Oberbank

Interim Report to Shareholders as at 30 June 2021

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Key Performance Indicators

Income statement in € m	HY1 2021	Change	HY1 2020
Net interest income	166.8	-1.8%	169.8
Profit from entities accounted for by the equity method	43.8	>-100%	-45.0
Charges for losses on loans and advances	-8.3	-12.3%	-9.5
Net fee and commission income	96.9	11.7%	86.7
Administrative expenses	-151.4	2.6%	-147.5
Profit/loss for the period before tax	136.7	> 100	37.2
Profit/loss for the period after tax	113.7	> 100	17.4
Balance sheet in €m	**30/6/2021**	**Change**	**31/12/2020**
Total assets	26,158.9	7.1%	24,432.9
Loans and advances to customers	17,964.1	4.1%	17,264.7
Primary funds	16,490.1	6.9%	15,426.9
thereof savings deposits	2,614.7	-1.7%	2,660.9
thereof securitised liabilities incl. subordinated debt capital	2,743.6	17.3%	2,339.8
Shareholders' equity	3,159.0	4.0%	3,038.9
Customer funds under management	35,229.6	9.6%	32,147.6
Own funds pursuant to CRR in € m	**30/6/2021**	**Change**	**31/12/2020**
Common equity tier 1 capital (CET 1)	2,760.6	2.1%	2,705.2
Tier 1 capital	2,810.6	2.0%	2,755.2
Own funds	3,169.1	2.3%	3,099.3
CET 1 ratio in %	17.40	-0.44% ppt	17.84
Tier 1 capital ratio in %	17.71	-0.46% ppt	18.17
Total capital ratio in %	19.97	-0.46% ppt	20.43
Performance indicators	**HY1 2021**	**Change**	**HY1 2020**
Liquidity coverage ratio in %	198.40	61.80% ppt	136.60
Net stable funding ratio in %	137.07	15.17% ppt	121.90
Leverage ratio in %	11.25	1.66% ppt	9.59
Cost/income ratio in %	51.07	-24.89% ppt	75.96
Return on equity before tax in % (equity ratio)	8.82	6.26% ppt	2.56
Return on equity after tax in %	7.33	6.13% ppt	1.20
Risk/earnings ratio (credit risk/net interest) in %	4.97	-0.60% ppt	5.57
Resources	**30/6/2021**	**Change**	**31/12/2020**
Average number of staff (weighted)	2,157	-11	2,168
Number of branches	177	1	176

Development of Business of the Oberbank Group
HY1 2021

Dear Readers, Dear Shareholders,

Oberbank overcomes adverse effects of the coronavirus crisis and triples earnings
The results of the first half of 2021 clearly reflect Oberbank's strong business operations. Net interest income and net commission income together increased by 2.8 %. This was due primarily to the robust trend in private banking, but also to the fact that the lending business held up well despite the tough competition over margins, and lending volumes rose by an impressive 6% to a new high of EUR 18.0 billion in total.

Oberbank successfully mastered coronavirus-related market distortions and impact on earnings
Not only the net profit for the year, which rose by almost EUR 100 million, but also in the significant increase in equity by more than 7% are evidence of this positive trend. A major driver behind the solid earnings was income from equity investments that improved by EUR 88.8 million from EUR -45.0 million at mid-year 2020 to EUR 43.8 million.

Corporate and business banking and home loans on steady growth path
The solid development of the economy is also reflected in the vigorous growth in corporate lending. The lending volume in corporate loans rose by 5.1% to EUR 14.1 billion. A major incentive behind this development was the investment bonus and also the booming real estate business. The portfolio of home loans increased by EUR 238 million from EUR 2,532 million to EUR 2,770 million. This is a gain of 9.4%. A share of EUR 890 million were accounted for by sustainable home construction loans. Net interest income (excluding investments accounted for using the equity method) was EUR 166.8 million in the first half of 2021, and therefore, only 1.8% lower year on year.

Income from services rises steeply in all categories
The improvement in commissions from the securities business by 8.8% to EUR 33.2 million significantly boosted earnings from services. The main contributors to the robust growth were payment services with +7.9% to EUR 29.9 million and foreign payment services with +17.5% to EUR 9.1 million. This trend was driven by the positive economic development of companies and exports. Commission on loans also increased by 18.6% to EUR 21.2 million due to the strong demand for loans.

Improved equity, solid tier 1 capital ratio
Equity improved year on year by EUR 215 million, and at mid-year 2021, equity reached EUR 3,159.0 million. Capital adequacy is excellent at a tier 1 capital ratio of 17.7% and a total capital ratio of 20.0% both within Austria and in European comparison. It is also evidence of the strength and stability of Oberbank.

We expect solid results for the full year
The strong recovery makes us confident about the further development of Oberbank's earnings. We are aiming for a substantial improvement over the preceding year. This will also depend on the development of credit risk and measurement risk. Currently, there are no signs of any major deterioration.

gez. Franz Gasselsberger

CEO Franz Gasselsberger

Oberbank's shares

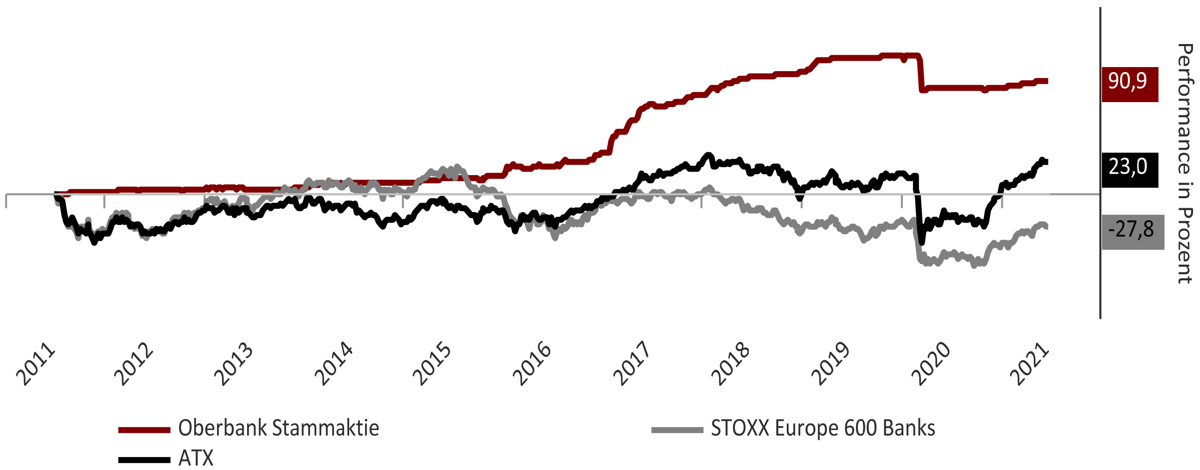
At the end of the first half-year 2021, Oberbank's ordinary shares were trading at EUR 86.80. The price trend of Oberbank's ordinary shares was +2.84 in the first half-year 2021. Including the dividend payouts of January 2021 (EUR 0.18 per share) and of May 2021 (EUR 0.58 per share), the performance achieved by ordinary shares was +3.75%. Market capitalisation at the close of first half-year 2021 was EUR 3,064.67 million as compared to EUR 2,953.35 million at the close of the preceding year.

Oberbank' shares – key figures	HY1 2021*	HY1 2020
Number of ordinary no-par shares	35,307,300	32,307,300
Number of preference shares		3,000,000
High (ordinary/preference share) in €	86.80	96.00/91.00
Low (ordinary/preference share) in €	84.40	83.00/75.50
Close (ordinary/preference share) in €	86.80	83.80/82.00
Market capitalization in €m	3,064.67	2,953.35
IFRS earnings per share in €, annualised	6.46	0.99
P/E ratio, ordinary shares	13.44	84.6

*) As preference and ordinary shares have been combined, the information in HY1 2021 refers to ordinary shares.

Oberbank ordinary vs. ATX and the European banking index

Period: 30/6/2011 to 30/6/2021



Source: Refinitv Datastream, 30/6/2021

(Text in Chart – Right column: Performance in percent; bottom left: Oberbank ordinary share, ATX; bottom right STOXX Europe 600 Banks. Please note that the figures use German notation, therefore commas are periods and vice versa.)

This chart compares the development of Oberbank's ordinary shares, the Austrian stock index ATX, and the European banking index STOXX Europe 600 Banks. The prices have been adjusted in the chart by indexing the daily closing prices of the relevant stock and the indices to 0. This means the starting prices were all set to 0% at the starting time. Therefore, the chart presents the relative percentage development.

The figures given refer to the past. These cannot be used to derive future trends.

Segments in HY1 2021

Corporate and Business Banking

Corporate and Business Banking in	HY1 2021	HY1 2020	+ / - absolute	+ / - in %
Net interest income	133.7	130.2	3.5	2.7%
Charges for losses on loans and advances	-3.5	-5.3	1.8	-33.7%
Net fee and commission income	54.3	44.6	9.7	21.7%
Net trading income	-0.6	1.0	-1.6	>-100%
Administrative expenses	-79.6	-80.9	1.3	-1.6%
Other operating income	-1.6	4.2	-5.8	>-100%
Profit/loss for the period	102.7	93.8	8.9	9.5%
Risk equivalent	10,817.2	10,583.0	234.1	2.2%
Average allocated equity	1,848.5	1,702.5	146.0	8.6%
Return on equity before tax (RoE)	11.1%	11.0%	0.1% ppt	
Cost/income ratio	42.8%	44.9%	-2.1% ppt	

Earnings in Corporate and Business Banking

At EUR 102.7 million, profit in Corporate and Business Banking was higher by EUR 8.9 million or 9.5% year on year.
Net interest income rose by EUR 3.5 million or 2.7% to EUR 133.7 million.
Charges for losses on loans and advances decreased by EUR 1.8 million or 33.7% from EUR 5.3 million to EUR 3.5 million.
At EUR 54.3 million, net commission income was EUR 9.7 million or 21.7% higher year on year.
Administrative expenses declined by EUR 1.3 million or 1.6% to EUR 79.6 million.
Other operating income decreased by EUR 8.9 million from a positive EUR 4.2 million to a negative EUR 1.6 million.
RoE in Corporate and Business Banking rose from 11.0% by 0.1%-points to 11.1%, while the cost/income ratio improved from 44.9% by 2.1%-points to 42.8%.

Commercial loans

Oberbank's commercial lending volume increased by EUR 676.2 million or 5.1% from EUR 13,395.4 million to EUR 14,071.6 million.

Commercial loans		YoY change	
As at 30/6/2021	As at 30/6/2020*	absolute	in %
€ 14,071.6 million	€ 13,395.4 million	€ 676.2 million	5.1%

*) The total impairment allowance balance has not been disclosed as a deduction on the assets side of the balance sheet since the financial year 2020, but reduced pursuant to IAS 1 from the corresponding balance sheet items. The preceding year's figures were adjusted accordingly.

Investment and innovation finance

The number of applications submitted in Austria, Germany, Czech Republic and Hungary and Slovakia for subsidised loans and innovation projects, and to secure liquidity in the first half-year 2021 reached the record level of the preceding year at a total of 1079 projects. This significant rise in applications submitted for subsidised loans was due to the coronavirus pandemic in the preceding year and the financial aid programmes created to support the economy. This year, the new record level achieved was due to the government investment bonus and the positive economic development. The volume of subsidised finance granted through Oberbank amounted to EUR 1.605 billion as at 30 June 2021 was again 33.2% higher year on year.

Investment finance		YoY change	
As at 30/6/2021	As at 30/6/2020*	absolute	in %
€ 10,436.3 million	€ 9,773.5 million	€ 662.8 million	6.8%

*) The total impairment allowance balance has not been disclosed as a deduction on the assets side of the balance sheet since the financial year 2020, but reduced pursuant to IAS 1 from the corresponding balance sheet items. The preceding year's figures were adjusted accordingly.

Structured finance and syndicated loans
The first half of the financial year 2021 was dominated by strong demand for structured finance solutions. The already very high level of the preceding year was exceeded again and both the number of applications processed and the project volumes increased almost 18.0% each compared to the same period in the preceding year. This increase results mainly from the renewed rise in demand for real estate finance and the marked rise in demand for tourism finance. Furthermore, the number of projects and volumes also increased substantially in lending for corporate expansions and corporate spending.
As regards syndicated loans and borrower's notes, the rise in the number of transactions processed was also significant, also for loans in which Oberbank was the lead financier. These are highly prominent transactions, in some cases with reports in the media. As regards borrower's notes, demand is still above average among investors, and, therefore, in the second quarter of 2021 only selected transactions were underwritten.

Oberbank Opportunity Fund
In the first half of 2021, the Oberbank Opportunity Fund recorded 70 enquiries, which is exactly the same figure as in the preceding year, with the first quarter this year also being an especially strong one. The Oberbank Opportunity Fund finalized ten transactions in the first half of the year. Since the inception of the Oberbank Opportunity Fund, 93 transactions for equity and/or mezzanine capital or high-yield capital were supported with funding (plus external capital loans) and ten supplementary financing projects were completed. The volume of committed capital as at 30 June 2021 was almost EUR 250 million and breaks down into equity, mezzanine capital and high-yield capital.

