR 206,579.01 will be carried forward to new account.

On the reporting date, 10,427,959 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	2012	2011
3) Net interest income		
Interest income from		
Credit and money market business	446,874	489,426
Shares and other variable-yield securities	7,429	2,987
Other equity investments	1,890	1,329
Subsidiaries	3,314	3,565
Fixed-interest securities and bonds	104,657	101,314
Interest and similar income	564,164	598,621
Interest expenses on deposits	(224,661)	(248,990)
Interest expenses on securitised liabilities	(40,637)	(44,655)
Interest expenses on subordinated liabilities	(21,654)	(26,068)
Interest and similar expenses	(286,952)	(319,713)
Income from entities accounted for using the equity method	35,733	62,777
Net interest income	312,945	341,685

Interest income on financial assets not designated at fair value through profit or loss came to €k 553,283 (previous year €k 588,449). The corresponding interest expenses on financial liabilities amounted to €k 230,301 (previous year €k 244,192).

4) Charges for losses on loans and advances	2012	2011
Allocated to loan loss provisions	(98,152)	(122,646)
Direct write-offs	(2,316)	(10,886)
Reversals of loan loss provisions	37,509	32,118
Recoveries of written-off receivables	3,162	3,765
Charges for losses on loans and advances	(59,797)	(97,649)

5) Net commission income	2012	2011
Payment services	38,569	36,151
Securities business	32,243	32,158
Foreign exchange, foreign bank note and precious metals business	12,241	11,722
Credit operations	21,575	20,727
Other service and advisory business	3,599	3,760
Net commission income	108,227	104,518

6) Net trading income	2012	2011
Gains (losses) on interest rate contracts	1,437	2,160
Gains (losses) on foreign exchange, foreign bank note and numismatic business	4,880	5,385
Gains (losses) on derivatives	992	1,708
Net trading income	7,309	9,253

Details of the income statement

in €k	2012	2011
7) Administrative expenses		
Staff costs	141,108	132,686
Other administrative expenses	74,514	74,630
Write-offs and valuation allowances	23,408	22,137
Administrative expenses	239,030	229,453

Pension contributions were €k 2,780 (previous year: €k 2,557).

8) Other operating profit (loss)		
a) Net income from financial assets – FV/PL	13,910	(8,145)
b) Net income from financial assets – AfS	(19,101)	1,935
c) Net income from financial assets – HtM	0	1,708
d) Other operating profit (loss)	7,893	2,144
Other operating income net of other operating expenses	2,702	(2,358)

This item includes impairments in the amount of € 18.2 million.

9) Income taxes		
Current income tax expense	23,450	23,874
Deferred income tax expenses (income)	295	(9,114)
Income taxes	23,745	14,760
Profit for the year before tax	132,356	125,996
Computed tax expense at a rate of 25%	33,089	31,499
Tax savings arising due to tax-exempt income from equity investments	(2,287)	(4,870)
Tax savings arising due to profits accounted for using the equity method	(8,933)	(12,350)
Tax expenses (income) relating to prior years	481	(4,112)
Tax savings arising from other tax-exempt income	(230)	(3,259)
Tax incurred as a result of non-allowable expenses	2,966	8,396
Tax savings arising due to used carry-forwards of losses	(297)	0
Tax effects of differing tax rates	(1,043)	(544)
Reported tax expenses (income)	23,745	14,760
Effective tax rate	17.94%	11.71%

10) Earnings per share in €		
Number of shares as at 31/12	28,783,125	28,783,125
Average number of shares in issue	28,738,475	28,740,137
Profit of the year after tax	108,611	111,236
Earnings per share in €	3.78	3.87

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	2012	2011
11) Cash and balances at central banks		
Cash in hand	71,600	72,326
Credit balances with central banks of issue	111,193	227,846
Cash and balances at central banks	182,793	300,172
12) Loans and advances to credit institutions		
Loans and advances to Austrian credit institutions	1,017,470	830,256
Loans and advances to foreign credit institutions	751,881	735,916
Loans and advances to credit institutions	1,769,351	1,566,172
Loans and advances to credit institutions, by maturities		
On demand	266,386	144,169
To 3 months	831,255	876,675
3 months to 1 year	553,071	404,836
1 to 5 years	111,481	124,991
Over 5 years	7,158	15,501
Loans and advances to credit institutions	1,769,351	1,566,172
13) Loans and advances to customers		
Loans and advances to Austrian customers	6,936,402	6,851,501
Loans and advances to foreign customers	4,309,376	4,062,725
Loans and advances to customers	11,245,778	10,914,226
Loans and advances to customers, by maturities		
On demand	1,981,585	1,949,148
To 3 months	1,275,375	1,044,430
3 months to 1 year	1,255,860	1,043,577
1 to 5 years	3,260,388	3,400,682
Over 5 years	3,472,570	3,476,389
Loans and advances to customers	11,245,778	10,914,226
Leasing business (finance leasing) **Gross investment value**		
To 3 months	59,690	53,607
3 months to 1 year	162,567	171,643
1 to 5 years	482,092	480,943
Over 5 years	331,498	334,576
Total	1,035,847	1,040,769
Unrealised financial income		
To 3 months	5,670	7,747
3 months to 1 year	15,173	18,630
1 to 5 years	40,206	51,892
Over 5 years	23,257	34,941
Total	84,306	113,210

Details of the balance sheet

in €k	2012	2011
Net investment value		
To 3 months	54,020	45,860
3 months to 1 year	147,394	153,013
1 to 5 years	441,886	429,051
Over 5 years	308,241	299,635
Total	951,541	927,559
Accumulated impairment allowances	14,776	13,014

14) Impairment provisions

See page 130 – 131.

	2012	2011
15) Trading assets		
Bonds and other fixed-interest securities		
Listed	4,247	10,374
Stocks and other variable-yield securities		
Listed	2,775	4,363
Positive fair values of derivative financial instruments		
Currency contracts	2,344	1,659
Interest rate contracts	51,005	33,955
Other contracts	0	0
Trading assets	60,371	50,351

	2012	2011
16) Financial investments		
Bonds and other fixed-interest securities		
Listed	3,005,355	3,188,790
Unlisted	29,696	97,403
Stocks and other variable yield securities		
Listed	124,899	124,192
Unlisted	186,460	173,637

Details of the balance sheet

in €k	2012	2011
Equity investments/shares		
In subsidiaries	234,943	226,467
In entities accounted for using the equity method		
– Banks	233,754	213,145
– Non-banks	317,349	308,256
Other equity investments		
– Banks	10,809	10,809
– Non-banks	38,710	49,524
Financial investments	4,181,975	4,392,223
a) Financial assets – FV/PL	277,982	288,528
b) Financial assets – AfS	1,121,940	1,075,451
c) Financial assets – HtM	2,230,950	2,506,843
d) Interest in entities accounted for using the equity method	551,103	521,401
Financial investments	4,181,975	4,392,223

17) Intangible assets

Rights of use and rental rights	1,132	1,352
Custom software	1,922	2,334
Other intangible assets	96	120
Customer base	709	755
Intangible assets	3,859	4,561

18) Property, plant and equipment

Investment property	84,478	76,302
Land and buildings	61,842	65,878
Business equipment and furnishings	67,830	61,867
Other property, plant and equipment	14,975	16,033
Property, plant and equipment	229,125	220,080

The Group owned land and buildings used by others with a book value of €k 84,478 (previous year €k 76,302); these properties had a fair value of €k 93,540 (previous year €k 82,501). Rental income during the financial year came to €k 3,640, the associated expenses (including depreciation) amounted to €k 1,981.

Leasing (operate leasing)
Minimum lease instalments in the future

To 3 months	3,866	3,146
3 months to 1 year	10,506	8,992
1 to 5 years	36,167	29,737
Over 5 years	36,007	37,697
Total	86,546	79,572

Details of the balance sheet

in €k	2012	2011
19) Other assets		
Deferred tax assets	37,993	39,922
Other items	329,800	344,255
Other deferrals	2,853	2,031
Other assets	370,646	386,208
Deferred tax assets	37,993	39,922
Deferred tax assets	37,993	39,922

Deferred tax assets/liabilities

	2012 Deferred tax assets	2012 Deferred tax liabilities	2011*) Deferred tax assets
Loans and advances to customers	1	(11,297)	(9,462)
Provisioning charges	35,335	0	32,702
Trading assets	0	(12,601)	(7,923)
Financial assets	119	(21,622)	(13,674)
Financial assets – FV/PL	0	(8,803)	(5,837)
Financial assets – AfS	0	(12,811)	(7,998)
Financial assets – HtM	119	(8)	161
Intangible assets	0	(180)	(192)
Property, plant and equipment	5	(69)	(44)
Other assets	11	(25,982)	(20,055)
	35,470	(71,751)	(18,649)
Amounts owed to credit institutions	2,456	(7)	1,849
Amounts owed to customers	16,558	0	10,764
Securitised liabilities	5,168	0	3,080
Provisions for termination benefits and pensions	24,604	0	24,370
Other provisions for liabilities and charges	6,226	0	5,394
Other liabilities	4,547	(2,201)	3,939
Subordinated debt capital	10,819	0	5,607
Untaxed reserves/valuation reserves	0	(1,491)	0
	70,377	(3,698)	55,004
Capitalisable tax loss carry-forwards	3,212	0	3,568
Deferred tax assets/liabilities	109,060	(75,450)	39,922
Impairment allowance	0	0	0
Balance of deferred tax assets/liabilities attributable to the same fiscal authority	(71,066)	71,066	0
Balance of deferred tax assets/liabilities	37,993	(4,384)	39,922

*) In the comparable 2011 financial year deferred tax assets and liabilities were presented on a net basis.

