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Interim Report to Shareholders
as at 30 September 2020

Oberbank at a Glance

Income statement in € m	Q1-3 2020	Change	Q1-3 2019
Net interest income	252.8	-2.4%	258.9
Profit from entities accounted for by the equity method	-20.2	>-100%	39.2
Charges for losses on loans and advances	-18.6	>-100%	11.0
Net commission income	127.7	5.4%	121.2
Administrative expenses	-221.9	-1.1%	-224.3
Profit/loss for the period before tax	107.0	-55.2%	238.8
Profit/loss for the period after tax	75.5	-61.3%	195.2
	30/9/2020	Change	31/12/2019
Total assets	25,002.1	9.5%	22,829.0
Loans and advances to customers	17,656.7	5.3%	16,772.2
Primary funds	14,980.6	5.8%	14,166.0
of which savings deposits	2,671.5	-1.0%	2,697.4
of which securitised liabilities			
incl. subordinated debt capital	2,264.2	3.6%	2,185.4
Shareholders' equity	3,011.1	1.7%	2,960.5
Customer funds under management	30,339.8	0.1%	30,314.8
Own funds purs. to CRR in € m	30/09/2020	Change	31/12/2019
Common equity tier 1 capital (CET 1)	2,551.4	-4.0%	2,659.0
Tier 1 capital	2,601.4	-4.0%	2,709.0
Own funds	2,928.7	-4.2%	3,058.1
CET 1 ratio in %	16.53	-1.06% ppt	17.59
Tier 1 capital ratio in %	16.86	-1.06% ppt	17.92
Total capital ratio in %	18.98	-1.25% ppt	20.23
Liquidity indicators	30/09/2020	Change	31/12/2019
Liquidity coverage ratio in %	134.33	-36.05% ppt	170.38
Net stable funding ratio in %	120.66	1.41% ppt	119.25
Leverage ratio in %	10.61	-0.33% ppt	10.94
Performance indicators	Q1-3 2020	Change	Q1-3 2019
Cost/income ratio in %	63.87	14.26% ppt	49.61
Return on equity before tax in % (equity ratio)	4.86	-6.30% ppt	11.16
Return on equity after tax in %	3.43	-5.70% ppt	9.13
Risk/earnings ratio (credit risk/net interest) in %	7.34	11.59% ppt	-4.25
Resources	30/09/2020	Change	31/12/2019
Average number of staff (weighted)	2,168	18	2,150
Number of branches	178	1	177

Situation of the Oberbank Group in the first three quarters of 2020

- Stable development of core business
- Equity over EUR 3.0 billion for first time

Dear Readers,

In the first three quarters of the year, the development of the core business of Oberbank was stable. Despite the loss on equity investments, higher risk provisions and the market distortions caused by the coronavirus, profit after tax was EUR 75.5 million and equity capital expanded to over EUR 3.0 billion for the first time.

Stable business operations

Oberbank's net interest income in the first three quarters of 2020 declined slightly by -2.4% and was EUR 252.8 million. Although credit volume was 5.3% higher, this development was driven by the heightened competition among credit institutions in Austria and to declining dividend distributions from equity investments. Total credit volume was EUR 17.7 billion of which EUR 14.0 billion were commercial loans whose volume increased by 5.9%. Investment finance expanded by 6.6% to EUR 10.2 billion, and subsidised loans gained 26%, rising to EUR 1.4 billion. The increase in retail loans in the first three quarters was 7.5% to EUR 3.7 billion, of which EUR 3.3 billion were housing loans, which rose by 9.4%. Income from investments recognised using the equity method was negative at EUR -20.2 million as at the end of the third quarter. This was caused primarily by the losses posted by voestalpine. The need to recognize impairment losses for the first three quarters was still relatively low. EUR 18.6 million were added to impairment charges in the first three quarters.

Strong services business ensures solid operating profit

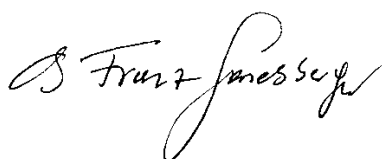
Net fee and commission income rose by 5.4% to EUR 127.7 million as at 30 September 2020. Primary funds expanded by EUR 814 million or 5.8% to EUR 15.0 billion, and customer funds entrusted to the bank were EUR 30.4 billion as at 30 September.

A positive aspect of the figures on income from operations is that it shows the sound development of our core business despite the burdens from the loss on equity investments, the significantly higher risk provisions and the market distortions caused by the coronavirus, but also the higher contributions to the European resolution fund and the Austrian deposit insurance scheme. Net profit for the period before tax was EUR 107.0 million or 55.2% lower year on year. Net profit for the period after tax was clearly positive at EUR 75.5 million, but still 61.3% lower than in the first three quarters of 2019.

Oberbank's capital adequacy ranks top in European comparison

Equity capital was strengthened by 1.7% and stood at just over EUR 3.0 billion as at 30 September 2020, more than ever before. This corresponds to a tier 1 capital ratio of 16.86% and a total capital ratio of 18.98%. These indicators also underpin the stability and the risk-bearing capacity of Oberbank, which ranks among the top performers of European banks.