Payment services
The steady expansion into the market and the excellent economic development boosted earnings in corporate payment services. Results were 7.7% higher year on year on 30 June 2021.

Foreign business
The coronavirus pandemic was a dominant factor in international supply chains in the first half of 2021. Nonetheless, rising international demand and the swift progress in vaccinations in most industrialized countries fuelled optimism. OeNB expects a growth rate of over 4.5% in the euro area for 2021 and 2022. The IMF and also the OECD significantly revised their latest forecasts upwards for global economic growth and estimate growth rates of 5.6% to 6.0% for the current year. The main driver of growth is the accelerating pace of recovery of international trade. In the past few months, however, a possible risk to the growth scenario has arisen from commodities and input prices. For example, the oil price rose to its pre-crisis level by March 2021. Longer delivery periods and rising prices are clear indications of a demand surplus for some commodities such as semi-conductors and intermediate products for the construction sector. However, temporary restrictions at international trans-shipment hubs caused lasting distortions to supply chains making planning difficult and driving up transport costs. On the other hand, the government financial aid measures had a positive effect and insolvencies are expected to remain low in Central Europe also in 2021 according to Euler-Hermes. The actual trend in insolvencies will become clear only after the measures are phased out.

Documentary business
Especially in times of a stabilizing economy, companies are focusing increasingly on security when purchasing and selling. Globally active companies profit from the expertise of Oberbank in the documentary business. Thus, in the first half-year, 36.0% more hedging instruments were processed than in the same period of the previous year. At the same time, the volume of hedged transactions rose by some 18.0%. The higher number of enquiries is an indicator that regional exporters and importers are very optimistic about the future.

Factoring
Factoring as a finance alternative is still in demand. The positive trend in new business acquisition and volumes continued for a sixth year in a row contrary to the general market trend. This development was also seen in the factoring sales figures and the positive feedback from customers.

Leasing

At EUR 395.5 million in new business volume capitalised in the first half of 2021, the level was 8.8% lower than in the first half of the preceding year. Nonetheless, a recovery set in after the sharp plunge caused by the coronavirus pandemic.

Export finance

Apart from securing and financing foreign investments, the significance of supporting customers with domestic investment projects to facilitate exporting activities (OeKB Auftrags-/Exportinvest schemes) is increasing, and in this case as well, the market share rose to 14.4%. We also retained our position as the leading Austrian regional bank for revolving OeKB lines of credit. With respect to OeKB’s export overdraft facilities for SMEs, Oberbank attained a market share of 11.2% as at 30 June 2021, and for OeKB’s credit line for large corporates (KRR procedure) it achieved a share of 10.7%.

International network of partner banks and institutions

Oberbank's global network of 1,100 partner banks is the guarantee for the smooth processing of commercial payment transactions and documentary business for Oberbank customers. This ensures access to the major global and European payment platforms in all business areas for services relating to payments, security and finance. Important coordination talks and meetings with partner banks, especially with banks with clearing functions and at which accounts are held, were conducted in video conferences and webinars due to the coronavirus.

Primary deposits

The extremely expansive policy of the ECB is also affecting primary deposits at Oberbank. The volume of primary deposits increased by more than 7.0% in the first half of 2021 versus year-end 2020. The main reason for this trend was the rising volume of sight deposits in both the retail and the corporate segments. Before the backdrop of the central bank’s monetary policy, Oberbank is forced to pass on the negative interest to corporate customers. However, we always endeavour – after consultation with the concerned customers – to define minimum thresholds to ameliorate the effects of such measures.

Currency risk management

With the progress achieved in vaccinations and the related easing of restrictions in many countries, international commerce has recovered significantly in the reporting period. This was also seen in the business activities of companies on currency markets. After a subdued start into the year, the monthly results of currency management were clearly positive, and especially the month of June may be considered one of the best months of the past five years.
Additionally, the currencies also contributed to making it clear to customers that hedging against currency risks is a good strategy. The US dollar fluctuated in the first six months by more than five percent versus the euro, and the British pound by even more than seven percent. The Hungarian forint fluctuated between highs and lows by almost 7.0%. Only the Czech koruna saw a moderate trend with a fluctuation bandwidth of just shy of four percent.
Developments have once again shown that competent advisory services and support are of eminent importance in these times. Our Treasury and Trade staff provided direct support to customers both in person and – increasingly – in video conferences – and also developed suitable hedging strategies for them.

Personal Banking

Personal Banking in €m	HY1 2021	HY1 2020	+ / - absolute	+ / - in %
Net interest income	31.0	31.2	-0.2	-0.8%
Charges for losses on loans and advances	-1.0	-1.1	0.2	-15.7%
Net fee and commission income	42.6	42.1	0.5	1.2%
Net trading income	0.0	0.0	0.0	0.0%
Administrative expenses	-50.8	-46.2	-4.6	10.0%
Other operating income	2.8	2.5	0.3	13.3%
Profit/loss for the period	24.6	28.4	-3.9	-13.5%
Risk equivalent	2,012.5	1,917.4	95.1	5.0%
Average allocated equity	343.9	308.5	35.5	11.5%
Return on equity before tax (RoE)	14.3%	18.4%	-4.1% ppt	
Cost/income ratio	66.5%	61.0%	5.5% ppt	

Earnings in Personal Banking

Profit in the Personal Banking segment was EUR 24.6 million, which is EUR 3.9 million or 13.5% lower year on year.
Net interest income decreased by EUR 0.2 million or 0.8% to EUR 31.0 million.
Risk provisions declined by EUR 0.2 million or 15.7% to EUR 1.0 million.
Net fee and commission income was up by EUR 0.5 million or 1.2% to EUR 42.6 million over the preceding year.
At EUR 50.8 million, administrative expenses were EUR 4.6 million or 10.0% higher than in the preceding year.
Other operating income increased by EUR 0.3 million or 13.3% to EUR 2.8 million.
Return on equity in Personal Banking declined from 18.4% by 4.1%-points to 14.3%, and the cost/income ratio deteriorated from 61.0% by 5.5%-points to 66.5%.

Personal accounts

The portfolio of personal accounts expanded year on year by 1,600 to a total of 191,970 accounts. In June 2021, a new account type was launched, the *"be(e) green Konto"* for retail customers. The features of the digital products for personal accounts were expanded by the new functionality "push notifications" in the Oberbank app. The number of users of mobile payment services such as Apple Pay, Oberbank Wallet, Garmin Pay and Blue Code is constantly rising.

Personal accounts		YoY change	
As at 30/06/2021	As at 30/06/2020	absolute	in %
191,970	190,370	1,600	0.8%

Personal loans

The volume of personal loans increased by EUR 332.9 million or 9.3% to EUR 3,892.6 million compared to 30 June 2020, with the volume of new retail loans granted in the first half-year 2021 rising 15.0% over the same period of the previous year. Supported by current interest rates, demand for housing loans remained robust. The share of foreign currency loans in the overall personal loan portfolio of Oberbank is now only 1.8%. Oberbank also informs borrowers of available funding schemes to promote sustainability, and develops suitable project funding strategies together with customers. Since March 2021, energy assessment certificates have been required for housing loans in order to steadily increase sustainable lending.

Personal loans		YoY change	
As at 30/6/2021	As at 30/6/2020*	absolute	in %
€ 3,892.6 million	€ 3,559.7 million	€ 332.9 million	9.3%

*) The total impairment allowance balance has not been disclosed as a deduction on the assets side of the balance sheet since the financial year 2020, but reduced pursuant to IAS 1 from the corresponding balance sheet items. The preceding year's figures were adjusted accordingly.

Savings deposits

The volume of savings deposits decreased by EUR 60.5 million or 2.3% to EUR 2,614.7 million year on year. Money is still being left on accounts or in daily callable investment forms. Online savings products are still in high demand and are gaining significance. Since the start of the year, online savings recorded an increase by EUR 56.6 million or 6.1%. In June 2021, a new sustainable account type was introduced, the *"be green Sparkonto"*.

Savings deposits		YoY change	
As at 30/6/2021	**As at 30/6/2020**	**absolute**	**in %**
€ 2,614.7 million	€ 2,675.2 million	- € 60.5 million	-2.3%

Securities business

Commissions from securities transactions rose by EUR 2.6 million or 8.8% to a new record level of EUR 33.1 million in the first half-year. Thus, we surpassed the excellent results of HY1 2020, a period dominated very high trading volumes on stock markets caused by the coronavirus crisis.

The positive sentiment over the economy boosted stock markets. The recent marked rise of inflation and the extremely low interest rates exacerbated the dilemma of preserving the value of capital. This resulted in equities increasingly being included in the asset structure. The gain in income from commissions was driven mainly by rising securities transactions. New all-time highs were attained in stock transactions on the customer portal and also in brokerage. The higher prices also drove up management commissions.

Commission income from securities		YoY change	
As at 30/6/2021	**As at 30/6/2020**	**absolute**	**in %**
€ 33.1 million	€ 30.5 million	€ 2.6 million	8.8%

Market value on custody accounts

Year on year, the market value on custody accounts increased steeply by EUR 3,812.2 million or 25.5% to an all-time high of EUR 18,739.5 million.

Market value on custody accounts		YoY change	
As at 30/6/2021	**As at 30/6/2020**	**absolute**	**in %**
€ 18,739.5 million	€ 14,927.3 million	€ 3,812.2 million	25.5%

3 Banken-Generali Investment-Gesellschaft m.b.H.

At a rise of 10.0%, 3 Banken-Generali Investment-Gesellschaft m.b.H. developed better than the overall market (8.5%) in Austria with respect to volumes under management in the first half-year of 2021. The market share of the company was 5.6% as at 30 June 2021.

Oberbank's market share has grown since 31 December 2020 by EUR 670.1 million or 14.3% to a new record of EUR 5,359.2 million, and therefore, much better than the overall market. This increase was driven by both sustained robust demand and rising prices.

Year on year, the gain was even 25.7%, albeit starting out from a relatively low level during last year's coronavirus market turmoil.

In the first half of the year, the net fund inflows into public investment funds was EUR 200.5 million and into special investment funds it was EUR 140.5 million. Remarkable was the share of sustainable investments funds sold to the general public that accounted for 39.4% of net fund inflows. Oberbank currently accounts for 45.9% of the total volume of the company, which marks a new all-time high.

Public investment funds and special funds		YoY change	
As at 30/6/2021	**As at 30/6/2020**	**absolute**	**in %**
€ 5,359.2 million	€ 4,264.9 million	€ 1,094.3 million	25.7%

Private banking

Assets under management in private banking rose steeply year on year by EUR 1,965.1 million or 20.8% to EUR 11,407.2 million, thus attaining a new all-time high. The increase since the start of the year has been EUR 1,128.0 million or 11.0%. Inflows into individual portfolio management mandates also saw an increase to a new record level of EUR 739.2 million.

Assets under management - private banking		YoY change	
As at 30/6/2021	**As at 30/6/2020**	**absolute**	**in %**
€ 11,407.2 million	€ 9,442.1 million	€ 1,965.1 million	20.8%

Building society savings schemes

In the first half of 2021, Oberbank brokered 6,577 building society savings contracts. This corresponds to an increase of 1,717 contracts or 35.4% year on year.

Wüstenrot loans

Despite the strong performance in the preceding year, a significant increase was also achieved in Wüstenrot loans compared to the first half-year of 2020. By 30 June 2021, a lending volume of EUR 28.6 million was brokered to Wüstenrot, which is an increase of EUR 10.5 million or 58.0% higher year on year.

Insurance business

In the insurance business, total production (life insurance and non-life insurance) rose by 49.8% year on year. Almost all insurance segments posted growth. The most significant increases compared to the preceding year were achieved in the segments of company pension schemes (107.2%) and risk insurance (78.9%).

Insurance contracts - premium volume*		YoY change	
As at 30/6/2021	**As at 30/6/2020**	**absolute**	**in %**
€ 100.0 million	€ 68.5 million	€ 31.5 million	45.9%

*) Production: Life insurance (premium sum) + non-life insurance (annual net premium x 10)

Financial Markets

Financial Markets in € m	HY1 2021	HY1 2020	+ / - absolute	+ / - in %
Net interest income	2.0	8.3	-6.3	-75.5%
Profit from entities accounted for by the equity method	43.8	-45.0	88.8	
Charges for losses on loans and advances	-3.8	-3.0	-0.8	27.2%
Net fee and commission income	0.0	0.0	0.0	
Net trading income	4.6	-0.2	4.9	
Administrative expenses	-5.9	-5.0	-0.8	16.8%
Other operating income	3.0	-11.1	14.1	
Profit/loss for the period	43.8	-56.1	99.9	
Risk equivalent	5,317.6	5,585.5	-267.9	-4.8%
Average allocated equity	908.7	898.6	10.2	1.1%
Return on equity before tax (RoE)	9.6%	n.a.	n.a.	
Cost/income ratio	11.0%	n.a.	n.a.	

n.a. – not indicative

Earnings in the Financial Markets segment

The profit in Financial Markets rose by EUR 99.9 million from negative EUR 56.1 million to positive EUR 43.8 million.
Net interest income decreased by EUR 6.3 million or 75.5% to EUR 2.0 million.
Income from equity investments rose from negative EUR 45.0 million by EUR 88.8 million to positive EUR 43.8 million.
Impairment charges increased by EUR 0.8 million from EUR 3.0 million to EUR 3.8 million.
Net trading income increased from negative EUR 0.2 million by EUR 4.9 million to positive EUR 4.6 million.
Administrative expenses were EUR 0.8 million higher year on year at EUR 5.9 million.
Other operating income increased from negative EUR 11.1 million by EUR 14.1 million to positive EUR 3.0 million.
RoE in the first quarter of 2021 was 9.6%, and the cost/income ratio was 11.0%.