20) Amounts owed to credit institutions		
Amounts owed to		
Austrian banks	1,492,840	1,823,204
Foreign banks	2,546,864	2,455,359
Amounts owed to credit institutions	4,039,704	4,278,563

Details of the balance sheet

in €k	2012	2011
Amounts owed to credit institutions, by maturities		
On demand	62,830	243,660
To 3 months	3,080,849	3,130,211
3 months to 1 year	61,689	111,813
1 to 5 years	415,698	387,364
Over 5 years	418,638	405,515
Amounts owed to credit institutions	4,039,704	4,278,563

21) Amounts owed to customers

Savings deposits	3,380,085	3,407,649
Other	6,018,988	5,656,589
Amounts owed to customers	9,399,073	9,064,238
Amounts owed to customers, by maturities		
On demand	3,906,557	3,334,351
To 3 months	2,058,562	2,104,951
3 months to 1 year	2,298,093	2,588,248
1 to 5 years	727,429	631,074
Over 5 years	408,432	405,614
Amounts owed to customers	9,399,073	9,064,238

22) Securitised liabilities

Issued bonds	1,465,126	1,370,387
Other securitised liabilities	68,527	136,165
Securitised liabilities	1,533,653	1,506,552
Securitised liabilities, by maturities		
To 3 months	81,294	125,458
3 months to 1 year	114,419	181,337
1 to 5 years	1,080,489	993,911
Over 5 years	257,451	205,846
Securitised liabilities	1,533,653	1,506,552

23) Provisions for liabilities and charges

Provisions for termination benefits and pensions	210,004	207,653
Other provisions for liabilities and charges	190,181	194,981
Provisions for liabilities and charges	400,185	402,634
Provisions for anniversary bonuses	8,723	8,563
Loan loss provisions	128,873	130,981
Other items	52,585	55,437
Other provisions for liabilities and charges	190,181	194,981

Details of the balance sheet

in €k	2012	2011
Movement in provisions for termination benefits and pensions		
Provisions balance as at 1/1	207,653	207,363
Allocated to/reversed from provisions for termination benefits	(380)	206
Allocated to/reversed from provisions for pensions	2,731	84
Provisions balance as at 31/12	*210,004*	*207,653*
Movements in provisions for termination benefits, pensions and similar obligations		
Provisions balance as at 1/1	216,216	215,703
+ Service cost	3,367	3,482
+ Interest cost	8,007	7,999
- Payments during the reporting year	(12,275)	(10,919)
-/+ Actuarial gain/loss	3,412	(49)
+/- Other changes	0	0
Provisions balance as at 31/12	*218,727*	*216,216*

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 was reduced from 4.0% to 3.5% in the year under report. The assumed annual rate of increase under collective agreements for active employees was lowered from 4.0% to 3.5%, while that applied for pensioned staff was maintained unchanged. Assuming that the computational parameters remain unchanged, we anticipate an allocation of about EUR 0.4 million to provisions for termination benefits, pensions and similar obligations in the financial year 2013. The cash value of post-retirement benefit obligations was €k 210,820 for the financial year 2006, €k 222,057 for the financial year 2007 and €k 217,521 for the financial year 2008, €k 216,229 for the financial year 2009 and €k 215,703 for the financial year 2010.

Movements in other provisions for liabilities and charges

	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
Balance as at 1/1	8,563	130,981	55,437
Allocated	164	18,764	10,484
Used/exchange differences	4	8,842	4,536
Reversed	0	12,030	8,800
Balance as at 31/12	*8,723*	*128,873*	*52,585*

24) Other liabilities	2012	2011
Trading liabilities	52,138	36,359
Tax liabilities	4,867	12,609
Current tax liabilities	484	12,609
Deferred tax liabilities*)	4,383	0
Other obligations	185,718	171,871
Deferred items	42,159	44,477
Other liabilities	*284,882*	*265,316*

*) For details regarding deferred tax liabilities see Note 19 on other assets.

Details of the balance sheet

in €k	2012	2011
25) Other liabilities (trading liabilities)		
Currency contracts	1,996	1,192
Interest rate contracts	50,087	34,721
Other contracts	55	446
Trading liabilities	52,138	36,359
26) Subordinated debt capital		
Issued subordinated bonds	6,620	6,605
Supplementary capital	589,187	658,352
Hybrid capital	79,325	79,410
Subordinated debt capital	675,132	744,367
Subordinated debt capital, by maturities		
To 3 months	40,343	35,049
3 months to 1 year	20,508	41,666
1 to 5 years	212,027	190,393
Over 5 years	402,254	477,259
Subordinated debt capital	675,132	744,367
27) Equity		
Subscribed capital	86,096	86,241
Capital reserves	194,041	194,455
Retained earnings (including net profit)	1,036,155	915,326
Untaxed reserves	21,355	22,733
Negative goodwill	1,872	1,872
Minorities	2,925	1,407
Equity	1,342,444	1,222,034
Shares in issue (numbers)		
Shares in issue as at 1/1	28,773,373	28,779,035
New shares issued	0	0
Treasury shares purchased	(354,513)	(407,231)
Treasury shares sold	339,803	401,569
Shares in issue as at 31/12	28,758,663	28,773,373
Treasury shares held in the Group's portfolio	24,462	9,752
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 € 1.0 million (previous year: € 0.4 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 1/1/2012	20,811	425,667	85,411
Exchange differences	33	339	0
Transfers	0	0	0
Additions	1,027	33,789	10,157
Disposals	12	15,905	2,650
Accumulated depreciation	18,000	214,765	8,440
Book value as at 31/12/2012	*3,859*	*229,125*	*84,478*
Book value as at 31/12/2011	*4,561*	*220,080*	*76,302*
Depreciation during the financial year	1,734	21,674	1,981

Change in investments in subsidiaries and equity investments

	Investments in subsidiarie	Equity investments
Cost of purchase/conversion as at 1/1/2012	237,447	590,707
Additions	10,621	994
Change in investments in associates	0	29,702
Disposals	933	2,667
Accumulated depreciation	12,192	18,114
Book value as at 31/12/2012	*234,943*	*600,622*
Book value as at 31/12/2011	*226,467*	*581,734*
Depreciation during the financial year	1,212	9,141

In the 2012 financial year, the Company realised proceeds of €k 0 through the disposal of unlisted equity investments/shares in subsidiaries (previous year €k 0). This resulted in a book value reduction amounting to €k 0 (previous year €k 0) and €k 0 in net income (previous year €k 0).

Details of the balance sheet

29) Fair value of financial instruments as at 31/12/2012

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						182,793	182,793
						182,793	182,793
Loans and advances to credit institutions					1,769,351		1,769,351
					1,771,191		1,771,191
Loans and advances to customers	40,033	164,372		102,885	10,938,488		11,245,778
	40,033	164,372		102,885	11,018,572		11,325,862
Impairment provisions					(368,825)		(368,825)
					(368,825)		(368,825)
Trading assets			60,371				60,371
			60,371				60,371
Financial investments	2,230,950	277,982		1,121,940		551,103	4,181,975
	2,387,240	277,982		1,121,940		538,991	4,326,153
Intangible assets						3,859	3,859
						3,859	3,859
Property, plant and equipment						229,125	229,125
						261,756	261,756
Other assets						370,646	370,646
						370,646	370,646
Total assets	*2,270,983*	*442,354*	*60,371*	*1,224,825*	*12,339,014*	*1,337,526*	*17,675,073*
	2,427,273	*442,354*	*60,371*	*1,224,825*	*12,420,938*	*1,358,045*	*17,933,806*
Amounts owed to credit institutions		89,718			3,949,986		4,039,704
		89,718			3,982,894		4,072,612
Amounts owed to customers		422,684			8,976,389		9,399,073
		422,684			8,993,788		9,416,472
Securitised liabilities		668,882			864,771		1,533,653
		668,882			876,775		1,545,657
Provisions for liabilities and charges						400,185	400,185
						400,185	400,185
Other liabilities			52,138			232,744	284,882
			52,138			232,744	284,882
Subordinated debt capital		413,567			261,565		675,132
		413,567			267,147		680,714
Capital						1,342,444	1,342,444
						1,342,444	1,342,444
Total equity and liabilities	*0*	*1,594,851*	*52,138*	*0*	*14,052,711*	*1,975,373*	*17,675,073*
	0	*1,594,851*	*52,138*	*0*	*14,120,604*	*1,975,373*	*17,742,966*

*) 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 31/12/2011

in €k	HtM	FV/PL	Trading Book	AfS	L&R/ liabilities	Other	Total
	Book value/ Fair value*)	Book value/ Fair value*)	Book value/ Fair value*)	Book value/ Fair value*)	Book value/ Fair value*)	Book value/ Fair value*)	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

Presentation of the fair value hierarchy for financial instruments carried at fair value as at 31/12/2012