Oberbank's expansion continued as planned with four new branch openings.



CEO

Franz Gasselsberger

The Oberbank share

The price of Oberbank's ordinary shares as well as the price of Oberbank's preference shares exhibited relative stability compared to the overall market in the first three quarters of 2020.

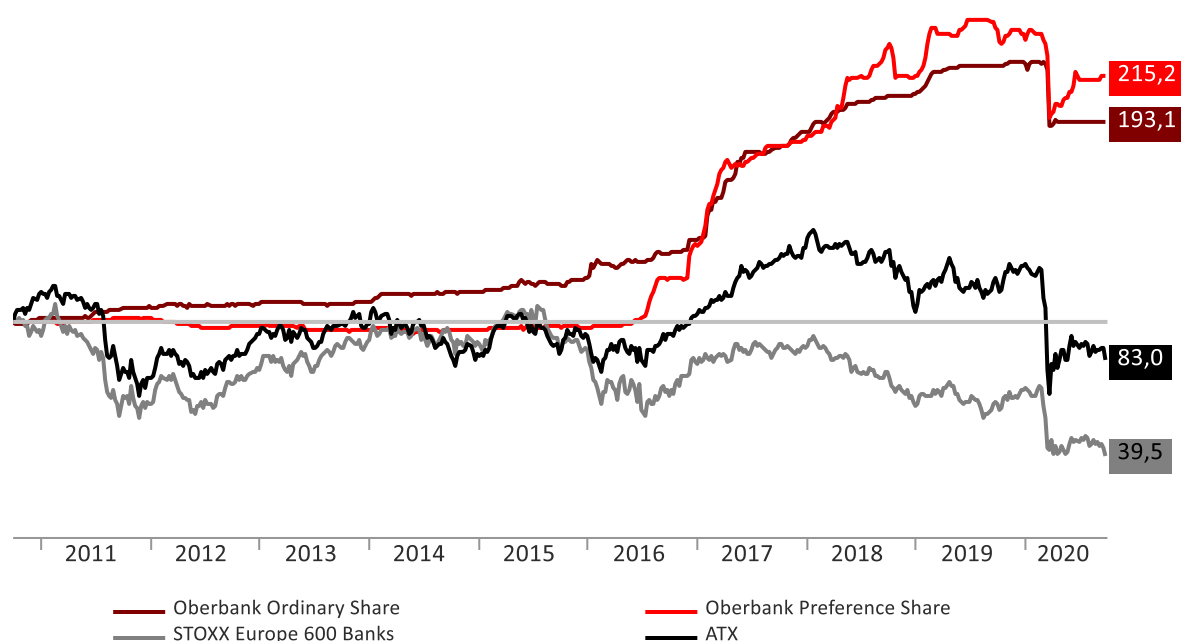
The performance of the ordinary share was -12.53% and of the preference share -7.05%. The overall market (ATX) by contrast dropped by 33.09%. European banking shares even plunged by some 43.33%.

Oberbank shares – key figures	Q1-3 2020	Q1-3 2019
Number of ordinary no-par shares	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	96.00/91.00	95.40/93.00
Low (ordinary/preference share) in €	83.00/75.50	89.80/83.00
Close (ordinary/preference share) in €	83.80/83.00	95.40/90.50
Market capitalization in € m	2,956.35	3,353.62
IFRS earnings per share in € annualised	2.86*	7.38
P/E ratio, ordinary shares	29.30	12.93
P/E ratio, preference shares	29.02	12.26

*Earnings per share annualised. They are calculated as follows: profit for the period after tax in the first three quarters (EUR 17,437,000) divided by the average number of ordinary and preference shares in circulation (35,137,952) divided by three, multiplied by four (figure projected for the full year).

Oberbank ordinary and preference shares vs. ATX and the European banking index

Period: 30/9/2010 to 30/9/2020



This chart comparison shows the development of the Oberbank ordinary share, the Oberbank preference share, 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 100. This means the starting prices were all set to 100% 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 the first three quarters of 2020

Corporate and Business Banking

Corporate and Business Banking in	Q1-3 2020	Q1-3 2019	+ / - in %	+ / - in %
Net interest income	195.8	194.1	1.7	0.9%
Charges for losses on loans and	-13.3	15.6	-29.0	>-100%
Net fee and commission income	66.9	65.1	1.8	2.7%
Net trading income	1.0	-0.1	1.1	
Administrative expenses	-122.6	-116.3	-6.3	5.5%
Other operating income	3.6	9.4	-5.7	-61.1%
Profit/loss for the period	131.5	167.9	-36.4	-21.7%
Risk equivalent	10,625.3	10,139.2	486.0	4.8%
Average allocated equity	1,712.2	1,651.0	61.3	3.7%
Return on equity before tax (RoE)	10.2%	13.6%	-3.4% ppt	
Cost/income ratio	45.9%	43.3%	2.6% ppt	

Earnings in Corporate and Business Banking

Profit in Corporate and Business Banking was EUR 131.5 million, which is EUR 36.4 million or 21.7% lower year on year.