Proprietary trading

After a turbulent first half-year 2020, the first six months of this year may be viewed as a return to normality. Financial markets, especially stock markets, developed very positively and there were no unexpected major fluctuations. In this stable environment, it was possible to achieve positive results at low risk in trading in foreign exchange, bonds and stocks.

Refinancing

As regards refinancing, we have already been very active this year. After the issuance of a senior non-preferred banking bond with a volume of over EUR 250 million in the first quarter just before the end of June, we also floated Austria's first "green" covered bond in a highly successful issuance. These two issues were sold to international institutional investors. Despite the low interest rates, it was also possible to place bonds with a volume of EUR 82 million with customers. In addition to our capital market activities, we used the attractive refinancing facility of the ECB system.
Furthermore, we saw a steady increase in customer deposits. These expanded in the first six months by a further EUR 700 million.

Own funds

Own funds were EUR 3,169.1 million as at 30 June 2021, which is a ratio of 19.97%. Tier 1 capital was EUR 2,810.6 million and the tier 1 capital ratio was 17.71%. Common equity tier 1 capital of EUR 2,760.6 million corresponds to a ratio of 17.40%.

Risk

Oberbank's risk policy takes into account the risk situation of all business areas including the new markets. Risk management focuses on keeping customer funds entrusted to Oberbank safe, conserving own funds and guaranteeing liquidity.

The most important risk category is counterparty risk. This risk is accounted for by recognizing the corresponding impairment charges in the balance sheet.

When assessing creditworthiness and in collateral policy, Oberbank can rely on decades of know-how. Moreover, its business model as a regional bank, professional credit management and a balanced distribution of overall debt across customer segments serve to contain the threat to Oberbank's overall result from this risk exposure. Therefore, no extraordinary counterparty risk events are expected for the full financial year 2021 as well.

The other risk categories are equity risk (risk of loss in value or foregone profits in the equity portfolio), market risk (risk of losses due to fluctuating interest rates, foreign exchange rates or equity prices), operational risk and liquidity risk. These risks are also covered by the corresponding funds in line with the principle of conservatism. In the case of liquidity risk, the sound position of Oberbank is also supported by the fact that it can refinance the entire credit volume (EUR 18.0 billion as at 30 June 2021) with the primary deposits of customers, own issues and deposits from Förderbanken (OeKB, LfA, KfW) amounting to EUR 19.4 billion (as at 30 June 2021). Additionally, Oberbank has a permanent risk controlling system in place as well as strict process management and other efficient control and management instruments.

Consolidated Interim Financial Statements pursuant to IFRS for 1/1/2021 to 30/6/2021

Consolidated income statement in €k		01/01 to 30/6/202	01/01 to 30/6/202	Change in €k	Change in %
1. Interest and similar income		187,010	210,202	-23,192	-11.0
a) Interest income pursuant to effective interest rate method		177,252	199,675	-22,423	-11.2
b) Other interest income		9,758	10,527	-769	-7.3
2. Interest and similar expenses		-20,229	-40,441	20,212	-50.0
Net interest income	(1)	166,781	169,761	-2,980	-1.8
3. Profit from entities accounted for by the equity method	(2)	43,798	-44,980	88,778	>-100.0
4. Charges for losses on loans and advances	(3)	-8,295	-9,462	1,167	-12.3
5. Fee and commission income		106,962	97,313	9,649	9.9
6. Fee and commission expenses		-10,087	-10,604	517	-4.9
Net fee and commission income	(4)	96,875	86,709	10,166	11.7
7. Net trading income	(5)	3,980	726	3,254	> 100.0
8. Administrative expenses	(6)	-151,370	-147,500	-3,870	2.6
9. Other operating income	(7)	-15,033	-18,035	3,002	-16.6
a) Net income from financial assets - FV/PL		4,821	-10,786	15,607	>-100.0
b) Net income from financial assets - FVOCI		-165	-211	46	-21.8
c) Net income from financial assets - AC		-7	160	-167	>-100.0
d) Other operating income		-19,682	-7,198	-12,484	> 100.0
Profit/loss for the period before tax		136,736	37,219	99,517	> 100.0
10. Income taxes	(8)	-23,022	-19,782	-3,240	16.4
Profit/loss for the period after tax		113,714	17,437	96,277	> 100.0
Thereof attributable to the owners of the parent company and the owners of additional equity components		113,067	16,902	96,165	> 100.0
thereof attributable to non-controlling interests		647	535	112	20.9

Other comprehensive income in €k	1/1 to 30/6/2021	1/1 to 30/06/2020
Profit/loss for the period after tax	113,714	17,437
Items not reclassified to profit or loss for the year	15,025	2,911
+/- Actuarial gains/losses IAS 19	8,900	438
+/- Deferred taxes on actuarial gains/losses IAS 19	-2,225	-109
+/- Share from entities accounted for by the equity method	5,404	5,111
+/- Value changes in own credit risk recognised in equity IFRS 9	-18,259	38,885
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	4,565	-9,721
+/- Value changes in equity instruments recognised in equity IFRS 9	22,188	-42,260
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	-5,547	10,567
Items reclassified to profit or loss for the year	3,800	-15,050
+/- Value changes recognised in equity for debt securities IFRS 9	94	-2,741
Amounts recognised in equity	145	-2,756
Reclassification adjustments	-51	15
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	-23	685
Amounts recognised in equity	-36	689
Reclassification adjustments	13	-4
+/- Exchange differences	2,255	-4,173
+/- Share from entities recognised using the equity method	1,474	-8,821

	1/1 to 30/6/2021	1/1 to 30/6/2020
Total income and expenses recognised directly in equity	18,825	-12,139
Total comprehensive income for the period from net profit/loss and income/expenses not recognised in profit/loss	132,539	5,298
of which attributable to the owners of the parent company and the owners of additional equity components	131,892	4,763
thereof attributable to non-controlling interests	647	535

Performance indicators	1/1 to 30/6/2021	1/1 to 30/6/2020
Cost/income ratio in %[1)]	51.07	75.96
Return on equity before tax in %[2)]	8.82	2.56
Return on equity after tax in %[3)]	7.33	1.20
Risk/earnings ratio (credit risk/net interest income) in %[4)]	4.97	5.57
Earnings per share in €[5)6)]	6.46	0.99

1) Administrative expenses in relation to net interest income, equity method, net fee and commission income, net trading income and other operating income
2) Profit/loss for the year before tax in relation to average shareholders' equity
3) Profit/loss for the year after tax in relation to average shareholders' equity
4) Charges for losses on loans and advances in relation to net interest income
5) Profit/loss for the year after tax in relation to average number of shares in circulation
6) Since no financial instruments with diluting effect were issued, diluted earnings per share were identical with undiluted earnings per share. The preference shares issued were converted into ordinary shares in the financial year 2020. Therefore, earnings per share as at 30 June 2021 refer only to ordinary shares. In the period of comparison, earnings per share were the same for both ordinary and preference shares.

Consolidated Interim Financial Statements pursuant to IFRS for 1/4/2021 to 30/6/2021

Consolidated income statement in €k		**1/4 to 30/6/202**	**1/4 to 30/6/202**	**Change in €k**	**Change in %**
1. Interest and similar income		93,761	101,114	-7,353	-7.3
a) Interest income pursuant to effective interest rate		88,928	96,495	-7,567	-7.8
b) Other interest income		4,833	4,619	214	4.6
2. Interest and similar expenses		-9,710	-17,367	7,657	-44.1
Net interest income	(1)	84,051	83,747	304	0.4
3. Profit from entities accounted for by the equity method	(2)	20,395	36,700	-16,305	-44.4
4. Charges for losses on loans and advances	(3)	-2,484	-4,453	1,969	-44.2
5. Fee and commission income		53,261	44,733	8,528	19.1
6. Fee and commission expenses		-5,288	-4,421	-867	19.6
Net fee and commission income	(4)	47,973	40,312	7,661	19.0
7. Net trading income	(5)	403	3,163	-2,760	-87.3
8. Administrative expenses	(6)	-76,534	-74,657	-1,877	2.5
9. Other operating income	(7)	3,763	27,388	-23,625	-86.3
a) Net income from financial assets - FV/PL		3,269	23,369	-20,100	-86.0
b) Net income from financial assets - FVOCI		-149	-221	72	-32.6
c) Net income from financial assets - AC		-7	160	-167	>-100.0
d) Other operating income		650	4,080	-3,430	-84.1
Profit/loss for the period before tax		77,567	112,200	-34,633	-30.9
10. Income taxes	(8)	-13,270	-21,039	7,769	-36.9
Profit/loss for the period after tax		64,297	91,161	-26,864	-29.5
of which attributable to the owners of the parent company and the owners of additional equity components		64,010	90,965	-26,955	-29.6
of which attributable to non-controlling interests		287	196	91	46.4

Other comprehensive income in €k	1/4 to 30/6/2021	1/4 to 30/6/2020
Profit/loss for the period after tax	64,297	91,161
Items not reclassified to profit or loss for the year	5,711	4,950
+/- Actuarial gains/losses IAS 19	8,900	438
+/- Deferred taxes on actuarial gains/losses IAS 19	-2,225	-109
+/- Share from entities accounted for by the equity method	5,604	4,610
+/- Value changes in own credit risk recognised in equity IFRS 9	-2,831	9,440
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	708	-2,360
+/- Value changes in equity instruments recognised in equity IFRS 9	-5,925	-9,425
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	1,481	2,356
Items reclassified to profit or loss for the year	-1,314	-12,139
+/- Value changes recognised in equity for debt securities IFRS 9	-103	723
Amounts recognised in equity	-66	702
Reclassification adjustments	-37	21
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	26	-181
Amounts recognised in equity	17	-175
Reclassification adjustments	9	-6
+/- Exchange differences	231	-5,260
+/- Share from entities recognised using the equity method	-1,468	-7,421

	1/4 to 30/6/2021	1/4 to 30/6/2020
Total income and expenses recognised directly in equity	4,397	-7,189
Total comprehensive income for the period from net profit/loss and income/expenses not recognised in profit/loss	68,694	83,972
of which attributable to the owners of the parent company and the owners of additional equity components	68,407	83,776
thereof attributable to non-controlling interests	287	196

Consolidated balance sheet as at 30/6/2021 / Assets

	in €k		30/6/2021	31/12/2020	Change in €k	Change in %
1.	Cash and balances at central banks	(10)	3,347,294	2,105,984	1,241,310	58.9
2.	Loans and advances to credit	(11)	898,657	968,908	-70,251	-7.3
3.	Loans and advances to customers	(12)	17,964,141	17,264,665	699,476	4.1
4.	Trading assets	(13)	42,358	47,434	-5,076	-10.7
5.	Financial investments	(14)	3,251,385	3,404,229	-152,844	-4.5
	a) Financial assets - FVPL		498,719	560,251	-61,532	-11.0
	b) Financial assets - FVOCI		422,676	487,826	-65,150	-13.4
	c) Financial assets - AC		1,383,672	1,459,007	-75,335	-5.2
	d) Interests in entities accounted for by the equity method		946,318	897,145	49,173	5.5
6.	Intangible assets	(15)	2,320	2,203	117	5.3
7.	Property, plant and equipment	(16, 17)	397,783	404,351	-6,568	-1.6
	a) Investment property		88,759	89,656	-897	-1.0
	b) Other property, plant and equipment		309,024	314,695	-5,671	-1.8
8.	Other assets	(18)	254,933	235,155	19,778	8.4
	a) Deferred tax assets		6,545	7,388	-843	-11.4
	b) Positive fair values of closed out derivatives in the banking book		105,901	153,306	-47,405	-30.9
	c) Other		142,487	74,461	68,026	91.4
	Total assets		**26,158,871**	**24,432,929**	**1,725,942**	**7.1**