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	76,286	6,509	823,018	0	0	905,813
Level 2	0	366,068	53,862	153,162	0	168,929	742,021
Level 3	0	0	0	0	0	0	0
Financial instruments, assets	*0*	*442,354*	*60,371*	*976,180*	*0*	*168,929*	*1,647,834*
Liabilities							
Level 1	0	641,240	0	0	0	0	641,240
Level 2	0	953,611	52,138	0	0	35,543	1,041,292
Level 3	0	0	0	0	0	0	0
Financial instruments, liabilities	*0*	*1,594,851*	*52,138*	*0*	*0*	*35,543*	*1,682,532*

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 68,116 (previous year: €k 67,924) of loans and advances to customers, €k 65,799 (previous year: €k 57,038) thereof was added to specific valuation allowances, and direct write-offs amounted to €k 2,317 (previous year: €k 10,886). 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 6,327 (previous year: €k 9,027). 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 6,326 (previous year: €k 9,028), that of financial assets to €k 2,260 (previous year €k (4,909)). 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 649.0 (previous year: €k 665.9). They were subject to the customary terms and conditions. Loans in the amount of €k 117.0 (previous year: €k 116.0) 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 1,430.3 (previous year: €k 1,865.2). The variable component thereof was €k 408.8 (previous year €k 322.5). Payments to former members of the Management Board and their surviving dependents amounted to €k 1,284.3 (previous year: €k 1,168.5). Payments for termination benefits and pensions for members of the Management Board (including former members of the Management Board and their surviving dependents) came to €k 2,387.0 (previous year: €k 2,264.0). This amount includes expenses caused by changes in the parameters used for actuarial calculation of provisions for termination benefits and pensions.

Remuneration of the Supervisory Board for the financial year 2012 as recognised in the consolidated financial statements came to €k 203.6 (previous year: €k 155.5).

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 2012, business transactions with related companies and persons pursuant to IAS 24 were as follows:

in €k	Associates	Subsidiaries	Other related companies and persons*)
Business transactions			
Finance	4,920	0	2,058
Guarantees/collateral	10,912	0	255
Balances outstanding			
Receivables	297,382	99,522	4,966
Receivables in previous year	244,543	93,110	8,247
Payables	59,100	70,370	29,958
Payables in previous year	36,873	55,264	1,000
Guarantees	32,607	0	1,235
Guarantees in previous year	40,063	0	994
Provisions for doubtful receivables	0	0	0
Provisions for doubtful receivables/ previous year	0	0	0
Income items			
Interest	4,351	818	197
Commission	760	64	115
Expenses			
Interest	775	485	142
Commission	3	0	0
Allowances for doubtful receivables	5,650	0	0
Administrative expenses	0	0	26

*) 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 75,290.

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 39 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 2012, 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	55,645	198,889	58,411		312,945
of which income from equity participations			35,733		
Charges for losses on loans and advances	(9,659)	(43,888)	(6,250)		(59,797)
Net commission income	48,482	59,759	(14)		108,227
Net trading income		172	7,137		7,309
Administrative expenses	(85,818)	(120,935)	(5,682)	(26,594)	(239,030)
Other operating profit (loss)	5,777	13,437	(12,785)	(3,728)	2,702
Profit for the year before tax	14,428	107,434	40,817	(30,322)	132,356
Average risk-weighted assets	1,180,196	7,941,131	3,768,851		12,890,178
Average allocated equity	117,402	789,956	374,912		1,282,270
Return on equity before tax	12.3%	13.6%	10.9%		10.3%
Cost/income ratio	78.1%	44.4%	10.8%		55.4%
Cash and balances at central banks			182,793		182,793
Loans and advances to credit institutions			1,769,351		1,769,351
Loans and advances to customers	2,103,869	9,141,909			11,245,778
Impairment provisions	(65,397)	(257,828)	(45,600)		(368,825)
Trading assets			60,371		60,371
Financial assets			4,181,975		4,181,975
Other assets				603,630	603,630
Segment assets	2,038,472	8,884,081	6,148,890	603,630	17,675,073
Amounts owed to credit institutions			4,039,704		4,039,704
Amounts owed to customers	4,830,110	4,568,963			9,399,073
Securitised liabilities			1,533,653		1,533,653
Trading liabilities			52,138		52,138
Equity and subordinated debt capital	184,725	1,242,949	589,902		2,017,576
Other liabilities				632,929	632,929
Segment liabilities	5,014,835	5,811,912	6,215,397	632,929	17,675,073
Write-offs	4,782	15,729	135	2,762	23,408

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€	2012	2011
32) Non-performing loans		
Loans and advances to credit institutions	0	3
Loans and advances to customers	155,766	123,465
Fixed-interest securities	2,943	2,878

See also on page 131 ff.

33) Assets pledged as collateral		
Cover pool for trust money in savings deposits	19,912	20,144
Cover pool for covered partial debentures	242,995	242,937
Cover pool for mortgage-backed covered bank bonds	162,449	0
Margin cover and arrangement deposits to back securities transactions	28,236	26,976
Security for Euroclear credit line	66,380	86,720
Security for EIB refinancing loan	46,505	46,163
Security for EIB global loan facility	78,000	93,000
Securities in the Tier 1 pledged securities account at OeNB	258,677	709,143
Assets pledged as collateral	903,154	1,225,083

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	51,928	50,732
Bonds and other fixed-interest securities	77,262	41,757
Other variable yield securities	50,553	35,177
Subordinated assets	201,743	149,666

35) Foreign currency balances		
Assets	1,948,895	1,755,643
Liabilities	1,969,913	2,774,971

36) Fiduciary assets		
Fiduciary loans	331,686	289,358
Fiduciary investments	96	96
Fiduciary assets	331,782	289,454

37) Genuine repurchase agreements		
Securities underlying genuine repo agreements had a book value of	1,025,357	1,399,900

38) Contingent liabilities and commitments		
Other contingent liabilities (guarantees and letters of credit)	1,310,246	1,341,272
Contingent liabilities	1,310,246	1,341,272
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	2,129,181	1,927,594
Commitments	2,129,181	1,927,594

39) Scope of consolidation

Group parent
OBERBANK AG, Linz

Consolidated entities	**Percentage held**
3-Banken Wohnbaubank AG, Linz	80.00
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 airplane 2 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	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

Consolidated entities	**Percentage held**
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	7.75

Non-consolidated entities	
A. SUBSIDIARIES	
„AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
Blitz 12-302 GmbH, Munich	62.02
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
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	33.09
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	35.48
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
Nutzfahrzeuge Beteiligung GmbH, Vienna (formerly: VMS Beteiligung Fünf GmbH, Vienna)	38.54

Information regarding associates

On the balance sheet date, the fair value of the listed companies accounted for using the equity method came to €k 538,991. The associates accounted for in the consolidated financial statements showed the following figures as at the balance sheet date (in €k):

	2012	2011
Assets	28,929,305	28,649,107
Liabilities	22,525,282	22,501,718
Revenues	12,406,291	12,131,925
Profit (loss) for the period	434,751	783,478

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)):

	2012	2011
Assets	518,354	557,862
Liabilities	328,722	341,107
Revenues	461,120	458,543
Profit (loss) for the period	(17,840)	3,693

Risk report

40) 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) has been continuously developed and refined over the years. Provisions for a detailed description of all ICS procedures, a uniform documentation of all risk-relevant processes within the Bank and the pertinent control measures have been made. Responsibilities and functions within the context of the ICS are clearly specified. Control activities are properly documented, tested and assessed. ICS-relevant risks are regularly evaluated and adjusted. A regular, multi-level reporting system with regard to the efficiency and maturity of the ICS is in place. The Internal Audit department of Oberbank AG serves as an independent monitoring body and in this capacity performs audits of the ICS. It examines the effectiveness and adequacy of all ICS procedures and monitors compliance with the relevant work instructions.

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

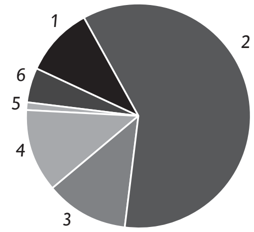
Oberbank has chosen the Internet as the publicly accessible medium for disclosures required pursuant to Article 26 of the Austrian Banking Act (BWG) and the FMA Disclosure Regulation. Disclosures are available for download on the Oberbank website at www.oberbank.at (section: Investor Relations).

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, ICAAP 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. Risk mitigation concerning the liquidity risk 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 (reputational risks, business risks, strategic risks 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]	12.1%
Trading book market risk [5]	0.9%
Operational risk [6]	5.0%



On 31 December 2012, limit utilisation stood at 46.2% (31 December 2011: 50.1%). The utilisation of assigned limits was 47.4% (31 December 2011: 48.7%) for credit risk, 41.7% (31 December 2011: 52.6%) for equity risk, 42.0% (31 December 2011: 48.6%) for market risk in the banking book, 16.2% (31 December 2011: 27.4%) for market risk in the trading book and 57.4% (31 December 2011: 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 one notch
- Shift in the interest rate curve by +200 basis points
- Stock prices decline by 30%, prices of investment fund shares decline by 15% (new in 2012)
- 20% increase in volatilities
- 40% decrease in fair values of real estate collateral
- Default of the two largest customers (in terms of undercover) (new in 2012)

In the 2012 financial year, the assessment of market risk resulting from equity and investment fund positions was reviewed and the stress tests used to assess concentration risk were expanded. As a result, the overall limit utilisation in the worst case scenario increased to 81.8% (31 December 2011: 68.6%). Nevertheless, the overall bank limit was not exceeded in any of the scenarios as at 31 December 2012.