Net interest income rose by EUR 1.7 million or 0.9% to EUR 195.8 million.

Charges for losses on loans and advances rose by EUR 29.0 million from a positive EUR 15.6 million to a negative EUR 13.3 million.

Net fee and commission income increased by EUR 1.8 million or 2.7% to EUR 66.9 million year on year.

Administrative expenses increased by EUR 6.3 million or 5.5% to EUR 122.6 million.

Other operating income decreased by EUR 5.7 million from EUR 9.4 million to EUR 3.6 million.

RoE in the Corporate and Business Banking segment decreased from 13.6% by 3.4%-points to 10.2%, and the cost/income ratio deteriorated by 2.6%-points from 43.3% to 45.9%.

Commercial loans

Oberbank's commercial lending volume rose further by EUR 779.5 million from EUR 13,185.2 million or 5.9% to EUR 13,964.7 million.

Commercial loans		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 13,964.7 million	€ 13,185.2 million	€ 779.5 million	5.9%

Investment and innovation finance

The number of applications submitted in Austria, Germany, Czech Republic, Hungary and Slovakia for subsidised loans and innovation projects and to secure liquidity in the first three quarters of 2020 was 105% higher year on year at a total of 2,277 projects. This significant rise in the number of applications submitted was due, of course, to the coronavirus financial aid schemes started in March of this year. The volume of subsidised finance granted through Oberbank amounted to EUR 1.357 billion as at 30 September 2020 and was thus 26.0% higher year on year.

Investment finance		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 10,203.7 million	€ 9,570.2 million	€ 633.5 million	6.6%

Leasing

After the slight increase seen in the first two quarters, new business in the third quarter 2020 lagged behind expectations due to the outbreak of the coronavirus crisis and the entailing lockdowns. In the first three quarters, the volume of capitalised new business was EUR 606 million.

Leasing receivables from customers		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 2,426.6 million	€ 2,430.9 million	- € 4.3 million	- 0.18%

Trade finance and international business

Although global supply chains are working smoothly again, the structural effects of the corona crisis are becoming increasingly clear. Insolvencies are expected to rise worldwide by 30.0%. Securing receivables and the related payment flows with collateral is therefore shifting back into the focus of companies. The advisory competence of Oberbank in matters relating to letters of credit, documentary collection and guarantees has proven extremely valuable in these times. Traditional hedge transactions for trade deals were the ideal risk protection for global trade deals, especially within Europe.

Oberbank reinforced its positioning as a safe haven and reliable partner for exporters, as it ensures the swift and uncomplicated availability of OeKB bridge loans. This was also seen in the market shares of Oberbank for revolving export subsidy loans of 11.4% (under export fund procedures for SMEs) and of 10.4% (export loans for large corporates (KRR)) as at 30 September 2020. The total volume stabilised significantly at over EUR 1.5 billion supported by OeKB's subsidised loans for export-based domestic investments. Therefore, even in these challenging times, Oberbank succeeded in strengthening its reputation as a reliable partner for the export sector.

Factoring

Oberbank offers its customers a full range of products for working capital financing. As at 30 September 2020, the factoring volume increased by 4.0% versus the same period of the preceding year.

Syndicated loans and international lending

Numerous syndicated loans were finalised also in the third quarter of 2020 on the Austrian and German markets, including subsidised loans and bridge loans within the framework of the government's coronavirus financial aid schemes. In addition to the increase in loans granted and outstanding debts, the number of transactions in which Oberbank acted as syndicate leader rose again. Business in borrowers' notes continued to be rather slow due to the overall current economic situation. Many promising projects are still in the pipeline.

Payment services

The development of the overall economy is usually reflected in income from payment services. Income from payment services in the corporate segment was 1.4% higher year on year as at 30 September 2020 despite the coronavirus crisis and the economic contraction.

The importance of secure and stable payment service platforms for companies has become especially clear in the current home office situation. For this reason, Oberbank published guidelines for its customers "More security in payment services". Using simple examples, the brochure helps to raise awareness of the importance of due diligence obligations and secure processes. Additionally, corporate customers can immediately start using the banking software EBICS for their documentary transactions.

Structured finance

Demand for structured finance remained high also in the third quarter of 2020. The total number of transactions processed increased again slightly by 4.0% compared to the same period of the preceding year. Total project volume even increased substantially by 25.0%. The largest increases were seen in finance for real estate and in finance for changes in ownership. In the first three quarters of 2020, both M&A and real estate project transactions increased by almost 20%.

Project volume increased in the two segments by 46.0% and 28.0%, respectively. Due to the corona crisis, the number of tourism projects processed decreased by around one quarter year on year.

Nonetheless, inquiries and project volumes continue at a high level. Tourism is still the second-most frequent source of demand for structured finance.

Oberbank Opportunity Fund

In the first three quarters of 2020, the Oberbank Opportunity Fund received 103 queries which is almost as many as in the same period of the preceding year. The Oberbank Opportunity Fund completed eight new transactions in this period. Since the inception of the Oberbank Opportunity Fund, 95 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 capital committed as at 30 September 2020 was around EUR 230.5 million and is distributed across equity, mezzanine capital and high-yield capital.