Consolidated balance sheet as at 30/6/2021 / Equity and liabilities

	in €k		30/6/2021	31/12/2020	Change in €k	Change in %
1.	Amounts owed to credit institutions	(19)	5,579,966	5,065,644	514,322	10.2
	a) Refinance allocated for customer loans		2,884,799	2,734,835	149,964	5.5
	b) Other amounts owed to credit institutions		2,695,167	2,330,809	364,358	15.6
2.	Amounts owed to customers	(20)	13,746,468	13,087,168	659,300	5.0
3.	Securitised liabilities	(21)	2,240,169	1,854,005	386,164	20.8
4.	Provisions for liabilities and charges	(22)	368,265	372,841	-4,576	-1.2
5.	Other liabilities	(23)	561,494	528,630	32,864	6.2
	a) Trading liabilities	(24)	38,348	42,799	-4,451	-10.4
	b) Tax liabilities		26,134	6,638	19,496	> 100
	ba) Current tax liabilities		22,937	2,932	20,005	> 100
	bb) Deferred tax liabilities		3,197	3,706	-509	-13.7
	c) Negative fair values of closed out derivatives in the banking book		18,965	39,932	-20,967	-52.5
	c) Other		478,047	439,261	38,786	8.8
6.	Subordinated debt capital	(25)	503,480	485,775	17,705	3.6
7.	Shareholders' equity	(26)	3,159,029	3,038,866	120,163	4.0
	a) Equity after minorities		3,101,794	2,981,215	120,579	4.0
	b) Minority interests		7,235	7,651	-416	-5.4
	c) Additional equity capital components		50,000	50,000	0	0.0
	Total equity and liabilities		**26,158,871**	**24,432,929**	**1,725,942**	**7.1**

Consolidated statement of changes in equity as at 30/6/2021

					Revaluation reserve								
in €k	Subscribed capital	Capital reserves	Retained earnings	Exchange differences	Reclassified debt securities IFRS 9	Equity instruments IFRS 9 not reclassified	Change in own credit risk IFRS 9 not reclassified	Actuarial gains/losses purs. to IAS 19	Associates	Equity after minorities	Shares of non-controlling shareholders	Additional equity capital components	Shareholders' equity
As at 1/1/2020	**105,844**	**505,523**	**1,605,472**	**-1,365**	**1,414**	**126,729**	**-9,522**	**-48,552**	**616,297**	**2,901,840**	**8,697**	**50,000**	**2,960,537**
Consolidated net profit			65,989	-4,173	-2,056	-31,693	29,164	329	-52,797	4,763	535		5,298
Net profit/loss for the year			65,989						-49,087	16,902	535		17,437
Other comprehensive income				-4,173	-2,056	-31,693	29,164	329	-3,710	-12,139			-12,139
Dividend distribution			-529							-529			-529
Coupon payments on additional equity components			-1,725							-1,725			-1,725
Capital increase													
Issuance of additional equity components													
Repurchased own shares	-668		-17,863							-18,531			-18,531
Other changes not recognised in income			851						82	933	-1,569		-636
As at 30/6/2020	**105,176**	**505,523**	**1,652,195**	**-5,538**	**-642**	**95,036**	**19,642**	**-48,223**	**563,582**	**2,886,751**	**7,663**	**50,000**	**2,944,414**
As at 1/1/2021	**105,381**	**505,523**	**1,717,804**	**-5,663**	**242**	**112,620**	**6,128**	**-54,292**	**593,474**	**2,981,215**	**7,651**	**50,000**	**3,038,866**
Consolidated net profit			72,359	2,255	70	16,641	-13,694	6,675	47,586	131,892	647		132,539
Net profit/loss for the year			72,359						40,708	113,067	647		113,714
Other comprehensive income				2,255	70	16,641	-13,694	6,675	6,878	18,825			18,825
Dividend distribution			-20,408							-20,408			-20,408
Coupon payments on additional equity components			-1,725							-1,725			-1,725
Capital increase													
Issuance of additional equity components													
Repurchased own shares	334		8,883							9,217			9,217
Other changes not recognised in income			15						1,587	1,602	-1,063		539
As at 30/6/2021	**105,715**	**505,523**	**1,776,928**	**-3,408**	**312**	**129,261**	**-7,566**	**-47,617**	**642,647**	**3,101,794**	**7,235**	**50,000**	**3,159,029**

Consolidated statement of cash flows in €k	1/1 to 30/6/2021	1/1 to 30/6/2020
Profit/loss for the period	113,714	17,437
Non-cash items in profit/loss for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-17,702	92,176
Change in provisions for staff benefits and other provisions for liabilities and charges	2,099	-971
Change in other non-cash items	6,924	-4,792
Gains and losses on financial investments, property, plant and equipment and intangible assets		
	-434	-1,459
Subtotal	**104,601**	**102,391**
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	81,748	755,645
- Loans and advances to customers	-694,217	-383,398
- Trading assets	6,376	-11,035
- Financial assets for operating activities[1)]	68,303	34,056
- Other assets from operating activities	13,603	19,185
- Amounts owed to credit institutions	516,349	675,322
- Amounts owed to customers	659,981	591,280
- Securitised liabilities	390,662	132,641
- Other liabilities from operating activities	-53,684	-74,334
Cash flow from operating activities	**1,093,722**	**1,841,754**
Proceeds from the sale of		
- Financial assets held as investments[2)]	308,961	244,858
- Property, plant and equipment, and intangible assets	2,411	0
Outlay on purchases of		
- Financial investments	-149,392	-380,490
- Property, plant and equipment, and intangible assets	-16,093	-20,308
Cash flow from investing activities	**145,888**	**-155,940**
Capital increase	0	0
Dividend distributions	-20,408	-529
Coupon payments on additional equity components	-1,725	-1,725
Inflow from subordinated debt capital and other financing activities		
- Issues	40,552	15,780
- Other	10,941	0
Outflow from subordinated debt capital and other financing activities		
- Redemptions	-18,600	-58,810
- Other	-9,060	-27,479
Cash flow from financing activities	**1,700**	**-72,763**
Cash and cash equivalents at the end of preceding period	**2,105,984**	**371,557**
Cash flow from operating activities	1,093,722	1,841,754
Cash flow from investing activities	145,888	-155,940
Cash flow from financing activities	1,700	-72,763
Effects of changes in the consolidation scope and revaluation	0	0
Effects of foreign exchange rate changes	0	0
Cash and cash equivalents at the end of the period	**3,347,294**	**1,984,607**
Interest received	191,679	204,104
Dividends received	7,515	9,495
Interest paid	-50,909	-74,233
Coupon payments on additional equity components	-1,725	-1,725
Income tax paid	-20,713	-20,933

Cash and cash equivalents comprise the line item Cash and balances at central banks, consisting of cash on hand and credit balances with central banks of issue.

1) Financial investments not intended to be held long term

2) Financial investments intended to be held long term

Notes to the consolidated financial statements

Accounting policies

The consolidated financial statements of Oberbank AG have been 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). The consolidated financial statements cover the first half-year 2021 (1 January 2021 to 30 June 2021) and compare the results with the corresponding period of the preceding year. This interim report for the first half of 2021 complies with IAS 34 ("Interim Reports"). No full audit or review by an auditor has been conducted of these condensed interim financial statements for the group. We have not applied standards and interpretations that take effect as of the financial year 2022 or later.

Changes to accounting policies 2021

The half-year report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31 December 2020. An exception are the standards and interpretations that apply to financial years that start on or after 1 January 2021. Only those new standards and interpretations are presented that are relevant for the operating activities of Oberbank.

The following standards and interpretations, as amended, have been mandatory since January 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 – Interest rate benchmark reform (Phase 2)

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are intended to ameliorate the effects on financial reporting that occur when an existing reference interest rate is replaced by an alternative interest rate. In particular, the amendments make it simpler to implement the modifications required due to the IBOR reform. Apart from this, hedge contracts on the balance sheet will be permitted to be continued under modified documentation despite the replacement of the reference interest rate. This does not result in any material effects on the consolidated financial statements of Oberbank.

Actuarial assumptions

Material actuarial assumptions for calculating the present values of defined benefit obligations developed as follows:

	30/6/2021	31/12/2020
Interest rate applied	1.25%	0.75%
Increase under collective agreements	2.63%	2.83%
Pension increase	1.67%	1.68%

Oberbank group of consolidated companies

The group of consolidated companies as at 30 June 2021 included, apart from Oberbank AG, 29 Austrian and 17 foreign subsidiaries. Compared to 31 December 2020, the group of consolidated companies did not change.

Impairment – financial assets and contract assets – risks from financial instruments

IFRS 9 replaces the "incurred loss model" by a forward-looking "expected loss impairment model". This calls for substantial discretionary decisions regarding the extent to which expected loss impairment is influenced by changes in economic factors. This measurement is done on the basis of weighted probabilities. The impairment model under IFRS 9 applies to financial assets designated at amortised costs or at FVOCI – with the exception of dividend-paying securities held as financial assets – and contract assets.

Under IFRS 9, impairments are measured on one of the following:

- 12-month expected credit losses: These are expected credit losses due to potential default events within twelve months of the reporting date.
- Full lifetime expected credit losses: These are expected credit losses due to potential default events over the expected life of a financial instrument.

Segmentation

Oberbank's loan portfolio is grouped into the following five segments in the impairment model pursuant to IFRS 9: sovereigns, banks, corporates, SME and retail. The reasons for the segmentation are the different estimates of the relevant credit risk parameters. The grouping into the different segments is done on the basis of the rating method selected.

Stage Model

The expected loss pursuant to IFRS 9 is computed using a dual approach that results in either an impairment in the amount of the 12-month expected credit loss or the lifetime expected credit loss. Decisive for determining the relevant credit loss is the approach based on the stage model. On every reporting date, for a financial instrument recognised at amortised cost

- an impairment is recognised in the amount of the lifetime expected credit loss if the credit risk has increased significantly since initial recognition or if the borrower has defaulted;
- an impairment is recognised in the amount of the 12-month expected credit loss if the credit risk has not increased significantly since initial recognition or is very low on the reporting date.

The three stages of the impairment model differ in the following respects:

- Stage 1: Allocation of risk provisions in the amount of the 12-month credit loss and calculation of the interest income based on the gross carrying amount applying the effective interest rate method;
- Stage 2: Allocation of risk provisions in the amount of the expected losses with respect to the remaining time to maturity of the financial instrument (lifetime ECL) and calculation of the interest income based on the gross carrying amount applying the effective interest rate method;
- Stage 3: Allocation of risk provisions in the amount of the lifetime ECL and calculation of the interest income based on the net carrying amount applying the effective interest rate method.

The main characteristic for determining the credit risk of a financial instrument is the internal rating of the borrower. A borrower's rating is always based on a default ratio per rating category. This default ratio is derived from the Bank's internal master rating scale for the low-default portfolio (sovereigns and banks). For the key customer segments of Corporates, Retail and SME, the default ratio is derived from the ratio of actual defaults of the respective migration matrix.

The assessment of the significant increase in credit risk is a key factor of the 3-stage model in the impairment rules of IFRS 9, because when there is a significant increase in credit risk, the impairment must be recognised over the entire life of the financial instrument (lifetime ECL).

The stage assessment is used to classify the loans into two stages for performing loans and one stage for the non-performing loan portfolio (stage 3). The lifetime expected credit loss is recognised for stages 2 and 3, while for stage 1 the 12-month expected credit loss is calculated.

The overall classification concept of Oberbank is based on qualitative, quantitative and backstop criteria.
At the time of initial recognition on the balance sheet, every instrument is assigned to stage 1 at first. An exception is made for assets that are already impaired at the time of recognition (so-called POCI assets). On subsequent reporting

dates, the transition to stage 2 occurs when there is a significant increase in credit risk. However, if the conditions of significant deterioration of creditworthiness are no longer given, a retransfer to stage 1 is carried out.

The main characteristic for determining the credit risk of a financial instrument is the internal rating of the borrower. This is the basis for the assessment to ascertain whether – and if yes, when – a significant increase in credit risk took place.

Qualitative criteria for a stage transfer

If the borrower is in default (internal rating classification 5a, 5b or 5c), credit stage 3 is assigned. Oberbank uses the default definition of Article 178 Regulation (EU) No 575/2013 (CRR) uniformly and consistently for all classes of receivables and risk models. This is based on the 90-day default or the probability of an irrecoverable debt. Therefore, the default definition of CRR is applied to all IFRS 9 model estimates and calibrations.

Financial instruments with the attribute forbearance are always assigned to stage 2 provided the receivable is not already in default. The lifetime expected loss is recognised for this receivable throughout the entire forbearance phase.

A rebuttable presumption when contractual payments are more than 30 days past due results in a stage transfer as a qualitative criterion (IFRS 9.5.5.11). This means that instruments are assigned to stage 2 when the default on payment of capital and/or interest exceeds 30 days. As soon as the debt is 90 days past due, the borrower is assigned a default rating and the financial instrument is transferred to stage 3. In the case of leases, use is made of an IFRS 9 option and impairment is always recognised in the amount of the lifetime expected credit loss. Therefore, these transactions are automatically assigned to stage 2.

All financial instruments, which had an absolute low credit risk on the balance sheet date may be assigned to stage 1 as an exception to the relative approach (IFRS 9.5.5.10). When a borrower is in a rating class with a very low credit risk (rating classes AA to 1b), the financial instrument is also assigned to stage 1. This logic is applied only to the low-default portfolio for the segments of sovereigns and banks. The low credit risk exemption therefore applies to a portfolio that would generally be designated as 'investment grade' (average PD of rating class corresponds to S&P equivalent ratings to BBB-)
Likewise, foreign currency loans with income in a congruent currency and also loans with special purpose vehicles classified as performing are assigned to stage 2. Currency fluctuations and movements in collateral assets in the case of special purpose vehicles have a higher risk with respect to ability to service a loan than in the case of conventional loan portfolios.