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

Risk concentrations constitute a concentration risk with a potential to cause losses large enough to threaten the stability of a financial institution's health or to produce a material change in its risk profile. A differentiation is made between two types of risk concentration:

- Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category.
- Inter-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories.

Concentrations may arise in connection with all risk types. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories, while responsibility for the inter-risk concentration risk lies with the ALM Committee.

Oberbank does not show any excessive intra-risk and inter-risk concentrations, owing to its well-diversified business model as a universal bank with a strong regional focus.

For the purpose of measuring the Bank's risk-bearing capacity, inter-risk concentration is taken into account using multiple factor models in the stress testing of macroeconomic scenarios. The analysis related to the occurrence of intra-risk concentrations within the credit risk is performed on the basis of a separate scenario and limit compatibility is tested in a worst-case scenario.

Owing to the specific business model of Oberbank, intra-risk concentration is a crucial factor above all within the credit risk. Intra-risk concentration 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 exposure classes (concentration within individual asset classes, business segments, sectors, countries, customer groups, etc.). Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

The individual country limits are determined on the basis of the country rating and the economic strength of the respective country as well as Oberbank's expert opinion based on information accumulated in the context of customer transactions with the respective country. Operative business limits are broken down into individual product categories. Compliance with the individual limits is automatically monitored by means of a limit system.

Portfolio limits are also in place in the area of foreign currency financing.

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 13.39% (previous year: 14.26%). This share, in particular, includes receivables from the federal government (7.1%; previous year: 7.7%) and European banks (5.2%; previous year: 5.7%) as well as utilities (1.2%; previous year: 0.8%).

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

Large loan exposures are secured by ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. by way of a cover pool, which on 31 December 2012 comprised funds in the amount of EUR 204.9 million for the 3 Banken Group (as compared to EUR 205.0 million in the previous year).

For additional quantitative information on the concentration risk, please refer to the tables given in chapter 41) Credit risk.

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 as well as concentration risk. 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. 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 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 soft facts and warning indicators taken into account in the rating process. The frequency of these talks is increased in years of crisis, enabling the Bank to adjust customers' credit ratings to their actual business situations very quickly in 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	Exposures as at 31 Dec. 2012	Exposures as at 31 Dec. 2011
Loans and receivables [1)]	12,873	12,444
Fixed-interest securities	3,123	3,384
Credit risk from derivatives and contingent liabilities	3,626	3,451
Total	*19,621*	*19,279*

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 2012 here and as of 30 September 2012 in the consolidated financial statements). Trust liabilities – i.e. liabilities involving only an administration risk for Oberbank – are not shown in the total exposure volume.

Presentation of the portfolio by rating grade

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 117.4 million (previous year: EUR 101.6 million) in non-impaired receivables in the reporting year.

in €m as at 31/12/2012 Rating category	Loans and receivables	Fixed-interest securities	Credit risk from derivatives and contingent liabilities	Total
Very strong	5,631	2,864	1,835	10,330
Strong	6,069	253	1,691	8,013
Weak	690	3	81	774
Non-performing	483	3	18	504
Total	*12,873*	*3,123*	*3,626*	*19,621*

in €m as at 31/12/2011				
Very strong	5,824	3,210	1,882	10,916
Strong	5,504	164	1,457	7,125
Weak	644	7	99	750
Non-performing	473	3	12	488
Total	*12,445*	*3,384*	*3,451*	*19,279*

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 2012 and as at 31 December 2011, broken down by Oberbank markets and other regions.

in €m as at 31/12/2012 Geographic distribution	Loans and receivables	Fixed-interest securities	Credit risk from derivatives and contingent liabilities	Total
Austria	8,100	1,243	2,628	11,971
Germany	2,315	405	542	3,262
Eastern Europe (CZ, SK, HU)	1,642	95	242	1,979
Western Europe (except DE)	482	933	81	1,496
PIIGS countries	50	238	49	337
Other countries	285	210	82	577
Total	12,873	3,123	3,626	19,621
in €m as at 31/12/2011				
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

The table below shows the PIIGS countries in detail.

in €m as at 31/12/2012 Geographic distribution	Loans and receivables from credit institutions and customers	Loans and receivables sovereigns	Fixed-rate securities (credit institutions and customers)	Credit risk from derivatives and contingent liabilities	Total
Portugal	0	–	0	40	40
Italy	27	–	76	1	105
Ireland	22	–	48	7	77
Greece	0	–	0	0	0
Spain	1	–	113	1	115
Total	50	–	238	49	337
in €m as at 31/12/2011					
Portugal	0	–	5	40	45
Italy	54	–	87	1	141
Ireland	6	–	48	2	56
Greece	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 2012 and as at 31 December 2011 broken down by sectors.

in €m as at 31/12/2012 Sectors	Loans and receivables	Fixed-interest securities	Credit risk from derivatives and contingent liabilities	Total
Credit and insurance industry	2,037	1,859	209	4,104
Public sector	717	1,055	64	1,835
Industry	2,054	88	1,139	3,281
Trade	1,322	9	530	1,861
Services	1,380	15	402	1,797
Construction	349	10	364	723
Real estate	611		55	666
Transportation	377		55	432
Utilities	283	3	74	361
Agriculture and forestry incl. mining	101		14	115
Holding and investment companies	509	81	170	759
Private and self-employed persons	2,282		392	2,674
Other	852	4	158	1,014
Total	*12,873*	*3,123*	*3,626*	*19,621*

in €m as at 31/12/2011				
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*

Credit collateral

Strategies and processes applied in valuating and managing collateral securities

Accepting credit 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 credit 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/Financing Law). 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.

Property pledged as collateral plays a subordinated role. Reported financial assets include the amount of €k 835 (previous year: €k 835) arising from the acquisition of real property pledged as collateral and earmarked for regular resale. Oberbank only acquires property pledged as collateral in the event that the immediate realisation of such assets at a reasonable price (e.g. in an auction or on the open market) is prevented by certain sales obstacles. In such a case, the declared goal is to remove any such sales obstacle and then duly sell the respective property as quickly as possible. Property pledged as collateral is not used in the context of ongoing business operations.

Types of collateral securities

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 (sureties, guarantees). The exposure type "Loans and receivables" accounts for the major part (81.94%) of collateral assets; the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" (10.03%) and "Fixed-rate securities" (8.03%).

The table below shows the reported value of eligible IRB collateral to secure corporate exposures.

	Collateralised exposure value	
in €k	31/12/2012	31/12/2011
Financial collateral	**473,685**	**333,351**
Cash deposits	276,415	205,326
Bonds	74,379	69,907
Stocks and other variable interest securities	122,890	58,118
Real estate collateral	**2,999,174**	**2,589,449**
Residential real estate	1,576,185	1,453,996
Commercial property	1,422,989	1,135,454
IRB collateral	**475,569**	**411,413**
Physical collateral	475,569	411,413

Personal securities accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 66.2% (previous year: 68.0%) of the entire volume of personal securities, are listed below.

in €k as at 31/12/2012	Rating Standard & Poor's	Amount	in %
Total amount of recognised guarantees		**1,208,653**	**100%**
of which Austria	AA+	531,137	47.9%
of which Province of Lower Austria	AA+	70,000	5.3%
of which Germany	AAA	55,199	5.1%
of which Česká spořitelna a.s.	A	50,679	3.9%
of which Province of Upper Austria	AA+	49,112	3.3%
of which Netherlands	AAA	43,966	2.5%

in €k as at 31/12/2011			
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

Risks discernible at the balance sheet date are accounted for by creating specific impairment allowances or impairment provisions. Specific impairment allowances are created throughout the Group whenever there are grounds for believing that customers are unlikely to repay their credit obligations in full.

The Credit Management department determines the specific impairment allowance in line with the internal competence rules and subject to approval by the Board.

Losses incurred but not reported are accounted for by setting up portfolio impairment provisions according to IAS 39. The latter are calculated by multiplying the non-collateralised customer exposures by the probabilities of default per rating class.

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.

In cases in which an event occurs that prevents recovery of an exposure in full or in part from the respective customer and a specific impairment provision does not exist or is not available in a sufficient amount, the non-recoverable balance is booked directly through profit or loss (direct write-off).

Such events, among others, may include:

- Derecognition of the remaining balance following the dismissal or conclusion of insolvency proceedings and/or realisation of all available collateral
- Closing of a decedent's estate with a lack of assets and collateral
- Debt rescheduling including discount granted (composition agreement)

Development of impairment provisions

The risk result in the credit business nevertheless improved by EUR 37.9 million to EUR 59.8 million as compared to 2011. The cautious risk policy pursued in previous years led to reversals of loan loss provisions in the amount of EUR 37.5 million.