International network of partner banks and institutions

Throughout the globe, the restrictions due to the coronavirus pandemic are having an impact on the economy. Despite this situation, Oberbank's global network of partner banks is running smoothly and customers' business payments and documentary transactions are being processed and settled largely without any disruptions. The higher need for collateral and insurance coverage for exporters meant that additional liability coverage on the part of Oberbank is being stipulated in delivery contracts even for countries formerly considered low risk. Oberbank acts as intermediary between the partner banks, the network partners, the foreign trade commissions of the Chamber of Commerce and its own central sales departments. Additionally, Oberbank publishes regular reports on its website on current economic developments as well as banking reports for the major sales markets.

Primary deposits

There was little change compared to the previous quarter in the interest rate policy of the ECB for the euro area. The sustained low-interest policy has kept interest rates close to their all-time lows. As a consequence, the topic of negative interest rates is having an increasingly negative influence on the market and causing the costs of excess liquidity to continue to rise.

This has forced Oberbank to pass on part of these costs to corporate customers in the form of negative interest. Though always with a view to ensuring the smooth functioning of the daily transactions of corporate customers by introducing a base amount allowance.

Currency risk management

After the first half of 2020, currencies exhibited lively movements over the summer. Both the US dollar, which is the main foreign currency for international trade, as well as the Hungarian forint and the Czech koruna fluctuated significantly. For customers engaged in international business, this was often the reason for entering into currency hedge transactions. Our direct customer support services were used at a much higher frequency. Direct communication with experts and the swift finalisation of transactions were just two positive factors that should be mentioned in this context.

Personal Banking

Personal Banking in €m	Q1-3 2020	Q1-3 2019	+ / - in %	+ / - in %
Net interest income	46.7	47.6	-0.9	-2.0%
Charges for losses on loans and advances	-0.4	-1.4	1.0	-68.6%
Net fee and commission income	60.9	56.2	4.7	8.3%
Net trading income	0.0	0.0	0.0	0.0%
Administrative expenses	-70.0	-69.7	-0.3	0.5%
Other operating income	3.2	3.1	0.1	3.3%
Profit/loss for the period	40.3	35.9	4.5	12.4%
Risk equivalent	1,934.1	1,854.8	79.3	4.3%
Average allocated equity	311.7	302.0	9.7	3.2%
Return on equity before tax (RoE)	17.2%	15.8%	1.4% ppt	
Cost/income ratio	63.2%	65.2%	-2.0% ppt	

Earnings in Personal Banking

Profit in the Personal Banking segment was EUR 40.3 million, which is EUR 4.5 million or 12.4% higher year on year.

Net interest income decreased by EUR 0.9 million or 2.0% to EUR 46.7 million.

Charges for losses on loans and advances dropped by EUR 1.0 million from EUR 1.4 million to EUR 0.4 million.

Net fee and commission income was up by EUR 4.7 million or 8.3% to EUR 60.9 million over the preceding year.

Administrative expenses increased by EUR 0.3 million or 0.5% to EUR 70.0 million.

Other operating income increased by EUR 0.1 million or 3.3% to EUR 3.2 million.

RoE in Personal Banking rose from 15.8% by 1.4%-points to 17.2%, while the cost/income ratio improved from 65.2% by 2.0%-points to 63.2%.

Personal accounts

The portfolio of personal accounts grew year on year by 1,410 to 191,216 accounts. The range for personal accounts is constantly being enlarged by innovative products and services for payment functions. Digital and mobile solutions such as the Oberbank customer portal, the Oberbank banking app, the Oberbank wallet app complete the range of payment services and are very popular among customers.

Personal accounts		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
191,216	189,806	1,410	0.7%

Personal loans

The volume of personal loans increased by EUR 256.2 million or 7.5% to EUR 3,692.0 million compared to 30 September 2019, with the volume of new retail loans granted in the first half-year 2020 rising 3.6% above the level of same period of the previous year. Supported by current interest rates, demand for housing loans remained high. The share of foreign currency loans in the personal loan portfolio of Oberbank was only 2.4%. To promote sustainability, Oberbank informs borrowers also of possible funding schemes and develops suitable project finance strategies together with customers.

Personal loans		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 3,692.0 million	€ 3,435.8 million	€ 256.2 million	7.5%

Savings deposits

The volume of savings deposits decreased by EUR 30.3 million or 1.1% to EUR 2,671.5 million compared to the preceding year. Money is still being left on accounts or in daily callable investment forms. Online savings products are still gaining significance and have increased by EUR 181.6 million or 26.1% since the start of the year.

Savings deposits		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 2,671.5 million	€ 2,701.8 million	- € 30.3 million	- 1.1%

Securities business

Commission income from the securities business rose steeply by EUR 7.3 million or 19.9% to EUR 43.6 million in the first three quarters of 2020 year on year. The outstanding performance in the first quarter of 2020 driven by the corona turbulence on stock markets will probably remain a one-off event. Remarkable is the activity on Oberbank's customer portal, primarily stock orders, which continues at a lively pace. Activity in the bond segment declined steeply, which is understandable considering the interest rate levels. Demand for our special brokerage services was high; these are offered to stock traders who greatly appreciate the personal contact. Management commissions have also risen significantly year on year.