Apart from qualitative factors inherent to the model for a stage transfer, as at 31 December 2020, Oberbank applied the collective stage transfer to stage 2 for certain sub-portfolios due to the continuation of the coronavirus crisis. The principal reasons for this were the massive economic distortions accompanied by extraordinary government interventions. The model establishing a connection between economic performance and credit default rates is based on the one hand, on a break in the system, and on the other, on the fact that the deteriorating economic conditions are not yet fully factored into the internal bank ratings. Before this backdrop, it appears necessary to temporarily represent the expected higher credit risk by a collective stage transfer.

In this management overlay, additional risks are identified with an influence on impairment charges, especially crisis-induced risk that are probably of temporary nature. Collective staging is applied in the following portfolios:

- Receivables from borrowers in industries severely affected by lockdowns (travel, hotels, gastronomy).
- Receivables from borrowers that are still in payment deferral or again in this status, as at the reporting date:
- Receivables from borrowers in the area of real estate projects with commercial mortgage-backed collateral
- Receivables from borrowers classified as severely affected by the coronavirus based on case-by-case analysis
- Receivables in Hungary due to economic uncertainty, controversial prolongation of the government-mandated moratorium

When collective staging is to end or be reduced depends primarily on the further development of the coronavirus pandemic. Likewise decisive for the assessment is the possible return to a direct cause-and-effect relationship between economic performance and credit defaults.

In this context, the following factors play a key role:

- Discontinuation of government support measures and direct subsidies
- The degree to which the coronavirus-induced effects on the business model of corporate customers are reflected in the bank's internal rating
- Degree of vaccination coverage
- Infection figures and severity of measures taken by governments

<u>Qualitative criteria for a stage transfer</u>
The transfer criterion at Oberbank is based mainly on an analysis of the cumulated default probabilities (lifetime PDs). The following variables influence the determination of a relative deterioration of PD:

- Customer segment;
- Rating at the time of recognition of the financial instrument;
- Remaining time to maturity (comparison between balance sheet date and expiry of contract);
- Age of the financial instrument (comparison of initial recognition date and balance sheet date).

In order to assess the significance of an increase in credit risk, a comparison is made of the default probability on initial recognition and the default probability on the valuation date (IFRS 9.5.5.9). In this context, the lifetime PD over the remaining time to maturity is to be used. This is done by comparing the lifetime PD in the current rating stage over the remaining time to maturity with the forward lifetime PD in the rating stage at initial recognition over this period.

The criterion for allocation to stage 1 and stage 2 is thus based on a relative criterion and not on an absolute credit risk estimate at every point in time of an assessment (IFRS 9.B5.5.9).

As a backstop and based on an analysis of the relative transfer criterion, the decision was taken – irrespective of the structure of the migration matrix – that a stage transfer would have to be triggered in any case if the loan has shifted by at least three rating stages since initial recognition. In the case of very long remaining times to maturity and very good ratings, it is possible that due to the 'drift to the middle' tendency, it may happen in marginal PDs that even for downgrades by several rating stages, the relative transfer criterion would otherwise not be reached.

The return to a higher stage is done when the criteria which were the cause of the downgrade no longer apply. Thus, upgrades and downgrades are treated symmetrically. The return to stage 2 is carried out, for example, as soon as there is no longer any significant increase in the default risk. The measure used is a comparison of default risk at initial recognition with the default risk on the relevant balance sheet date.

The impairment model of Oberbank AG always refers to individual transactions when calculating risk provisions and also when assessing a stage transition. This means that the relevant credit risk parameter PD (default probability), LGD (loss given default) and EAD (exposure at default) always refers to the individual borrower and is derived from an individual transaction.

Calculating ECL

At Oberbank, the impairment model pursuant to IFRS 9 is applied in the following cases:

- financial assets measured at amortised costs or directly in equity at fair value;
- leasing receivables;
- irrevocable letters of credit and guarantees.

Expected credit loss at Oberbank is a probability-weighted estimate of the loss over the expected remaining time to maturity of the financial instrument. On other words, it is the present value of the difference between the contractually-agreed cash flows and expected cash flows. Where the calculation of the expected loss includes:

- an amount in line with expectations and the probability-weighting that is determined on the basis of several possible scenarios;
- the time value of money;
- information on past events, current conditions and forecasts of future economic conditions.

The maximum time period for which the expected credit loss is determined is the life of the contract over which Oberbank is exposed to the credit risk from the financial instrument. Only in the case of revolving lines of credit is the expected credit loss determined for a period which under certain conditions may be longer than the life of the contract. The expected loss breaks down into three components:

$$EL = PD \times LGD \times EAD$$

(PD: default probability; LGD: loss given default in % of EAD; EAD: exposure at default)

When an asset is assigned to stage 2 and the related calculation of the lifetime expected credit loss corresponds to the remaining time to maturity of the contract. In the case of assets assigned to stage 1 (12-month ECL), the maturity is limited to one year. If the term is shorter than one year, the actual remaining time to maturity is used for the calculation. The expected credit loss pursuant to IFRS 9 is a discounted value here. To this end, the respective EL per period is multiplied by the discounting factor per period. The discounting factor considers the effective interest rate on the asset.

Key input parameters

Probability of Default (PD)

The probability of default is derived for the segments Corporates, SME and Retail in a base scenario from the historic default rates and the migration probability. The default probabilities for different maturities (lifetime PD) is calculated for each segment and rating stage based on the default vector of the migration matrix. The default probability for the segments Banks and Sovereigns is derived directly from the internal ratings and thus from the internal banking master scale.

The determination of the historic default rates and migration probabilities for the central customer portfolio is based on the migration matrix for each respective segment. In such cases, the last ten-year period is used. The basis for determining the 1-year migration matrix is in a first step the view by quarters of rating migrations.

The 1-year migration matrix is determined based on a matrix multiplication of four successive quarters. The final 1-year migration matrix is the mean value of all migration matrices determined. The 1-year PD per rating class is the sum of the PD from the three default rating classes 5a, 5b and 5c. The cumulated and lifetime PD is formed based on the Markov assumption for migration matrices by applying matrix multiplication. This results in PD curves per segment and rating class.

For individual segments and maturity bands, these conditional basis PD that result from the 'through-the-cycle migration matrix' are adjusted in order to include forward-looking information. This so-called 'point-in-time adjustment' (PIT adjustment) is done using statistical models to attempt to relate the default probability with the explanatory macroeconomic variables.

A linear regression is used as a statistical model, with the default probability being estimated. The regression parameters are estimated by maximization of the likelihood function. Key macroeconomic variables used in the model are the Austrian long term bond yield (10 years), the harmonized consumer price index (CPI), as well as gross domestic product growth (GDP). A country weighting is applied to the CPI and GDP factors. In this context, the countries of Austria, Germany, Czech Republic, Hungary and Slovakia are considered which is where Oberbank does business. The factors are weighted as follows: Austria with 65%, Germany with 15%, Czech Republic with 10%, Hungary and Slovakia each with 5%. The model selection is based on the information criterion pursuant to Akaike (AIC), with the variables being chosen in a step-wise selection process.

Based on these estimated factors, the PD is adjusted in the segments Corporate and SME by scaling. For the segments of Sovereigns, Banks and Retail it was not possible to establish a plausible correlation with macroeconomic factors. Oberbank uses three different scenarios for the ECL calculation (normal, upward and downward scenario), with the final adjustment of a linear combination being equivalent to the three different scenarios. The scenario weighting is oriented on the common practice of weighting the normal scenario with 50% and the two other scenarios each with 25%. Oberbank uses the macroeconomic data of the data vendor Bloomberg for the scenarios. In this context, it is pointed out that economically plausible forecasts are only available for three years. The forecast values for the calculation are contained in the special section "Effects of the coronavirus pandemic on the consolidated results".

<u>Loss Given Default (LGD)</u>

The loss in the event of default corresponds to that share of receivables that cannot be recovered and therefore constitutes an economic loss. LGD is divided into an LGD from secured parts of a loan and an LGD from unsecured parts of a loan. LGD from the secured portions of a loan depends on the type of collateral and the potential development of value/depreciation over time. The development of an exposure over a time period and the development of the collateral results in effective LGDs per bandwidth over a time period.

Secured LGD

The calculation of the expected credit loss includes all internal collateral based on cover values. The difference between the market value and the cover value of collateral corresponds to a haircut for estimation uncertainties and fluctuations in value, and can therefore implicitly be interpreted as the LGD for the secured portion of a loan.
The calculation of the expected credit loss thus entails an implicit splitting of the loan into a secured and unsecured part. The secured part thus has an LDG of 0% after considering the cover value and the unsecured part of a loan has an undefined LGD depending on the segment. When both parts of the loan are combined, they result in a type of 'mixed' LGD per maturity bandwidth.

Unsecured LGD

The unsecured LDG represents the irrecoverable portion after deducting the proceeds from the collateral and depends mainly on the proceeds from the realization or liquidation process.

Exposure at Default (EAD)

For loans with certain principal due dates, the cash flow estimates are based on the contractual redemption structure. All cash flows are determined by the transaction attributes (balance, amount of repayments, frequency of repayments, interest payment intervals, reference interest rates, due dates) as well as current market data (exchange rates and market interest rates). Cash flows from interest payments are derived from the forward interest implicit in the interest rate curve.

Revolving lines of credit do not have any contractually agreed cash flows. Therefore, an explicit cash flow estimate using a replication model is needed.

At Oberbank, there are loans that were granted on a "until further notice" basis with respect to maturity. Within the scope of the annual credit review, the credit agreement is reassessed and, if applicable, the terms are adjusted with a view to the changes in credit quality. These loans can be called at any time. Therefore, with respect to maturity, it is assumed that the period is one year, because every year a decision is made on the prolongation of the line of credit. Oberbank is thus exposed to the credit risk for a maximum period of one year.

In the case of overdraft facilities, the portion is calculated first that is currently not being used. In this case, the credit balance is deducted from the overdraft limit. This unused part of an overdraft facility consequently remains unchanged over the entire life of the loan. The calculation of the exposure at default (EAD) is based throughout on a credit conversion factor. The due date of the overdraft facility always corresponds to the maturity of the loan.

Sensitivity analysis

A major driver for the magnitude of the expected credit loss is the stage determined for each of the positions. This results from the aforementioned qualitative and quantitative staging criteria. Subsequently, the effects on the expected credit loss are reported based on the assumption that all positions are allocated, on the one hand, to Stage 1 (12-month ECL), and on the other, to Stage 2 (lifetime ECL).

Impairment charges by segment

in €k	100% Stage 1: 12M ECL	ECL calculation as at 30/6/2021	100% Stage 2: LT ECL
Banks	-923	-924	-1,241
Corporate	-33,807	-64,164	-116,260
Retail	-3,071	-4,811	-12,736
SME	-2,662	-3,586	-4,341
Sovereign	-360	-432	-1,075
TOTAL	**-40,823**	**-73,917**	**-135,652**

Effects of the coronavirus pandemic on the consolidated half-year financial statements

1) Background

The coronavirus pandemic has been dominant factor in our lives for months – and still is – with curfews, closed restaurants and shops as well as production standstills causing severe, unprecedented changes to the public and private lives of people in Austria and worldwide. Hardly anyone can reliably assess the effects of this global crisis at present. Many companies are affected by collapsing sales markets despite the meanwhile eased restrictions. In many countries, numerous measures have been initiated and financial aid programmes launched to support the economy and private households as best as possible during this crisis that is threatening their very existence. The following explanations give updated information and describe the key aspects of the current effects of the coronavirus pandemic on the consolidated financial statements of Oberbank AG.

2) Discretionary decisions, assumptions and estimates

These consolidated financial statements contain values whose amounts were arrived at based on discretionary decisions, assumptions and estimates. These assumptions and estimates are based on past experience, budgets and forecasts regarding future events that appear likely from today's perspective.

Due to the currently unpredictable global consequences of the coronavirus pandemic, these estimates and discretionary decisions are subject to a high degree of uncertainty. The amounts actually reported may differ from the estimates and discretionary decisions. Such changes may have material effects on the consolidated financial statements. The updated estimates and discretionary decisions took into consideration all available information on the probable further development of the economy.
The updated discretionary decisions, assumptions and estimates contained in these consolidated financial statements relate essentially to the items presented below.

Risk provisions

The measurement of risk provisions depends mainly on expectations regarding future loan losses and the structure and quality of the loan portfolio. In addition, the calculation of any future charges for impairment losses requires estimates of the amounts and dates of future cash flows. Further details are given in 3) Risks of financial instruments.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be measured using current stock market prices, because no publicly quoted market prices are available, model values are used. The measurement models, input parameters, the fair value hierarchy and the fair values of financial instruments are described in detail in Note 31) Fair value of financial instruments and other items regarding reconciliation as at 30 June 2021.

Impairment losses on investments accounted for using the equity method

If there is objective evidence for impairment of an investment accounted for using the equity method, an individual value-in-use is calculated for this investment. Details regarding the effects of the coronavirus pandemic are given in 3) Risks from financial instruments.