Movements in impairment provisions (income statement view)

in €k	31/12/2012	31/12/2011
Allocated to loan loss provisions	96,565	120,797
Reversals of loan loss provisions	(37,509)	(32,118)
Direct write-offs of receivables	2,316	10,886
Recoveries of written-off receivables	(3,162)	(3,765)
Attributable to entities accounted for by proportionate consolidation	1,587	1,849
Total	59,797	97,649

Movements in impairment provisions (balance sheet view)

in €k	As at 1/1/2012	Added	Reversed	Used	Exchange rate changes	As at 31/12/2012
Specific impairment allowances	221,810	67,691	(25,474)	(34,317)	531	230,241
Country risks	44	0	(5)	0	0	39
Portfolio impairment provisions under IAS 39	128,435	10,110	0	0	0	138,545
Loan loss provisions [1]	350,289	77,801	(25,479)	(34,317)	531	368,825
Provisions for liabilities and charges in the lending business	130,981	18,764	(12,030)	(8,817)	(25)	128,873
Total impairment provisions	481,270	96,565	(37,509)	(43,134)	506	497,698

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 19,621 million (previous year: EUR 19,279 million). Loan collateral, in comparison, totalled EUR 5,675.3 million (previous year: EUR 5,291.1 million) including EUR 243.6 million (previous year: EUR 224.8 million) for impaired and non-performing receivables. The line item Interest and similar income includes EUR 11.1 million (previous year: EUR 12.0 million) in impaired receivables from loans and advances to customers. The maximum default risk from receivables measured at fair value corresponds to their fair value.

The impairment criteria for debt securities carried under financial investments are disclosed on pages 94 and 95.

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 development of the key indicators “non-performing loans ratio” and “coverage ratio” is shown in the table below.

in €k 1)	31/12/2012	31/12/2011
Loans and advances to credit institutions	0	3
Loans and advances to customers	155,766	123,465
Fixed-interest securities	2,943	2,878
Total	*158,709*	*126,346*

in %		
Non-performing loans ratio 2)	1.02%	0.83%
Non-performing loans coverage ratio 3)	138.17%	144.10%

1) Note: 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 by sector.

in €k as at 31/12/2012 Sectors	Non-performing	SIP	PIA acc. to IAS 39	Loan loss provisions	Collateral assets
Credit and insurance industry	2,519	64			
Public sector	109	39			26
Industry	56,227	43,633			27,847
Trade	71,128	25,721			29,184
Services	116,537	44,764			58,396
Construction	29,198	11,268			9,225
Real estate	6,435	1,353			2,096
Transportation	9,650	6,367			4,557
Utilities	10,786	2,695			3,980
Agriculture and forestry incl. mining	2,873	318			2,088
Holding and investment companies	40,999	14,657			3,155
Private and self-employed persons	108,139	65,236			36,819
Other	49,032	14,165			20,542
Impairment provisions not assignable to a specific sector			138,545	128,873	
Total	*503,631*	*230,280*	*138,545*	*128,873*	*197,914*

in €k as at 31/12/2011 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

The table below provides a comparison of non-performing receivables and impairment provisions as well as collateral assets by regions.

in €k as at 31/12/2012 Geographic distribution	Non-performing	SIP	PIA acc. to IAS 39	Loan loss provisions	Collateral assets
Austria	254,845	133,428			86,661
Germany	123,907	62,554			55,510
Eastern Europe (CZ, SK, HU)	101,867	23,477			52,083
Western Europe (except DE)	9,171	6,041			2,801
PIIGS countries	122	8			101
Other countries	13,719	4,772			758
Impairment provisions that cannot be allocated to a specific region			138,545	128,873	
Total	503,631	230,280	138,545	128,873	197,914
in €k as at 31/12/2011					
Austria	248,973	122,402			82,573
Germany	130,610	65,723			70,797
Eastern Europe (CZ, SK, HU)	85,582	18,827			31,685
Western Europe (except DE)	10,126	10,352			3,076
PIIGS countries	15	7			0
Other countries	12,910	4,543			758
Impairment provisions that cannot be allocated to a specific region			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.

Deferment of payment

Oberbank grants deferment of payment to bridge temporary financial difficulties only in exceptional cases, as in the case of temporary unemployment of a customer who already has an employment guarantee by a new employer or if a key customer falls into arrears. The economic situation of the respective customer is thoroughly analysed before granting a deferment, which is conditional on a positive result of such analysis.

Deferments are monitored within the framework of the 90-days escalation process. If the deferment fails to produce the required result (resumption of the contractually agreed debt service following deferment), the 90-days escalation process automatically results in a downgrade of such debt to non-performing status and the creation of a specific impairment allowance for the unsecured part of the exposure. This procedure eliminates the risk of non-performing loans being concealed by means of a deferment of payment. The risk incurred by Oberbank by granting deferments of payments is therefore not considered material.

In the large-loans portfolio, Oberbank had agreements for deferment with two customers relating to a total loan volume of EUR 22.3 million as at 31 December 2012. Loan loss provisions in the amount of EUR 6.5 million had already been set up for these customers. The Basel II 90-days default event being applicable, the loan volume of the respective customers was, in line with the above described procedure, assigned to the category of non-performing loans and is shown in this category.

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 m.b.H.

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.

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 are shown below:

in €k as at 31/12/2012	Valuation	
Groups of equity instruments by valuation type	Carrying amount	Fair value
Available for sale		
Non-exchange-traded items	248,645	248,645
Fair value through profit and loss		
Non-exchange-traded items	35,818	35,818
Interests in entities accounted for using the equity method		
Exchange-traded items	542,726	530,614
Non-exchange-traded items	8,377	8,377
Total	835,566	823,454

in €k as at 31/12/2011		
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

At Oberbank AG, foreign currency risk and interest rate risk are centrally managed also for the Bank's foreign business units and fully consolidated group companies.

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. The value at risk is an estimate of the largest loss likely to be suffered on a portfolio position over a holding period within a given probability (confidence level) in normal market conditions. Value at risk is calculated using the method of historic simulation with a confidence level of 99%, a holding period of ten days and a simulation period of two years. 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.

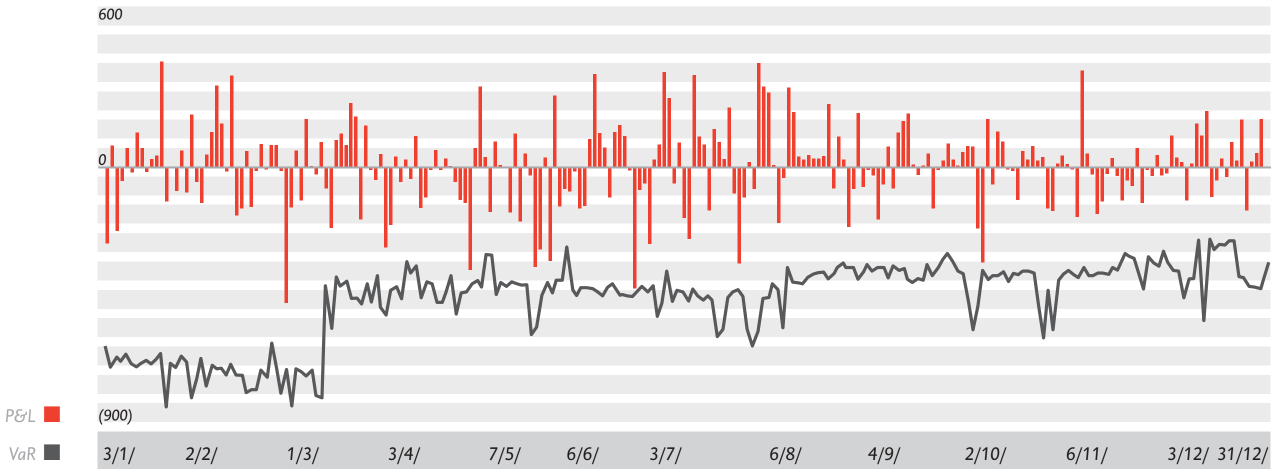
The table below shows the development of value at risk in the reporting period:

in €k				Value at risk 2012	
	1/1/2012	Maximum	Minimum	Average	31/12/2012
	2,013	2,698	779	1,477	1,043

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

The quality of the statistical model is tested by means of back-testing, i.e. comparing the estimated 1-day values at risk with the actual results. As can be seen from the chart below showing the back-testing time series for 2012, no outlier occurred the reporting year.

Backtesting of value-at-risk model 2012 in €k



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.

in €k	31/12/2012	31/12/2011
CHF	(91)	624
USD	2,221	347
DKK	237	210
NOK	63	189
GBP	141	147
PLN	19	105
HUF	567	76
ZAR	–	55
SEK	(72)	54
CAD	79	44
RON	(43)	28

in € 1.000	31/12/2012	31/12/2011
HRK	105	17
HKD	3	10
RUB	64	5
AUD	(9)	(28)
NZD	69	(44)
JPY	(1,489)	(47)
CZK	(2,890)	(608)
Other currencies, long	316	206
Other currencies, short	(56)	(59)
Gold	2,299	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 and Communication, Internal Audit and Organisation Development, Strategy and Process Management.