Commission income from securities		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 43.6 million	€ 36.3 million	€ 7.3	19.9%

Market value on custody accounts

Year on year, there was a slight decline by 3.6% or EUR 577.3 million to EUR 15,359.2 million. Compared to 31 December 2019, prices decreased by 4.9% or EUR 789.5 million. This was caused mainly by the sluggish trends on the Vienna Stock Exchange.

Market value on custody accounts		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 15,359.2 million	€ 15,936.5 million	- € 577.3 million	- 3.6%

Oberbank issues

The issuance business remained a difficult market. Nonetheless, Oberbank was able to place international issues with institutional investors at very attractive terms due to its investment-grade rating. These issues more than compensated the much weaker demand from retail and corporate customers. In the first three quarters of 2020, a total volume of EUR 332.6 million in bonds were issued of which EUR 21.1 million were subordinate bonds.

3 Banken-Generali Investment GmbH

3 Banken-Generali Investment GmbH followed market trends in the first three quarters of 2020 almost exactly as regards volumes under management, thus posting a decline of 3.8% (overall Austrian market -1.5%). The market share of the company was 5.6% in the third quarter.

Since 31 December 2019, Oberbank's share has even increased slightly by EUR 15.3 million or 0.4% to EUR 4,426.2 million. Year on year, the positive change was 3.7% or EUR 158.7 million. Oberbank accounted for 43.7% of the total volume of the company. Net fund inflows into retail investment funds continue at a high level, mainly into Oberbank's asset management, the three funds 'Oberbank Premium Strategies' as well as into the sustainable fund, 'Mensch & Umwelt'.

We were particularly pleased with the performance trend of the sustainability funds. The mixed fund, '3 Banken Mensch & Umwelt', gained 2.9% in 2020, and the '3 Banken Mensch & Umwelt' stock fund even gained 8.9%. The anticyclical bond fund, '3 Banken Bond-Mix 2026', established in the midst of the crisis also gained 4.6%.

Public investment funds and special funds		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 4,426.2 million	€ 4,267.5 million	€ 158.7 million	3.7%

Private banking

Assets under management in private banking declined only slightly year on year by EUR 145.6 million or 1.4% despite the corona crisis. The rise in fund volumes was driven by performance effects and net fund inflows. The international diversification of the portfolios proved beneficial considering the fact that the domestic stock market lost more than 30.0% in value this year. At EUR 654.9 million, the volume in individual management portfolios remained practically unchanged compared to the preceding year.

Assets under management		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 9,563.7 million	€ 9,709.3 million	- € 145.6 million	- 1.4%

Building and loan associations

Compared to the first three quarters of the preceding year, Oberbank production in building and loan association contracts was down by 1,219 or almost 15.0% dropping to 6,969 contracts. This also reflects the current market situation in Austria in the segment of building and loan association saving schemes.

Wüstenrot finance

Wüstenrot loans granted by Oberbank amounted to EUR 27.8 million as at 30 September 2020. Compared to the first three quarters of the preceding year, this is an increase of EUR 12.1 million or 30.0%.

Insurance services

In the insurance business, total production (life insurance and non-life insurance) declined by 1.3% year on year. The effects of the corona crisis, especially in the segment of company pension schemes were clearly felt in the past few months. In the non-life segment (accident insurance and property insurance), the result was 11.0% higher year on year.

Insurance contracts - premium volume		YoY change	
As at 30/9/2020	As at 30/9/2019	absolute	in %
€ 80.2 million	€ 81.3 million	- € 1.1 million	- 1.3%

Financial Markets

Financial Markets in € m	Q1-3 2020	Q1-3 2019	+ / - absolute	+ / - in %
Net interest income	10.3	17.2	-6.9	-40.2%
Profit from entities accounted for by the equity method	-20.2	39.2	-59.4	>-100%
Charges for losses on loans and advances	-4.8	-3.3	-1.6	47.8%
Net fee and commission income	0.0	-0.1	0.1	-100.0%
Net trading income	0.1	2.5	-2.4	-96.5%
Administrative expenses	-6.5	-6.8	0.3	-4.7%
Other operating income	-3.6	28.8	-32.5	>-100%
Profit/loss for the period	-24.7	77.5	-102.3	>-100%
Risk equivalent	5,653.4	5,523.1	130.3	2.4%
Average allocated equity	911.0	899.3	11.7	1.3%
Return on equity before tax (RoE)	n.a.	11.5%	n.a.	
Cost/income ratio	n.a.	7.8%	n.a.	

n.a. – not indicative

Earnings in the Financial Markets segment

The result in Financial Markets dropped by EUR 102.3 million from EUR 77.5 million to a negative EUR 24.7 million.

Net interest income decreased by EUR 6.9 million or 40.2% to EUR 10.3 million.