3) Risk from financial instruments

Effects of the coronavirus pandemic on the impairment model for financial instruments pursuant to IFRS 9

In the first half of the year 2021, the progress achieved in vaccinations with the entailing reduction of measures to contain the spread of the coronavirus resulted in an expansion of Austria's economy. After a decline of real GDP by 6.7% in the preceding year, the economic outlook is positive over the medium term. Economic growth rates are expected to move in the direction of the long-term average by 2023.
Governments and central banks responded to the crisis with massive interventions and financial aid measures. Thus, in the preceding year, extensive moratoria on loan repayments were mandated by law in Austria and other countries which were still valid in Q1 2021, and in some cases, until 30 September 2021. Likewise, far-reaching subsidy schemes were rolled out. The key trigger events for insolvencies among businesses such as default on payments to tax authorities and social insurance organizations are currently suspended and this is obfuscating the true magnitude of business failures caused by the coronavirus pandemic.

The decline in economic output is not reflected directly in the insolvencies of individuals and businesses due to the effects of the massive public funding schemes. Therefore, a surge in insolvencies is generally expected to occur with a time lag. Furthermore, it is assumed that support is also being given to businesses that would otherwise default even without the coronavirus pandemic, so-called "zombie companies". These circumstances cannot be adequately considered in the rating models.

The Oberbank impairment model contains, among other things, a modification of the default probability (PD) in order to take into account forward-looking macroeconomic information. The financial aid measures help ameliorate the negative economic effects for our customers, but also make the early detection of any potential worsening of credit quality more difficult. Therefore, the direct relationship between default rates and macroeconomic development is temporarily suspended and distorted. If one were to apply the already positive estimates for GDP growth for the year 2021 in the model, the expected default probabilities would decrease even further although the rating structure has not yet deteriorated across a broad base. The FLI model developed at Oberbank uses a time-series that does not take into account these economic distortions, government support measures or extreme macroeconomic values, and therefore, it cannot be applied to the current economic phase.

Before this backdrop, the point-in-time adjustment factors have not been adjusted since the second quarter of 2020.

The following table shows the country-weighted macroeconomic factors considered in the ECL calculation for the segments Corporates and SME as at 30 June 2021:

Normal scenario	**Year 1 (4 quarterly averages)**	**Year 2 (4 quarterly averages)**	**Year 3 (4 quarterly averages)**
Real GDP growth	-6.1%	5.6%	3.8%
Change in the harmonized consumer price index	1.1%	1.4%	1.7%
Yields on ten-year Austrian government bonds	-0.1%	0.2%	0.3%

Pessimistic scenario	**Year 1 (4 quarterly averages)**	**Year 2 (4 quarterly averages)**	**Year 3 (4 quarterly averages)**
Real GDP growth	-9.9%	2.4%	2.5%
Harmonized consumer price index	0.1%	-0.1%	0.5%
Ten-year Austrian government bonds	0.1%	0.3%	0.4%

Optimistic scenario	**Year 1 (4 quarterly averages)**	**Year 2 (4 quarterly averages)**	**Year 3 (4 quarterly averages)**
Real GDP growth	-4.1%	10.1%	8.3%
Harmonized consumer price index	1.8%	2.6%	3.2%
Ten-year Austrian government bonds	-0.2%	0.1%	0.0%

A collective stage transfer was carried out for certain segments of the portfolio in order to deal with the expected higher default risk. For the assessment, additional risks are identified with an influence on impairment charges, especially crisis-induced risks and those of a probably temporary nature. The collective stage transfer is applied to the following portfolios:

- Receivables from borrowers in industries severely affected by lockdowns: Based on the allocation to branches using the NACE code system, a structural analysis of both the supply and the demand side with respect to the severity of the shock is conducted and the companies are categorised according to a 5-tier scale. Based on this categorisation, receivables with the highest ranking regarding the severity of the economic impact of the lockdowns are transferred to stage 2. As a consequence, the NACE Code serves as a further qualitative criterion in the stage transfer model, and therefore, a lifetime expected loss is used as basis for defining impairment charges for all receivables of the sectors concerned (accommodations, restaurant and food service industry, travel, aerospace).
- Receivables from borrowers that are still in the status of statutory moratoria as at the reporting date: In this case, it is pointed out that in some of Oberbank’s markets (Hungary, Slovakia) EBA-compliant deferrals are still possible; therefore, these loans are assigned to stage 2 provided there are not already classified as forborne.

Generally, it is assumed that the necessity of a payment deferral granted on the reporting date is a further indicator of a higher default risk.

- Receivables from borrowers in the segment of real estate project finance with commercial mortgage-backed collateral: As the credit risk of these loans are directly related to the earnings opportunities from the sale or rental of real estate, any distortions on the real estate market caused by the coronavirus crisis have an effect on creditworthiness. The current focus is on the market for commercial real estate where demand is being negatively influenced by the pandemic.
- Receivables from borrowers classified as severely affected by the coronavirus based on case-by-case analyses conducted in Q1 2021 of coronavirus vulnerability of customers with high risk exposure: As a management overlay measure, a risk provision in the amount of the lifetime expected loss was allocated for these customers.
- The government-ordered payment deferrals in Hungary where the bank has subsidiaries was extended again until 30 September 2021. This not only makes it difficult to assess the default risks of borrowers who make use of the payment deferrals, but also the mutual influence that widens defaults in this area to all other borrowers. Even at the Hungarian National Bank, the extension of the payment deferrals was controversial and there were fears of severe negative effects on the Hungarian economy. Due to this initial situation, business transactions in Hungary are transferred to stage 2.

Compared with the start of the year, the amount of the impairment charges for performing loans (stage 1 and stage 2) increased by EUR 3.8 million. The effect of the collective staging additionally applied in the first quarter is EUR 3.2 million and refers to a volume of receivables of EUR 864 million.

Fair value measurement
The measurement models and processes, and the determination of the fair value as well as the effects of the coronavirus pandemic are described in detail in Note 31) Fair value of financial instruments and other items regarding reconciliation as at 30 June 2021.

Impairment testing for investments accounted for using the equity method
Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank in the entity. If there is objective evidence for impairment of an investment accounted for using the equity method, an individual value-in-use is calculated for this investment. The higher of the two values – market price and value-in-use – constitute the recoverable amount pursuant to IAS 36.6 and is used for the measurement. No impairment loss was recognised as at 30 June 2021.

4) Impairment losses for non-financial assets and deferred tax assets on loss carryforwards
Oberbank holds non-financial assets in intangible assets; property, plant and equipment; investment property; and right-of-use assets on leased objects. Assets are accounted for at amortised cost. There were no indications for impairment losses such as shop closures, declining demand for banking products, significant changes to right-of-use assets or the reassessment of usable life. The fair value of investment property was EUR k 102,370 (31 Dec. 2020: EUR k 105,150). The decline is due to depreciation over time. Currently, there are no signs of additional adjustments on the real estate market due to the effects of the coronavirus pandemic.

Oberbank AG capitalised deferred tax assets on loss carryforwards to a minor extent of around EUR k 550 (31 Dec. 2020: EUR k 647). The earnings situation of the Group companies from which the loss carryforwards result did not change due to the coronavirus pandemic. The tax loss carryforwards will remain recoverable.

The relief measures issued by IASB in May 2020 regarding the application of IFRS 16 granting lessees accounting concessions in the case of, for example, lease payment deferrals and rent reductions directly related to the coronavirus pandemic, will not have any effect on Oberbank at present.
Oberbank as a lessee has not made use of the options of lease payment deferrals or rent reductions.

5) Presentation of the effects due essentially to the coronavirus pandemic

The most important effect of the coronavirus pandemic on the income statement concerns, as mentioned above, the item Charges for losses on loans and advances (additions to loan loss provisions in lending stage 1 and stage 2). However, the additions in an amount of EUR 3,861,000 cannot be clearly assessed as having been caused directly by the coronavirus crisis. Furthermore, the item Other administrative expenses in an amount of EUR 230,000 include costs directly related to the coronavirus pandemic (expenses for special cleaning, purchase of cleaning and disinfecting products, and protective items, IT infrastructure, furnishings for branches).
Furthermore, the coronavirus reduced or suspended distributions on profits from equity investments. However, the effects caused by the coronavirus cannot be precisely quantified.

6) Material events since the close of the interim reporting period

No events of material significance occurred after the reporting date 30 June 2021.

Details of the income statement in €k

1) Net interest income	**1/1 to 30/6/2021**	**1/1 to 30/6/2020**
Interest income from		
credit and money market operations	165,491	181,196
Shares and other variable-yield securities	1,654	1,870
Other equity investments	1,974	3,190
Subsidiaries	798	328
Fixed-interest securities and bonds	17,093	23,618
Interest and similar income	187,010	210,202
Interest expenses for		
deposits	-3,882	-22,850
Securitised liabilities	-8,964	-9,479
Subordinated liabilities	-6,721	-8,112
Result of non-significant modifications	-662	0
Interest and similar expenses	-20,229	-40,441
Net interest income	166,781	169,761

2) Income from entities recognised using the equity method	**1/1 to 30/6/2021**	**1/1 to 30/6/2020**
Net amounts from proportionately recognised income	37,339	4,592
Expenses from impairments and income from additions	6,459	-54,491
Income from additions due to purchases	0	4,919
Profit from entities accounted for by the equity method	43,798	-44,980

3) Charges for losses on loans and advances	1/1 to 30/6/2021	1/1 to 30/6/2020
Additions to charges for losses on loans and advances	-46,882	-44,968
Direct write-offs	-807	-776
Reversals of charges for losses on loans and advances	37,746	36,690
Recoveries from written-off receivables	877	1,103
Result of non-significant modifications	116	8
Result of POCI financial instruments	655	-1,519
Charges for losses on loans and advances	-8,295	-9,462

4) Net commission income	1/1 to 30/6/2021	1/1 to 30/6/2020
Net commission income:		
Payment services	32,204	29,817
Securities business	37,558	34,748
Foreign exchange, foreign bank notes and precious metals	9,405	8,062
Credit operations	24,159	20,200
Other service and advisory business	3,636	4,486
Total net fee and commission income	106,962	97,313
Net fee and commission expenses		
Payment services	2,300	2,095
Securities business	4,399	4,262
Foreign exchange, foreign bank notes and precious metals	275	290
Credit operations	2,973	2,338
Other service and advisory business	140	1,619
Total fee and commission expenses	10,087	10,604
Net fee and commission income	96,875	86,709

5) Net trading income	1/1 to 30/6/2021	1/1 to 30/6/2020
Gains/losses on interest rate contracts	774	-376
Gains/losses on foreign exchange, foreign bank note and numismatic	428	3,068
Gains/losses on derivatives	2,778	-1,966
Net trading income	3,980	726

6) Administrative expenses	1/1 to 30/6/2021	1/1 to 30/6/2020
Staff costs	89,723	88,521
Other administrative expenses	46,849	44,188
Write-offs and impairment allowances	14,798	14,791
Administrative expenses	151,370	147,500

7) Other operating income	1/1 to 30/6/2021	1/1 to 30/6/2020
a) Net income from financial assets - FVPL	4,821	-10,786
thereof from designated financial instruments	-4,194	2,690
thereof financial instruments with mandatory measurement at FVPL	9,015	-13,476
b) Net income from financial assets - FVOCI	-165	-211
thereof from the measurement of debt instruments	-214	-321
thereof from the sale and derecognition of debt instruments	49	110
c) Net income from financial assets - AC	-7	160
d) Other operating income	-19,682	-7,198
Other operating income:	**16,775**	**24,501**
Income from operational risks	1,901	6,752
Gains from the sale of land and buildings	0	289
Income from private equity investments	140	2,496
Income from operating leases	7,391	7,891
Other income from the leasing sub-group	2,877	3,167
Brokerage fees from third parties	2,627	2,216
Other	1,839	1,690

Other operating expenses	**-36,457**	**-31,699**
Expenses from operational risks	-2,865	-2,013
Stability tax	-2,460	-3,009
Contributions to the resolution fund and deposit protection scheme	-19,960	-14,230
Expenses from operating leases	-6,732	-5,881
Other income from the leasing sub-group	-2,735	-4,006
Other	-1,705	-2,560
Other operating income net of other operating expenses	-15,033	-18,035

8) Income taxes	**1/1 to 30/6/2021**	**1/1 to 30/6/2020**
Current income tax expense	26,039	24,296
Deferred income tax expense (income)	-3,017	-4,514
Income taxes	23,022	19,782

9) Earnings per share in €	**1/1 to 30/6/2021**	**1/1 to 30/6/2020**
Number of shares as at 30/6	35,307,300	35,307,300
Average number of shares in issue	35,183,248	35,125,812
Profit/loss for the period after tax	113,714	17,437
Earnings per share in €	3.23	0.50
Annualised values	6.46	0.99

Since no financial instruments with diluting effect were issued, diluted earnings per share were identical with undiluted earnings per share. The preference shares issued were converted into ordinary shares in the financial year 2020. Therefore, earnings per share as at 30 June 2021 refer only to ordinary shares. In the same period of the preceding year, earnings per share were the same for both ordinary and preference shares.