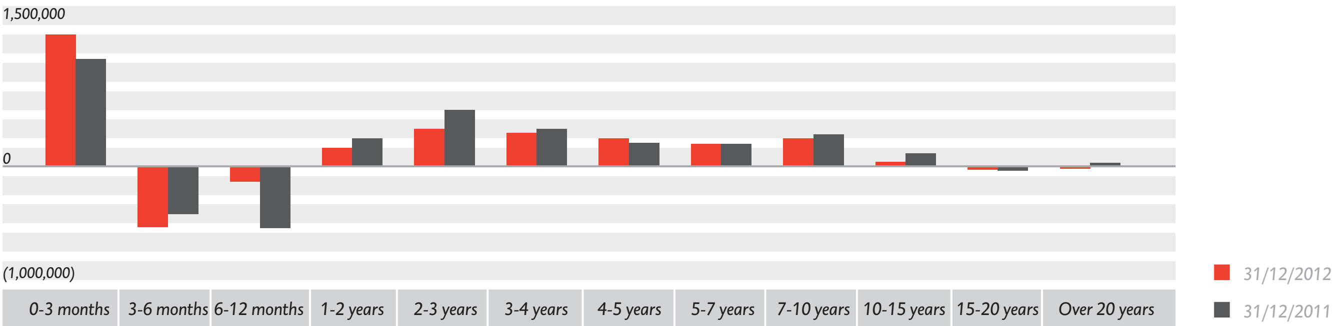
Interest rate risk in the banking book

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 one month. 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 2012 concerned the +100 basis points shock. As at 31 December 2012, the interest rate risk in the banking book came to EUR 87.4 million (2011 end-of-year value: EUR 98.8 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 Dec 2012 with 31 Dec 2011)



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 2012, the risk involved in these banking book positions amounted to EUR 28.1 million (previous year: EUR 33.8 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 (including the risk of money laundering and terrorist financing), 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 9.59% in 2012 (previous year: 2.62%).

In the past five years, on average, this ratio was 5.89%. In a total of 245 loss incidents incurred in 2012 (previous year: 320), the average amount of loss per incident recorded in the central loss database amounted to approximately €k 25,400 (previous year: €k 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:

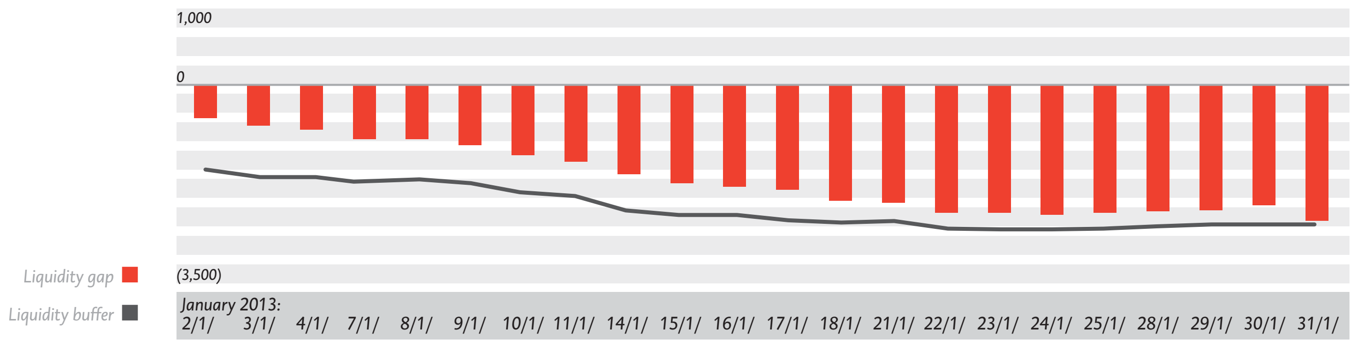
- to ensure that the Bank is solvent at all times, and
- to optimise the Bank's refinancing structure in terms of risk and results.

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 2012 the loan/deposit ratio stood at 89.2% (previous year: 88.9%).

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.

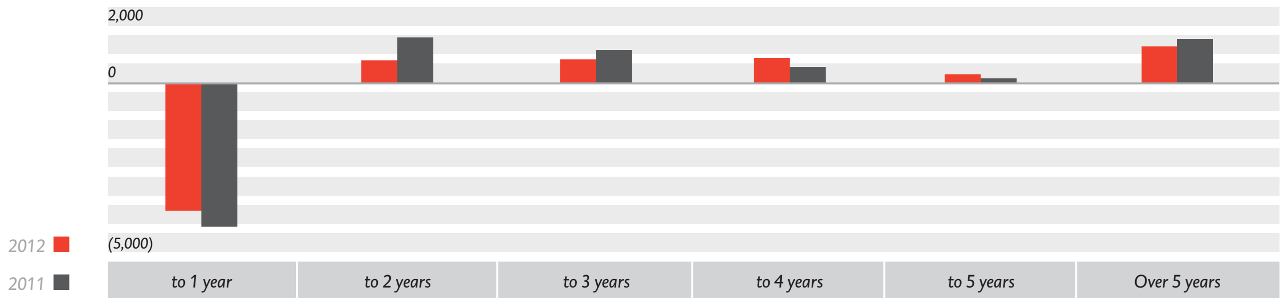
The responsibility for managing short-term liquidity lies with the Global Financial Markets department, which is also responsible for the Bank's compliance with regulatory provisions. The Accounts and Controlling department calculates a 30-days-forward liquidity gap analysis including the available risk 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.

Accumulated 30-days forward liquidity gap analysis as at 31/12/2012 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 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 31/12/2012 and 31/12/2011 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 3.4 billion (previous year: EUR 4.0 billion) as at the end of the first year. Liquid assets, in comparison, amounted to EUR 2.2 billion (previous year: 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 1.2 billion as at 31 December 2012 (previous year: EUR 1.4 billion). This corresponds to a funding ratio of 83.2% (previous year: 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 as at 31/12/2012	Up to 1 month	1 – 12 months	1 – 5 years	> 5 years
Securities and liabilities eligible for use as collateral	198,266	739,975	1,108,405	1,214,112

in €k as at 31/12/2011				
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:

- 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.
- 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).
- 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.
- In cases of an occurrence of risks resulting from the macroeconomic environment, such risks are usually already taken into account in the credit or market risk. In the event that risks exceeding the latter should arise for Oberbank, these are covered by a risk buffer.

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

Derivative financial transactions not yet settled at the balance sheet date are shown in the following table. A presentation of derivatives in accordance with the Guidelines on Financial Reporting published by the European Banking Authority (EBA) is included in the disclosures available for download pursuant to Article 26 of the Austrian Banking Act (BWG) on the website of Oberbank (www.oberbank.at). At Oberbank, financial derivatives are mainly used for hedging market risk in business with customers and for banking book management purposes.

Oberbank's hedging strategy is based on the following principles:

- Positions in derivative products sold to business customers are closed out as a matter of principle;
- Derivative products are also used for hedging interest rate risk and foreign exchange risk resulting from cash transactions;
- Long-term own debt securities issued to secure liquidity are hedged using interest rate swaps;
- Therefore, open positions in derivative products exist on a small scale only in the trading book;
- Oberbank has no credit derivatives in its portfolio.

in k€	Nominal Residual maturity To 1 yr	1 - 5 yrs	> 5 yrs	2012 Nominal Total	Fair values Positive	Negative	2011 Nominal Total	Market values Positive	Negative
Interest rate contracts									
Interest rate options									
Call	76,100	114,140	83,915	274,155	2,208		301,484	3,342	
Puts	71,060	110,848	76,705	258,613		(2,109)	273,398		(3,127)
Swaptions									
Call	4,000			4,000	0		10,500	929	
Puts	4,000			4,000		0	10,500		(929)
Interest rate swaps									
Call	200,791	876,074	880,300	1,957,165	195,823	(1,082)	2,790,329	126,620	(4,680)
Puts	128,345	282,797	322,872	734,014	54	(56,408)	703,611	840	(35,273)
Bond options									
Call									
Puts	20,000			20,000		(55)	60,000		(446)
Currency contracts									
Currency options									
Call	72,721	4,475	5,902	83,098	3,819		64,348	3,591	
Puts	72,858	4,475	5,902	83,235		(3,818)	64,473		(3,593)
Currency forwards									
Call	2,231,472	51,593		2,283,065	17,164		2,299,025	47,652	
Puts	2,234,658	51,998		2,286,656		(21,292)	2,271,150		(19,815)
Securities contracts									
Equity options									
Call	9,330			9,330	0		9,330	0	
Puts	9,330			9,330		0	9,330		0

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, forward 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
»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 EUR 1,053.6 million (previous year: EUR 987.4 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)/Banking Act (BWG) was distributable, namely net profit, non-appropriated retained earnings and the non-appropriated capital reserve. For 2012, a maximum of EUR 548.4 million would be distributable. Net distributable profit amounts to EUR 14.6 million.