Income on equity investments declined by EUR 59.4 million from a positive EUR 39.2 million to a negative EUR 20.2 million.

Charges for losses on loans and advances increased by EUR 1.6 million from EUR 3.3 million to EUR 4.8 million.

Net trading income decreased by EUR 2.4 million from EUR 2.5 million to EUR 0.1 million.

At EUR 6.5 million, administrative expenses were EUR 0.3 million lower year on year.

Other operating income decreased by EUR 32.5 million from a positive EUR 28.8 million to a negative EUR 3.6 million.

Both RoE and the cost/income ratio are not indicative due to the segment result.

Proprietary trading

Financial markets recovered substantially after the turbulence at the end of the first quarter and beginning of second quarter. Stock markets recovered most of their losses and even climbed to new highs. Buyers have also returned to the bond market and the lively issuing activity was accompanied by a significant spread narrowing. This very positive development was surprising for many market participants and the extent was unexpected considering the lockdowns and coronavirus cases. The driving force in this environment was the enormous liquidity of investors and the growth expectations for the coming year.

Oberbank responded to this scepticism to a certain extent and followed a low-risk strategy in trading. Nonetheless, it was possible to achieve positive results and to more than offset the small losses from the first half of the year.

Liquidity

Excess liquidity is currently the prevalent factor. Unused euro credit balances are penalized by the ECB with a negative interest rate of -0.5%. During the crisis, the terms for the long-term tenders of central banks were further improved and additional billions flowed into the markets. Oberbank also took out an additional buffer of EUR 1.5 billion. Financial market actors endeavoured to avoid these negative interest rates and invested in diverse asset categories. Therefore, stock markets performed excellently, bond markets profited, and gold also rose to new highs.

Own funds

Own funds stood at EUR 2,928.7 million as at 30 September 2020, which is a ratio of 18.98%. Tier 1 capital was EUR 2,601.4 million and the tier 1 capital ratio was 16.86%. The common equity tier 1 capital of EUR 2,551.4 million corresponds to a ratio of 16.53%.

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 allocating 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 the balanced distribution of overall debt across customer segments serve to contain the threat to Oberbank's overall result from this risk exposure. Therefore, it may be assumed that there will not be any extraordinary counterparty risk events in the full year 2020.

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 17.7 billion as at 30 September 2020) with the primary deposits of customers, own issues and deposits from Förderbanken (OeKB, LfA, KfW) amounting to EUR 17.7 billion as at 30 September 2020. Additionally, Oberbank has a permanent risk controlling system in place as well as strict process management and other efficient control and management instruments.

Outlook 2020

The development of the coronavirus pandemic throughout Europe and the new restrictions imposed on everyday life and businesses make it impossible to give a precise outlook for full year earnings. Considering the circumstances, the Management Board of Oberbank focuses on customer relationships and the solid development of business.

Consolidated Interim Financial Statements pursuant to IFRS for 01/01/2020 to 30/9/2020

Consolidated income statement in €k		1/1 to 30/9/ 2020	1/1 to 30/9/ 2019	Change in €k	Change in %
1. Interest and similar income		306,155	336,922	-30,767	-9.1
a) Interest income based on the effective interest rate		291,356	311,162	-19,806	-6.4
b) Other provisions for liabilities and charges		14,799	25,760	-10,961	-42.6
2. Interest and similar expenses		-53,339	-77,975	24,636	-31.6
Net interest income	(1)	252,816	258,947	-6,131	-2.4
3. Profit from entities accounted for by the equity method	(2)	-20,204	39,164	-59,368	>-100.0
4. Charges for losses on loans and advances	(3)	-18,556	10,997	-29,553	>-100.0
5. Fee and commission income		143,064	134,434	8,630	6.4
6. Fee and commission expenses		-15,326	-13,217	-2,109	16.0
Net fee and commission income	(4)	127,738	121,217	6,521	5.4
7. Net trading income	(5)	1,126	2,433	-1,307	-53.7
8. Administrative expenses	(6)	-221,912	-224,281	2,369	-1.1
9. Other operating income	(7)	-14,044	30,361	-44,405	>-100.0
a) Net income from financial assets - FV/PL		-1,479	26,956	-28,435	>-100.0
b) Net income from financial assets - FVOCI		-159	157	-316	>-100.0
c) Net income from financial assets - AC		160	1,617	-1,457	-90.1
d) Other operating income		-12,566	1,631	-14,197	>-100.0
Profit/loss for the period before tax		106,964	238,838	-131,874	-55.2
10. Income taxes	(8)	-31,489	-43,608	12,119	-27.8
Profit/loss for the period after tax		75,475	195,230	-119,755	-61.3
of which attributable to the owners of the parent company and the owners of additional equity components		74,659	194,465	-119,806	-61.6
of which attributable to non-controlling interests		816	765	51	6.7