Details of the balance sheet in €k

10) Cash and balances with central banks	30/6/2021	31/12/2020
Cash in hand	156,510	162,148
Credit balances with central banks of issue	3,190,784	1,943,836
Cash and balances with central banks	3,347,294	2,105,984

11) Loans and advances to credit institutions	30/6/2021	31/12/2020
Loans and advances to domestic credit institutions	345,280	79,498
Loans and advances to foreign credit institutions	553,377	889,410
Loans and advances to credit institutions	898,657	968,908

12) Loans and advances to customers	30/6/2021	31/12/2020
Loans and advances to domestic customers	10,458,338	10,210,754
Loans and advances to foreign customers	7,505,803	7,053,911
Loans and advances to customers	17,964,141	17,264,665

13) Trading assets	30/6/2021	31/12/2020
Bonds and other fixed-interest securities		
Listed	0	206
Shares and other variable-yield securities		
Listed	2,043	551
Positive fair values of derivative financial instruments		
Currency contracts	4,354	5,239
Interest rate contracts	35,961	41,438
Other contracts	0	0
Trading assets	42,358	47,434

14) Financial investments	30/6/2021	31/12/2020
Bonds and other fixed-interest securities		
Listed	1,671,394	1,877,632
Unlisted	58,848	60,568
Shares and other variable-yield securities		
Listed	111,494	91,656
Unlisted	217,508	214,284
Equity investments/shares		
Subsidiaries	82,475	94,468
Entities accounted for using the equity method		
Banks	488,229	476,421
Non-banks	458,089	420,724
Other equity investments		
Banks	46,647	46,441
Non-banks	116,701	122,035
Financial investments	3,251,385	3,404,229
a) Financial assets - FVPL	498,719	560,251
b) Financial assets FVOCI	422,676	487,826
thereof equity instruments	336,486	329,186
thereof debt instruments	86,190	158,640
c) Financial assets - AC	1,383,672	1,459,007
d) Interests in entities accounted for by the equity method	946,318	897,145
Financial investments	3,251,385	3,404,229

15) Intangible assets	30/6/2021	31/12/2020
Other intangible assets	1,993	1,861
Customer base	327	342
Intangible assets	2,320	2,203

16) Property, plant and equipment	30/6/2021	31/12/2020
Investment property	88,759	89,656
Land and buildings	89,836	89,314
Business equipment and furnishings	54,844	58,124
Other property, plant and equipment	18,368	24,039
Right of use for leased objects	145,976	143,218
Property, plant and equipment	397,783	404,351

17) Lease contracts in which Oberbank is lessee

The lease contracts entered into by Oberbank relate mainly to rentals for branch premises and office space as well as to building rights and tenancy right for plots of land, garages, business equipment and furnishings, and vehicles. The leasing contracts do not involve any significant restrictions or commitments. There were no sale-and-leaseback transactions. The results in the consolidated balance sheet, consolidated income statement and consolidated statement of cash flows for Oberbank as a lessee are presented below for the first half-year 2021 as at 30 June 2021:

Leasing in the consolidated balance sheet	30/6/2021	31/12/2020
Property, plant and equipment	146,620	143,218
Right-of-use for land and buildings	142,972	140,339
Right-of-use for business equipment and furnishings	941	590
Right-of-use for other property, plant and equipment	2,063	1,566
Right-of-use in investment property	644	723
Other liabilities		
Leasing liabilities	147,481	143,934

Additions to rights-of-use in the first half-year of 2021 were €k 11,971. Cash outflows for leasing liabilities amounted to €k 7,997.

Leasing in the consolidated income statement	1/1 to 30/6/2021	1/1 to 30/6/2020
Interest expenses for leasing liabilities	373	432
Administrative expenses	7,768	7,530
Depreciation/amortisation for rights-of-use to land and buildings	7,042	6,947
Depreciation/amortisation for rights-of-use to business equipment and furnishings	156	123
Depreciation/amortisation for rights-of-use to other property, plant and equipment	491	381
Depreciation/amortisation for rights-to-use to other property, plant and equipment	79	79
Other expenses from lease contracts	589	733
Other operating income		
Income from subleasing rights-of-use	432	400

Leasing in the consolidated statement of cash flows	1/1 to 30/6/2021	1/1 to 30/6/2020
Repayment of leasing liabilities from finance activities	-7,997	-7,722
Interest expenses for leasing liabilities from operating activities	373	432

18) Other assets	30/6/2021	31/12/2020
Deferred tax assets	6,545	7,388
Other assets	137,732	70,751
Positive fair values of closed out derivatives in the banking book	105,901	153,306
Deferred items	4,755	3,710
Other assets	254,933	235,155

19) Amounts owed to credit institutions	30/6/2021	31/12/2020
Amounts owed to domestic banks	3,800,031	3,336,015
Amounts owed to foreign banks	1,779,935	1,729,629
Amounts owed to credit institutions	5,579,966	5,065,644

20) Amounts owed to customers	30/6/2021	31/12/2020
Savings deposits	2,614,683	2,660,875
Other	11,131,785	10,426,293
Amounts owed to customers	13,746,468	13,087,160

21) Securitised liabilities	30/6/2021	31/12/2020
Bonds issued	2,226,254	1,839,717
Other securitised liabilities	13,915	14,288
Securitised liabilities	2,240,169	1,854,005

22) Provisions for liabilities and charges	30/6/2021	31/12/2020
Provisions for termination benefits and pensions	190,913	201,775
Provisions for anniversary bonuses	15,405	15,778
Provisions for credit risks	123,828	117,159
Other provisions	38,119	38,129
Provisions for liabilities and charges	368,265	372,841

23) Other assets	30/6/2021	31/12/2020
Trading liabilities	38,348	42,799
Tax liabilities	26,134	6,638
Current tax liabilities	22,937	2,932
Deferred tax liabilities	3,197	3,706
Leasing liabilities	147,481	143,934
Other liabilities	277,563	237,262
Negative fair values of closed out derivatives in the banking book	18,965	39,932
Deferred items	53,003	58,065
Other liabilities	561,494	528,630

24) Other liabilities (trading liabilities)	30/6/2021	31/12/2020
Currency contracts	3,156	1,875
Interest rate contracts	35,192	40,924
Other contracts	0	0
Trading liabilities	38,348	42,799

25) Subordinated debt capital	30/6/2021	31/12/2020
Subordinated bonds issued incl. tier 2 capital	503,480	485,775
Hybrid capital	0	0
Subordinated debt capital	503,480	485,775

26) Shareholders’ equity	30/6/2021	31/12/2020
Subscribed capital	105,715	105,381
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,488,684	2,368,439
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	7,235	7,651
Shareholders’ equity	3,159,029	3,038,866

27) Contingent liabilities and credit risks	30/6/2021	31/12/2020
Other contingent liabilities (guarantees and letters of credit)	1,371,127	1,290,784
Contingent liabilities	1,371,127	1,290,784
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,330,964	4,402,862
Credit risks	4,330,964	4,402,862

28) Segment report as at 30/6/2021 Core business segments in €m	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	31.0	133.7	2.0		166.8
Profit from entities accounted for by the equity method			43.8		43.8
Charges for losses on loans and advances	-1.0	-3.5	-3.8		-8.3
Net fee and commission income	42.6	54.3	0		96.9
Net trading income		-0.6	4.6		4.0
Administrative expenses	-50.8	-79.6	-5.9	-15.1	-151.4
Other operating income	2.8	-1.6	3.0	-19.2	-15.0
Profit/loss for the period before tax	24.6	102.7	43.8	-34.4	136.7
Average risk-weighted assets	2,012.5	10,817.2	5,317.6		18,147.3
Average allocated equity	343.9	1,848.5	908.7		3,101.2
RoE (return on equity before tax)	14.3%	11.1%	9.6%		8.8%
Cost/income ratio	66.5%	42.8%	11.0%		51.1%

Segment report as at 30/6/2020 Core business segments in €m	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	31.2	130.2	8.3		169.8
Profit from entities accounted for by the equity method			-45.0		-45.0
Charges for losses on loans and advances	-1.1	-5.3	-3.0		-9.5
Net fee and commission income	42.1	44.6	0		86.7
Net trading income		1.0	-0.2		0.7
Administrative expenses	-46.2	-80.9	-5.0	-15.4	-147.5
Other operating income	2.5	4.2	-11.1	-13.6	-18.0
Profit/loss for the period before tax	28.4	93.8	-56.1	-29.0	37.2
Average risk-weighted assets	1,917.4	10,583.0	5,585.5		18,086.0
Average allocated equity	308.5	1,702.5	898.6		2,909.5
RoE (return on equity before tax)	18.4%	11.0%	n.a.		2.6%
Cost/income ratio	61.0%	44.9%	n.a.		76.0%

n.a. – not indicative

29) Human resources	30/6/2021	31/12/2020
Salaried employees	2,157	2,168
Blue-collar	7	7
Total resources	2,164	2,175

30) Regulatory capital pursuant to Part 2 of Regulation (EU) No 575/2013 - Pillar I in €k	30/6/2021	31/12/2020	30/6/2020
Subscribed capital	105,922	105,922	98,722
Capital reserves	505,523	505,523	505,523
Retained earnings	2,325,608	2,288,023	2,130,575
Minority interests	0	0	0
Cumulated other comprehensive income	74,390	64,698	65,813
Regulatory adjustment items	4,746	-9,303	-22,784
Deductions from common equity tier 1 capital items	-255,615	-249,653	-317,629
COMMON EQUITY TIER 1 CAPITAL	2,760,574	2,705,210	2,460,220
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs. to national implementation rules	0	0	0
Deductions from AT1 capital items	0	0	0
Additional tier 1 capital	50,000	50,000	50,000
TIER 1 CAPITAL	2,810,574	2,755,210	2,510,220
Qualifying supplementary capital instruments	371,419	356,117	342,906
Nominal capital preference shares pursuant to transition rules	0	0	7,200
AT1 capital instruments purs. to transition rules	0	0	0
Supplementary capital (tier 2) items pursuant to national impl. rules	1,803	5,050	5,492
General credit risk adjustments	0	0	0
Deductions from tier 2 capital items	-14,698	-17,047	-19,196
Supplementary capital (tier 2)	358,524	344,120	336,402
OWN FUNDS	3,169,098	3,099,330	2,846,622
Total risk exposure pursuant Article 92 CRR			
Credit risk	14,768,107	14,074,381	14,215,960
Market risk, settlement risk and CVA risk	47,980	39,278	47,542
Operational risk	1,053,164	1,053,164	1,083,459
Total exposure	15,869,251	15,166,823	15,346,961
Own funds ratio pursuant Article 92 CRR			
Common equity tier 1 capital ratio	17.40%	17.84%	16.03%
Tier 1 capital ratio	17.71%	18.17%	16.36%
Total capital ratio	19.97%	20.43%	18.55%
Regulatory requirement own capital ratios purs. to transition rules in %			
Common equity tier 1 capital ratio	7.05%	7.05%	7.10%
Tier 1 capital ratio	8.55%	8.55%	8.60%
Total capital ratio	10.55%	10.55%	10.60%
Regulatory capital requirements purs. to transition rules in €k			
Common equity tier 1 capital	1,118,782	1,069,261	1,089,634
Tier 1 capital	1,356,821	1,296,763	1,319,839
Total capital	1,674,206	1,600,100	1,626,778
Free capital components			
Common equity tier 1 capital	1,641,792	1,635,949	1,370,586
Tier 1 capital	1,453,753	1,458,447	1,190,381
Total capital	1,494,892	1,499,230	1,219,844

31) Fair value of financial instruments and other items regarding reconciliation as at 30/6/2021 in €k	**AC**	**FVTPL**	thereof	**HFT**	**FVOCI**	thereof equity instruments FVOCI	thereof debt instruments FVOCI	**AC/ liabilities**	**Other**	**Total**
Cash and balances with central banks								3,347,294		**3,347,294**
								3,347,294		**3,347,294**
Loans and advances to credit								898,657		**898,657**
institutions								900,083		**900,083**
Loans and advances to customers	13,755	67,907	33,724		37,122		37,122	17,845,357		**17,964,141**
	14,122	67,907	33,724		37,122		37,122	18,148,096		**18,267,247**
Trading assets				42,358						**42,358**
				42,358						**42,358**
Financial investments	1,383,672	498,719	244,119		422,675	336,486	86,189		946,318	**3,251,385**
	1,424,783	498,719	244,119		422,675	336,486	86,189			
Intangible assets									2,320	**2,320**
Property, plant and equipment									397,783	**397,783**
Other assets				105,901					149,032	**254,933**
				105,901						
thereof closed out				105,901						**105,901**
derivatives in the banking book				105,901						
Total assets	**1,397,427**	**566,627**	277,843	**148,260**	**459,797**	336,486	123,311	**22,091,307**	**1,495,454**	**26,158,871**
	1,438,905	**566,627**	277,843	**148,260**	**459,797**	336,486	123,311	**22,395,473**		
Amounts owed banks		26,203	26,203					5,553,764		**5,579,966**
		26,203	26,203					5,519,976		**5,542,179**
Amounts owed to customers		402,458	402,458					13,344,010		**13,746,468**
		402,458	402,458					13,358,665		**13,761,123**
Securitised liabilities		793,848	793,848					1,446,321		**2,240,169**
		793,848	793,848					1,490,559		**2,284,406**
Provisions for liabilities and charges									368,265	**368,265**
Other liabilities				57,314					504,180	**561,494**
				57,314						
thereof closed out				18,965						**18,965**
derivatives in the banking book				18,965						**18,965**
Subordinated debt capital		348,727	348,727					154,753		**503,480**
		348,727	348,727					166,370		**515,097**
Capital									3,159,029	**3,159,029**
Total equity and liabilities	-	**1,571,235**	1,571,235	**57,314**	-	-	-	**20,498,848**	**4,031,474**	**26,158,871**
	-	**1,571,235**	1,571,235	**57,314**	-	-	-	**20,531,570**		

The first line item shows the carrying value; the line below shows the fair value of the same item.