51) Human resources

Averaged over the year, the Oberbank Group had the following human resources in 2012:

	2012	2011
Salaried	2,020	2,054
Blue-collar	21	21
Total resources	2,041	2,075

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	178,318	3,068,971	2,281,445	965,844	3,247,289
Stocks and other variable-yield securities	150,746	124,500	74,032	201,214	275,246
Equity investments	55,626	202,814	258,440	0	258,440
Interest in subsidiaries	493,818	0	493,818	0	493,818
	878,508	3,396,285	3,107,735	1,167,058	4,274,793

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	2012	2011	Change	+/- %
1. Core capital				
Share capital	86,349	86,349	0	0.0
Holdings of Oberbank AG shares	(959)	(401)	(558)	> 100.0
Disclosed reserves	952,654	886,531	66,123	7.5
Minorities	3,023	1,511	1,512	> 100.0
Goodwill arising due to capital consolidation	9,782	4,320	5,462	> 100.0
Goodwill arising due to use of the equity method	118,694	114,100	4,594	4.0
Hybrid capital	79,000	79,000	0	0.0
Deductions of intangible assets	(3,150)	(3,806)	656	(17.2)
Total core capital (Tier 1)	1,245,393	1,167,604	77.789	6.7
Core capital ratio	11.88%	11.51%	0.37 ppt	3.2
2. Supplementary own funds (Tier 2)				
Eligible supplementary capital bonds	408,234	467,748	(59,514)	(12.7)
Revaluation reserves (already comprising 45% of undisclosed reserves)	157,229	85,245	71,984	84.4
Subordinated bonds (suppl. capital below 3Y maturity)	30,239	33,139	(2,900)	(8.8)
Total supplementary own funds (Tier 2)	595,702	586,132	9,570	1.6

Composition	2012	2011	Change	+/- %
3. Tier 3 capital				
Addition of an amount not exceeding subordinated bonds eligible for Tier 2	1,483	1,756	(273)	(15.5)
Total Tier 3 capital	1,483	1,756	(273)	(15.5)
4. Deductions				
Deduction of interest in banks/other FIs of over 10%	(80,092)	(82,364)	2,272	(2.8)
Deduction of interest in banks/other FIs of up to 10%	0	0	0	0.0
Total own funds	1,762,486	1,673,128	89,358	5.3
of which: own funds pursuant to Section 23 (14) no. 7 BWG	1,483	1,756	(273)	(15.5)
Own funds ratio	16.81%	16.49%	0.32 ppt	2.0
Own funds requirement				
Credit risk purs. to Section 22 (2) BWG	838,154	811,182	26,972	3.3
Trading book purs. to Section 22o (2) BWG	1,483	1,756	(273)	(15.5)
Operational risk purs. to Section 22k BWG	64,952	62,179	2,773	4.5
Qualified investments purs. to Section 29 (4) BWG	0	0	0	0.0
Total own funds requirement	904,589	875,117	29,472	3.4
Non-appropriated own funds	857,897	798,011	59,886	7.5
Basis for the calculation of the reserve and the ratios				
Assessment basis for the credit risk pursuant to Section 22 (2) BWG	10,476,930	10,139,781	337,149	3.3
Specific position risk of the trading book pursuant to Section 22o (2) nos. 1, 3, 6 BWG	4,975	6,438	(1,463)	(22.7)
Total basis of assessment	10,481,905	10,146,219	335,686	3.3

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

A nominal total of EUR 158.9 million of bonds issued by Oberbank will mature during the financial year 2013. As at 31 December 2012, 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 657,744.0 (nominal). They included supplementary capital subject to interest rates of 0.484% to 7.4% and maturities in the years 2013 to 2021 as well as four issues with indefinite maturity. The Company incurred €k 21,777.1 in expenses on subordinated liabilities in the year under review. Applying market prices, the trading book was valued at a total of EUR 101.4 million as at 31 December 2012. That total comprised securities totalling EUR 8.0 million and other financial instruments totalling EUR 93.4 million. The lease portfolio was worth EUR 951.5 million on 31 December 2012.

Expenses for the auditor amounted to €k 666.5 (incl. VAT and incl. leasing companies and subsidiaries). Of this total, the audit of the annual financial statements accounted for the sum of €k 589.6 and €k 76.9 were expended for other audit services.

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

As at 31 December 2012 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 Gebäudevermietungsgesellschaft 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			
3-Banken Wohnbaubank AG,Linz [1)]	V	80.00	80.00	7,520	20	2012
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	3,856	0	2012
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	409,085	23,614	2011
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	20,980	1,177	2012
DREI-BANKEN-EDV Gesellschaft m.b.H., Linz [6)]	N	40.00	40.00			
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg [6)]	N	33.09	33.09			
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	1,047	311	9/2012
Ober Immo Truck gAG, Budapest [1)]	V	1.00	100.00	646	140	9/2012
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest [1)]	V	1.00	100.00	167	675	9/2012
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	185	35	2012
Oberbank Hybrid 2 GmbH, Linz [1)]	V	100.00	100.00	187	30	2012
Oberbank Hybrid 3 GmbH, Linz [1)]	V	100.00	100.00	66	9	2012
Oberbank Hybrid 4 GmbH, Linz [1)]	V	100.00	100.00	64	8	2012
Oberbank Hybrid 5 GmbH, Linz [1)]	V	100.00	100.00	28	(3)	2012
Oberbank Immobilien Leasing GmbH Bayern, Neuötting [1)]	V	6.00	100.00	2,081	25	9/2012
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	254,233	15,069	9/2012
Oberbank Leasing Inprox Znojmo s.r.o., Prague [1)]	V	10.00	100.00	1,856	43	9/2012
Oberbank Leasing KIKA, s.r.o., Prague [1)]	V	10.00	100.00	(64)	(196)	9/2012
Oberbank Leasing KIKA, s.r.o., Bratislava [1)]	V	5.00	100.00	90	81	9/2012
Oberbank Leasing s.r.o., Bratislava [1)]	V	0.10	100.00	2,853	1,383	9/2012
Oberbank Leasing spol. s.r.o., Prague [1)]	V	1.00	100.00	18,618	2,202	9/2012

	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 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			
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			
Blitz 12-302 GmbH, Munich [6)]	N		62.02			
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		35.48			
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			
Nutzfahrzeuge Beteiligung GmbH, Vienna (formerly: VMS Beteiligung Fünf GmbH, Vienna) [6)]	N		38.54			
Oberbank airplane Leasing GmbH, Linz [1)]	V		100.00	35	(158)	9/2012
Oberbank airplane 2 Leasing GmbH, Linz [1) *)]	V		100.00	35	36	9/2012
Oberbank Eugendorf Immobilienleasing GmbH, Linz [1)]	V		100.00	35	53	9/2012
Oberbank Goldkronach Beteiligungs GmbH, Neuötting [1)]	V		100.00	21	(1)	9/2012
Oberbank Gumpoldskirchen Immobilienleasing GmbH, Linz [1)]	V		100.00	35	0	9/2012
Oberbank Idstein Immobilien-Leasing GmbH, Neuötting [1)]	V		100.00	25	175	9/2012
Oberbank Immobilie-Bergheim Leasing GmbH, Linz [1)]	V		95.00	1,277	58	9/2012
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	1,970	9/2012
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting [1]	V		6.00	19	2	9/2012
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz [1) 6)]	N		100.00			
Oberbank Inzersdorf Immobilienleasing GmbH, Linz [1]	V		100.00	35	118	9/2012
Oberbank KB Leasing Gesellschaft m.b.H., Linz [1]	V		79.86	324	256	9/2012
Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting [1]	V		6.00	607	9	9/2012
Oberbank Leasing GmbH Bayern, Neuötting [1]	V		100.00	5,917	2,819	9/2012
Oberbank Leasing Inprox Misk GmbH, Budapest [1]	V		100.00	1	1	9/2012
Oberbank Leasing JAF HOLZ, s.r.o., Prague [1]	V		95.00	3,557	73	9/2012
Oberbank LIV Immobilienleasing GmbH, Linz [1]	V		100.00	5,181	145	9/2012
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz [1]	V		99.80	35	160	9/2012
Oberbank Operating Mobilienleasing GmbH, Linz [1]	V		100.00	35	790	9/2012
Oberbank Operating OPR Immobilienleasing GmbH, Linz [1]	V		100.00	35	230	9/2012
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	102	9/2012
Oberbank Riesenhof Immobilienleasing GmbH, Linz [1]	V		100.00	35	52	9/2012
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz [1]	V		100.00	35	161	9/2012
Oberbank Vertriebsservice GmbH, Linz [1) 6)]	N		100.00			
Oberbank-Kremsmünster ImmobilienleasingGesellschaft m.b.H., Linz [1]	V		100.00	168	252	9/2012
OBK Ahlten Immobilien Leasing GmbH, Neuötting [1]	V		94.00	1,000	108	9/2012
OBK München 1 Immobilien Leasing GmbH, Neuötting [1]	V		100.00	27	292	9/2012
OBK München 2 Immobilien Leasing GmbH, Neuötting [1]	V		100.00	30	10	9/2012
OBK München 3 Immobilien Leasing GmbH, Neuötting [1]	V		100.00	30	130	9/2012
Opportunity Beteiligungs AG, Linz [1) 6)]	N		100.00			
POWER TOWER GmbH, Linz [1]	V		99.00	70	131	9/2012
Techno-Z Braunau Technologiezentrum GmbH, Braunau 6)	N		21.50			
Tuella Finanzierung GmbH, Vienna [1]	V		100.00	222,463	2,553	9/2012
Wohnwert GmbH, Salzburg [1) 6)]	N		100.00			

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);
6) Use was made of Section 241 (2) of the Austrian Enterprise Code (UGB)
*) Newly established, therefore no annual financial statements are available

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 2012 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, 5 March 2013
The Management Board

CEO
Franz Gasselsberger,
Chairman
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 2012 together with the accounting records. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ended 31 December 2012 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 2012 and the results of its operations and cash flows during the financial year from 1 January to 31 December 2012 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, 5 March 2013

KPMG Austria AG
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 2012 financial year at the level of Oberbank AG came to a total of EUR 80.6 million. After the allocation of EUR 66.1 million to reserves and including the profit brought forward of EUR 0.1 million, the profit available for distribution amounted to EUR 14.6 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 206,579.01 be carried forward to new account.

Linz, 5 March 2013
The Management Board

CEO
Franz Gasselsberger, Chairman

Director
Josef Weissl

Director
Florian Hagenauer

More than just tradition.

Stability and safety – this promise extends to Oberbank customers as well as to its employees.