Other comprehensive income in €k	1/1 to 30/9/2020	1/1 to 30/9/2019
Profit/loss for the period after tax	75,475	195,230
Items not reclassified to profit or loss for the year	4,155	-12,652
+/- Actuarial gains/losses IAS 19	658	-16,063
+/- Deferred taxes on actuarial gains/losses IAS 19	-164	4,016
+/- Share from entities recognised using the equity method	2,757	-10,279
+/- Value changes in own credit risk recognised in equity IFRS 9	37,164	2,594
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	-9,291	-649
+/- Value changes in equity instruments recognised in equity IFRS 9	-35,961	9,896
+/- Deferred tax on value changes in equity instruments recognised in equity instruments IFRS 9	8,992	-2,167
Items reclassified to profit or loss for the year	-11,327	2,249
+/- Value changes recognised in equity for debt securities IFRS 9	-1,777	-945
Amounts recognised in equity	-1,792	-843
Reclassification adjustments	15	-102
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	444	236
Amounts recognised in equity	448	211
Reclassification adjustments	-4	25
+/- Exchange differences	-2,936	721
+/- Share from entities recognised using the equity method	-7,058	2,237

	1/1 to 30/9/2020	1/1 to 30/9/2019
Total income and expenses recognised directly in equity	-7,172	-10,403
Total comprehensive income for the period from net profit/loss and income/expenses not recognised in profit or loss	68,303	184,827
of which attributable to the owners of the parent company and the owners of additional equity components	67,487	184,062
of which attributable to non-controlling interests	816	765

Performance indicators	1/1 to 30/9/2020	1/1 to 30/9/2019
Cost/income ratio in % ¹⁾	63.87	49.61
Return on equity before tax in % ²⁾	4.86	11.16
Return on equity after tax in % ³⁾	3.43	9.13
Risk/earnings ratio (credit risk/net interest income) in % ⁴⁾	7.34	-4.25
Earnings per share in € ⁵⁾⁶⁾	2.86	7.38

1) Administrative expenses in relation to net interest income, equity method, net 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) Impairment charge 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.

Earnings per share were the same for both ordinary and preference shares.

Consolidated Interim Financial Statements pursuant to IFRS for 1/7/2020 to 30/9/2020

<i>Consolidated income statement in €k</i>		1/7 to 30/9/ 2020	1/7 to 30/9/ 2019	Change in €k	Change in %
1. Interest and similar income		95,953	114,380	-18,427	-16.1
a) Interest income based on the effective interest rate		91,681	104,697	-13,016	-12.4
b) Other interest income		4,272	9,683	-5,411	-55.9
2. Interest and similar expenses		-12,898	-26,499	13,601	-51.3
Net interest income	(1)	83,055	87,881	-4,826	-5.5
3. Profit from entities accounted for by the equity method	(2)	24,776	15,742	9,034	57.4
4. Charges for losses on loans and advances	(3)	-9,094	10,072	-19,166	>-100.0
5. Fee and commission income		45,751	45,683	68	0.1
6. Fee and commission expenses		-4,722	-4,656	-66	1.4
Net fee and commission income	(4)	41,029	41,027	2	0.0
7. Net trading income	(5)	400	-1,976	2,376	>-100.0
8. Administrative expenses	(6)	-74,412	-81,885	7,473	-9.1
9. Other operating income	(7)	3,991	25,138	-21,147	-84.1
a) Net income from financial assets - FV/PL		9,307	10,967	-1,660	-15.1
b) Net income from financial assets - FVOCI		52	-51	103	>-100.0
c) Net income from financial assets - AC		0	0	0	0
d) Other operating income		-5,368	14,222	-19,590	>-100.0
Profit/loss for the period before tax		69,745	95,999	-26,254	-27.3
10. Income taxes	(8)	-11,707	-19,218	7,511	-39.1
Profit/loss for the period after tax		58,038	76,781	-18,743	-24.4
of which attributable to the owners of the parent company and the owners of additional equity components		57,757	76,470	-18,713	-24.5
of which attributable to non-controlling interests		281	311	-30	-9.6

<i>Other comprehensive income in €k</i>		01/7- 30/9/2020	01/7-30/9/2019
Profit/loss for the period after tax		58,038	76,781
Items not reclassified to profit or loss for the year		1,244	-18,319
+/- Actuarial gains/losses IAS 19		220	-12,268
+/- Deferred taxes on actuarial gains/losses IAS 19		-55	3,067
+/- Share from entities recognised using the equity method		-2,354	-3,413
+/- Value changes in own credit risk recognised in equity IFRS 9		-1,721	244
+/- Deferred tax on changes recognised in equity for own credit risk Credit risk IFRS 9		430	-62
+/- Value changes in equity instruments recognised in equity IFRS 9		6,299	-8,259
+/- Deferred tax on value changes in equity instruments IFRS 9 recognised in equity		-1,575	2,372
Items reclassified to profit or loss for the year		3,723	-659
+/- Value changes recognised in equity for debt securities IFRS 9		964	-212
Amounts recognised in equity		964	-210
Reclassification adjustments		0	-2
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9		-241	53
Amounts recognised in equity		-241	53
Reclassification adjustments		0	0
+/- Exchange differences		1,237	591
+/- Share from entities recognised using the equity method		1,763	-1,091