In the first half-year 2021, there were no reclassifications with respect to financial assets from the measurement category recognised at fair value plus or minus through other comprehensive income (FVOCI) to the measurement category at amortised cost (AC) and no reclassification from the measurement category at fair value through profit or loss (FVPL) to the category at amortised cost (AC) or at fair value plus or minus through other comprehensive income (FVOCI).

Liabilities designated at fair value through profit or loss in €k	Cumulated changes to fair value due to a change to own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 30/6/2021	HY1 2021	Cumulated	as at 30/6/2021
Amounts owed to banks	-76	298	785	785
Amounts owed to customers	-2,892	13,597	52,447	52,447
Securitised liabilities	-3,832	16,435	22,575	22,575
Subordinated debt capital	-3,288	4,782	20,306	20,306

In the first half-year 2021, there were no reclassifications of cumulated profit or loss within equity.

Liabilities designated at fair value through profit or loss in €k	Cumulated changes to fair value due to a change to own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 31/12/2020	in the financial year 2020	Cumulated	as at 31/12/2020
Amounts owed to banks	-77	406	1,084	1,084
Amounts owed to customers	4,933	931	58,218	58,218
Securitised liabilities	3,452	-17,186	31,726	31,726
Subordinated debt capital	-139	-3,182	22,264	22,264

In the financial year 2020, there were no reclassifications of cumulated profit or loss within equity.

Assets designated at fair value through profit or loss as at 30/6/2021 in €k			Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
	Maximum default risk	Reduction due to related credit derivatives or similar instruments	HY1 2021	Cumulated	HY1 2021	Cumulated
Loans and advances to customers	33,724	-	-	-	-	-
Financial investments	244,119	-	-	208	-	-

Assets designated at fair value through profit or loss as at 31/12/2020 in €k			Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
	Maximum default risk	Reduction due to related credit derivatives or similar instruments	In the reporting year	Cumulated	In the reporting year	Cumulated
Loans and advances to customers	36,223	-	-	-	-	-
Financial investments	304,514	-	-	484	-	-

The maximum default risk for financial instruments within the scope of application of IFRS 9 to which, however, the impairment rules of IFRS 9 do not apply is as follows:

in €k	**30/6/2021**	**31/12/2020**
Loans and advances to customers FVTPL	67,907	74,678
Financial investments FVTPL	498,719	560,251
Financial investments FVOCI	336,486	329,186
Trading assets	42,358	47,434
Derivatives in the banking book	105,901	153,306
Total	**1,051,371**	**1,164,855**

Fair value hierarchy of financial instruments as at 30/6/2021	AC Carrying value	FVTPL Carrying value	HFT Carrying value	FVOCI Carrying value	AC/ Liabilities carrying value	Other carrying value	Total carrying value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial instruments carried at fair value in €k										
Loans and advances to customers		67,907		37,122			105,029		58,147	46,882
Trading assets			42,358				42,358	2,042	40,316	
Financial assets - FVPL		498,719					498,719	260,381	238,339	
Financial assets - FVOCI				422,675			422,675	193,884	4,031	224,761[1)]
Other assets			105,901				105,901		105,901	
of which closed out derivatives in the banking book			105,901				105,901		105,901	
Financial assets not carried at fair value										
Loans and advances to credit institutions					898,657		898,657		900,083	
Loans and advances to customers	13,755				17,845,357		17,859,112		14,122	18,148,096
Financial assets - AC	1,383,672						1,383,672	1,369,058	55,726	
Financial liabilities carried at fair value										
Amounts owed to credit institutions		26,203					26,203		26,203	
Amounts owed to customers		402,458					402,458		402,458	
Securitised liabilities		793,848					793,848		793,848	
Other liabilities			57,313				57,313		57,313	
of which closed out derivatives in the banking book			18,965				18,965		18,965	
Subordinated debt capital		348,727					348,727		348,727	

[1)] This item consists of equity investments whose market value was measured using the discounted cash-flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation.

Fair value hierarchy of financial instruments as at 30/6/2021										
	AC Carrying value	FVTPL Carrying value	HFT Carrying value	FVOCI Carrying value	AC/ Liabilities carrying value	Other carrying value	Total carrying value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Liabilities not carried at fair value in €k										
Amounts owed to credit institutions					5,553,764		5,553,764		5,515,976	
Amounts owed to customers					13,344,010		13,344,010		13,358,665	
Securitised liabilities					1,446,321		1,446,321		1,490,559	
Other liabilities										
Subordinated debt capital					154,753		154,753		166,370	

The fair value corresponds to the amount at which an asset can be sold or a liability settled by market participants in a transaction under market conditions on the balance sheet date or at which a debt can be transferred.

The assessment of the fair value is based on the assumption that the transaction takes place either on the principal market for the respective asset or debt instrument or, if no such principal market exists, the most advantageous active market for the respective transaction, provided the entities involved have access to such markets. Where market prices are available for identical assets or debt instruments in an active market to which access is available on the balance sheet date, these prices are used for the measurement (level 1). Where no such market prices are available, the fair value is determined using valuation models based on parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3).

All fair value measurements refer to regularly performed measurements. There were no one-off fair value measurements in the reporting period.

Measurement process

Responsibility for independent monitoring and communication of risks as well as the measurement of financial instruments lies with Strategic Risk Management of Oberbank. The unit is functionally and organisationally separate from trading, which is responsible for the initiation and conclusion of transactions. Trading book positions are marked-to-market daily at the close of business.

Valuation is based on current stock exchange prices where such quoted market prices are publicly available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived from current market data (yield curves, volatilities, etc.) are used. The market data is validated daily; at regular intervals, the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with the model values of the partner banks. The management is sent a daily update on risk positions and the valuation results based on the entire trading book positions. The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

Valuation methods for measuring fair values

The valuation methods used are in compliance with recognised mathematical methods for measuring financial instruments taking into account all factors that market participants would consider appropriate for determining a price. The income-based methodology applied is the fair value measurement approach. The market-based approach is applied in the fair value measurement of structured products.

Input factors for fair value measurement

The measurement of the fair value of financial instruments in **level 1** is based on prices quoted on active markets. These instruments include listed securities and derivative instruments. If direct measurement based on prices quoted on securities exchanges is not possible, the present value in level 2 is estimated using model values derived from current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are obtained from the Refinitiv system.

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes, Hull & White, etc.). Structured products are measured on the basis of price information obtained from third parties. All derivative instruments are measured on a counterparty-risk-free basis in a first step. In a second step, a credit risk markdown is determined (credit valuation adjustment, CVA) based on the internal default probabilities of an expected loss.

The fair values of non-listed securities are obtained from the Geos system. The fair value of investment fund units is obtained from the fund management companies. The present value method (discounted cash flow method) is used to

calculate the fair value of securitised liabilities, subordinated capital and amounts owed to banks and customers, with the cash flows of own issues being calculated using the contractual interest rate. The interest rates used for discounting are derived from the discount curve applicable to the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue. The credit spread premiums are adjusted regularly to the respective market conditions. The fair value of **level 3** assets is measured using generally-accepted valuation models. The fair value measurement of receivables from banks and customers is based on the discounted contract cash flow (based on contractually-agreed repayment structures) and the discounted expected credit loss cash flows (considers the credit rating of customers and collateral). The exchange rates used are the reference rates published by the ECB. Even after the coronavirus pandemic has flattened and the economy recovered significantly, interest rates remain low. Central banks believe the current rise in inflation is only temporary and have indicated that key interest rates will remain unchanged for some time to come and are retaining their purchasing programmes. Therefore, at present no steep rise in interest rates is expected on the capital market. Consequently, there is no increased influence on financial instruments measured at fair value from the interest rate component. The economic slump caused by the coronavirus pandemic did not have a direct effect on customer defaults due to the massive government financial aid schemes implemented. A wave of defaults and credit downgrades are expected to occur with a time lag. The potential downgrading of customers' credit ratings affects the calculation of fair values of level 3 financial instruments.
If measurements based on risk premiums were to increase by 50 bp, receivables from customers valued at fair value would decline by EUR 0.5 million (31. Dec. 2020 € 0.6 million), and if risk premiums were to increase by 100 bp, the fair values of these receivables would drop by € 1.0 million (31 Dec. 2020 € 1.2 million). The fair value of equity investments and shares in affiliated companies is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation. Changes in the fair value hierarchy or classification take place whenever there is a change in the quality of the input parameters used in the measurement method. Classification adjustments are made at the end of the reporting period. The following table shows the development of equity investments FVOCI measured at fair value and assigned to level 3. The fair value of these assets is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation.

Movements in €k	Equity investments FVOCI
Carrying value as at 1/1/2021	237,299
Additions (purchases)	206
Disposals (sales)	-12,744
Value changes recognised in equity	0
Value changes recognised in income	0
Carrying value as at 30/6/2021	224,761

The item Other comprehensive income from these instruments increased by EUR 9,000.

The remaining level 3 financial instruments measured at fair value comprise loans and advances to customers.

Movements in €k	Loans and advances to customers
Carrying value as at 1/1/2021	50,301
Transfer to level 2	0
Additions	0
Disposals	-2,510
Changes in fair value	-909
thereof disposals	-91
thereof portfolio instruments	-818
Carrying value as at 30/6/2021	46,882

There were no transfers between Level 1 and Level 2.

Major transactions with related parties as at 30/6/2021:

Associated companies	€k 0
Subsidiaries	€k 12,000
Other related parties	€k 0

STATEMENT BY THE MANAGEMENT BOARD PURSUANT TO §125 STOCK EXCHANGE ACT

The Management Board confirms that

- these condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) currently in force and published by the International Accounting Standards Board (IASB) as applicable in the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC); they furthermore present a true and fair view of the assets, liabilities, financial position and result of operations of the Oberbank Group.

- These consolidated interim financial statements cover the first half-year 2021 (1 January 2021 to 30 June 2021) and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

The undersigned members of the management board in their function as legal representatives of Oberbank confirm that

a) these condensed interim financial statements have been prepared in accordance with the relevant accounting standards and to the best of their knowledge present a true and fair view of the assets, liabilities, financial position and result of operations of the issuer and of all companies included in the group of consolidated companies;

b) the half-year management report presents a true and fair view of the assets, liabilities, financial position and result of operations with respect to the key events during the first six months of the financial year and their effects on the condensed interim financial statements, with respect to the key risks and uncertainties in the remaining six months of the financial year, and with respect to material business transactions with related parties subject to mandatory disclosure.

Linz, 26 August 2021

The Management Board

Franz Gasselsberger CEO	Josef Weißl Management Board Member	Florian Hagenauer Management Board Member	Martin Seiter Management Board Member

Current Management Board Remits

CEO Franz Gasselsberger	Management Board Member Josef Weißl	Management Board Member Florian Hagenauer	Management Board Member Martin Seiter
General Business Policy			
Internal Audit			
Compliance			
Business and Service Departments			
RUC (Accounts & Controlling)	PKU (Personal Banking)	KRM (Credit Management)	CIF (Corporate & International Finance)
HRA (Human Resources)	PAM (Private Banking & Asset Management)	RIS (Strategic Risk Management)	TRE (Treasury & Trade)
		OSG[2] (Payment Systems and Central Production)	GFI (Global Financial Institutions)
		SEK (Corporate Secretary & Communication)	
		ORG (Organisational Development, Strategy and Process Management)	
		ZSP (Payment Systems and Central Production CEE[1]), securities settlement)	
Regional Business Divisions			
Upper Austria South	Linz South		Vienna
Linz North	Innviertel		Germany South
Germany Central	Salzburg		Slovakia
	Lower Austria		
	Czech Republic		
	Hungary		

1) CEE as defined by Oberbank comprises the regions of Czech Republic, Slovakia and Hungary.
2) Oberbank Service GmbH, 100% subsidiary of Oberbank

Notes

The forecasts that refer to the future development of Oberbank are estimates made on the basis of all the information available to us on the reporting date. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialise to an extent not anticipated, the actual results may vary from those currently expected. Information provided on market shares are based on the most recent data available at the copy deadline.
When adding up rounded figures and calculating percentage rates of change, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded.
The 'n/a' in the charts and tables means that the respective provision was not applicable in the relevant financial year.

Financial Calendar 2021

21 May 2021	Report for Q1 2021
26 August 2021	Report for Q1 to Q2 2021
26 November 2021	Report for Q1 to Q3 2021

All of the information is available online at www.oberbank.at under Investor Relations.

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