Hermann Bell,
Chairman of the Supervisory Board of Oberbank AG

During the 2012 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 convened twice in the reporting year. 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 plenary meeting.

In 2012 the Working Committee approved three time-critical resolutions. Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the whole Supervisory Board.

The Credit Committee approved 39 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.

The Nomination Committee held no meetings in 2012 as no appointments to fill vacancies arising in the Management Board had to be made. However, in line with the Standing Orders of the Management Board, the acceptance of supervisory board positions by members of the Management Board was submitted to the Nomination Committee for decision by way of written circular, and the approval of these positions was reported to the Supervisory Board at its meeting on 30 September 2012.

At its meeting on 29 March 2012, the Remuneration Committee fixed the variable remuneration components of the Management Board members for the financial year 2011. In November 2012 the Remuneration Committee adjusted the pertinent assessment parameters to the strategic key indicators defined within the context of the 2016 strategy process and, accordingly, also revised the parameters for the proportionality analysis. The results were subsequently reported to the Supervisory Board at its meeting on 27 November 2012.

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 AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the annual financial statements of Oberbank AG for 2012 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 28 March 2013, 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 2012, which are thus final for the purposes of Section 96(4) of the Joint Stock Companies Act (AktG).

KPMG Austria AG, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2012, 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 2012 and the results of its operations and cash flows during the financial year from 1 January to 31 December 2012 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 28 March 2013, 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 2012 of EUR 14.6 million and that the balance be carried forward to new account, and reported thereon to the Supervisory Board.

At the agenda of the Annual General Meeting on 8 May 2012 the Supervisory Board mandates of Peter Mitterbauer, Christoph Leitl and Karl Samstag were extended to include the period up the Annual General Meeting of 2017, i.e. the maximum period permitted under the Articles of Association.

The Supervisory Board thanks the Management Board, the management and the entire staff for their excellent performance in the reporting year. The Supervisory Board recognises as outstanding achievements both Oberbank's very good results, which are clearly above the Austrian banking industry average even in a multi-year comparison, and the further improvement of the Bank's core capital ratio, which is a key factor in determining the credit rating of Oberbank.

Linz, 28 March 2013
The Supervisory Board

Hermann Bell
Chairman of the Supervisory Board

Supervisory Board

Honorary President
Heinrich Treichl

Chairman
Hermann Bell

Vice Chairmen
Heimo Penker
Peter Gaugg

Members
Ludwig Andorfer
Luciano Cirinà
Wolfgang Eder
Waldemar Jud
Christoph Leitl
Peter Mitterbauer
Helga Rabl-Stadler
Karl Samstag
Herbert Walterskirchen
Norbert Zimmermann

Staff representatives
Wolfgang Pischinger, Chairman of the Central Staff Council of Oberbank AG
Peter Dominici
Armin Burger
Roland Schmidhuber
Elfriede Höchtel
Josef Pesendorfer
Herbert Skoff

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
Josef Weissl, Director
Florian Hagenauer, Director

Management Board

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Director
Florian Hagenauer
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Credit Management
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Corporate Secretary and Communications
Andreas Pachinger
Compliance Officer
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Payment Systems and Operational Services
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Oberbank Leasing Group

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Real estate services

Oberbank Immobilien-Service Gesellschaft m.b.H., Linz
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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

Drei-Banken Versicherungs-Aktiengesellschaft, Linz
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3 Banken-Generali Investment-Gesellschaft m.b.H., Linz
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3-Banken Wohnbaubank AG, Linz
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Erich Stadlberger
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Head Office

A-4020 Linz, Untere Donaulände 28
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

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Günther Ott
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guenther.ott@oberbank.at

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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A-4020 Linz – Bindermichl, Hatschekstrasse 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

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Salzburg principal branch

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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

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A-4600 Wels – Pernau, Linzer Strasse 157 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

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Salzkammergut principal branch, Gmunden

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Thomas Harrer
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Affiliated branches:

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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

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Affiliated branches:

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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

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Vienna principal branch

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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-1040 Wien – Wieden, Rilkeplatz 8
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

Germany

Germany principal branch

Robert Dempf

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D-82110 Germering, Therese-Giehse-Platz 2
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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

Helmut Frick

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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

Czech Republic

Robert Pokorný

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Affiliated branches:

CZ-15000 Praha 5 – Smíchov, Portheimka Center náměstí 14 října 642/17
CZ-17000 Praha 7 – Holešovice, Dukelských hrdinů c. 407/26
CZ-27201 Kladno, Osvobozených politických vězňů 339
CZ-60200 Brno, Lidická 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-70200 Ostrava, Stodolní 1
CZ-74601 Opava, Masarykova třída 274/27
CZ-39001 Tábor, Pražská 211
CZ-40001 Ústí nad Labem, Hrnčířská 4

Hungary

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H-9700 Szombathely, Berzsenyi Dániel tér 2

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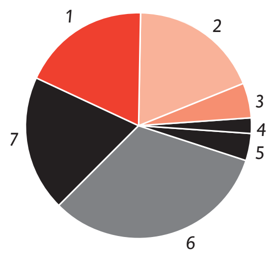
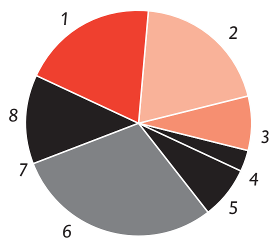
SK-911 01 Trenčín, Legionárska 4
SK-010 01 Žilina, Jána Kalinčiaka 22

Shareholder Structure of the 3 Banks as at 31/12/2012 by Voting Rights

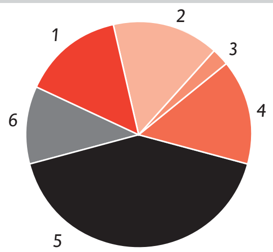
Oberbank	
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck [1]	18.51%
BKS Bank AG, Klagenfurt [2]	18.51%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg [3]	5.13%
Generali 3 Banken Holding AG, Vienna [4]	2.21%
Staff shares [5]	3.73%
CABO Beteiligungsgesellschaft m. b. H., Vienna [6]	32.54%
Free float [7]	19.37%



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%
BKS-Belegschaftsbeteiligungsprivatstiftung [7]	0.33%
Free float [8]	12.39%



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 2012	2011	BKS Bank Group 2012	2011	BTV Group 2012	2011
Net interest income	312.9	341.7	143.1	150.4	164.4	164.6
Charges for losses on loans and advances	(59.8)	(97.6)	(38.6)	(33.2)	(39.9)	(37.1)
Net commission income	108.2	104.5	44.4	42.3	42.3	42.5
Administrative expenses	(239.0)	(229.5)	(104.8)	(91.5)	(95.9)	(94.8)
Profit for the year before tax	132.4	126.0	45.9	38.6	67.1	64.7
Consolidated net profit	108.6	111.2	40.1	36.4	58.5	53.5
Balance sheet in €m						
Assets	17,675.1	17,483.7	6,654.4	6,456.0	9,496.4	9,214.7
Loans and advances to customers after provisioning charge	10,877.0	10,563.9	4,794.2	4,647.8	6,193.0	6,030.1
Primary funds	11,607.9	11,315.2	4,362.4	4,251.4	6,582.9	6,627.8
of which savings deposits	3,380.1	3,407.6	1,797.9	1,786.3	1,272.9	1,260.0
of which securitised liabilities including subordinated capital	2,208.8	2,250.9	816.6	715.7	1,187.8	1,255.0
Equity	1,342.4	1,222.0	688.3	644.9	845.5	767.4
Customer funds under management	21,558.0	19,665.5	10,674.9	10,025.5	11,368.8	10,970.6
of which in customers' securities accounts	9,950.1	8,350.3	6,312.5	5,774.1	4,785.9	4,342.8
Own funds within the meaning of BWG in €m						
Assessment basis	10,481.9	10,146.2	4,457.9	4,415.2	5,665.0	6,077.9
Own funds	1,762.5	1,673.1	709.5	681.9	995.4	934.7
of which core capital (Tier 1)	1,245.4	1,167.6	630.7	599.5	806.0	776.1
Surplus own funds	857.9	798.0	325.8	301.9	516.0	423.8
Core capital ratio in %	11.88	11.51	13.10	12.46	13.17	12.77
Total capital ratio in %	16.81	16.49	15.92	15.44	17.57	15.38
Performance in %						
Return on equity before tax	10.32	10.56	6.88	6.07	8.32	8.96
Return on equity after tax	8.47	9.32	6.02	5.73	7.25	7.42
Cost/income ratio	55.44	50.64	56.27	46.71	45.70	45.65
Risk/earnings ratio (credit risk in % of net interest income)	19.11	28.58	26.98	22.07	24.30	22.54
Resources						
Average number of staff (weighted)	2,020	2,054	930	901	779	790
Branches	147	150	55	55	37	40

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Disclaimer: Forward-looking statements
This Annual Report contains statements and forward-looking statements regarding Oberbank AG's future development. These forward-looking statements are usually accompanied by words such as "estimates", "expects", "plans", "predicts", "targets" and similar expressions. The forecasts are estimates made on the basis of all the information available on the reporting date of 31 December 2012. Should the assumptions upon which such forecasts have been based prove unjustified or should risks such as those referred to in the Risk Report transpire, actual results may differ from the results that are currently expected. This Annual Report does not constitute any recommendation to buy or sell shares of Oberbank AG.

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.

Notes

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