	1/7 to 30/9/2020	1/7 to 30/9/2019
Total income and expenses recognised directly in equity	4,967	-18,978
Total comprehensive income for the period from net profit/loss and income/expenses not recognised in profit or loss	63,005	57,803
of which attributable to the owners of the parent company and the owners of additional equity components	62,724	57,492
of which attributable to non-controlling interests	281	311

Consolidated balance sheet as at 30/9/2020 / Assets

in €k		30/9/2020	31/12/2019	Change in €k	Change in %
1.	Cash and balances at central banks (10)	2,570,248	371,557	2,198,691	> 100
2.	Loans and advances to credit institutions (11)	724,261	1,522,984	-798,723	-52.4
3.	Loans and advances to customers (12)	17,656,694	16,772,172	884,522	5.3
4.	Loan loss provisions (13)	-201,360	-203,669	2,309	-1.1
5.	Trading assets (14)	52,392	40,949	11,443	27.9
6.	Financial investments (15)	3,484,083	3,644,639	-160,556	-4.4
	a) Financial assets - FVPL	571,216	533,355	37,861	7.1
	b) Financial assets FVOCI	459,874	498,185	-38,311	-7.7
	c) Financial assets - AC	1,563,314	1,699,022	-135,708	-8.0
	d) Interest in entities accounted for using the equity method	889,679	914,077	-24,398	-2.7
7.	Intangible assets (16)	1,690	1,673	17	1.0
8.	Property, plant and equipment (17, 18)	407,065	414,794	-7,729	-1.9
	a) Investment property	90,427	92,739	-2,312	-2.5
	b) Other property, plant and equipment	316,638	322,055	-5,417	-1.7
9.	Other assets (19)	306,979	263,930	43,049	16.3
	a) Deferred tax assets	31,230	25,367	5,863	23.1
	b) Positive fair values of closed out derivatives in the banking book	163,838	118,657	45,181	38.1
	c) Other	111,911	119,906	-7,995	-6.7
	Total assets	25,002,052	22,829,029	2,173,023	9.5

Balance sheet as at 30/9/2020 / Equity and liabilities

in €k		30/9/2020	31/12/2019	Change in €k	Change in %
1.	Amounts owed to credit institutions (20)	6,050,841	4,795,833	1,255,008	26.2
	a) Refinance allocated for customer loans	2,767,103	2,561,437	205,666	8.0
	b) Other amounts owed to credit institutions	3,283,738	2,234,396	1,049,342	47.0
2.	Amounts owed to customers (21)	12,716,380	11,980,651	735,729	6.1
3.	Securitised liabilities (22)	1,789,452	1,662,863	126,589	7.6
4.	Provisions for liabilities and charges (23)	379,777	381,362	-1,585	-0.4
5.	Other liabilities (24)	579,714	525,268	54,446	10.4
	a) Trading liabilities (25)	42,732	38,092	4,640	12.2
	b) Tax liabilities	36,661	3,997	32,664	> 100
	ba) Current tax liabilities	32,885	250	32,635	> 100
	bb) Deferred tax liabilities	3,776	3,747	29	0.8
	c) Negative fair values of closed out derivatives in the banking book	34,435	35,030	-595	-1.7
	c) Other	465,886	448,149	17,737	4.0
6.	Subordinated debt capital (26)	474,783	522,515	-47,732	-9.1
7.	Equity (27)	3,011,105	2,960,537	50,568	1.7
	a) Equity after minorities	2,953,156	2,901,840	51,316	1.8
	b) Minority interests	7,949	8,697	-748	-8.6
	c) Additional equity capital components	50,000	50,000	0	0.0
	Total equity and liabilities	25,002,052	22,829,029	2,173,023	9.5

Consolidated statement of changes in equity as at 30/9/2020

	Subscribed capital	Capital reserves	Retained earnings	Exchange differences	Revaluation reserve			Actuarial Gains/losses under IAS 19	Associates	Equity after minorities	Shares of non-controlling shareholders	Additional equity capital components	Shareholders' equity
					Reclassified debt securities IFRS 9	Equity instruments IFRS 9 not reclassified	Change in own credit risk IFRS 9 not reclassified						
in €k													
As at 01/01/2019	105,769	505,523	1,441,376	-769	2,337	112,535	-11,189	-32,580	618,457	2,741,459	6,437	50,000	2,797,896
Consolidated net profit			169,540	721	-709	7,729	1,945	-12,047	16,883	184,062	765		184,827
Net profit/loss for the year			169,540						24,925	194,465	765		195,230
Other comprehensive income				721	-709	7,729	1,945	-12,047	-8,042	-10,403			-10,403
Dividend distribution			-38,811							-38,811			-38,811
Coupon payments on additional equity components			-1,725							-1,725			-1,725
Capital increase													
Issuance of additional equity components													
Repurchased own shares	-1		-347							-348			-348
Other changes not recognised in income			-434						11,317	10,883	-256		10,627
As at 30/9/2019	105,768	505,523	1,569,599	-48	1,628	120,264	-9,244	-44,627	646,657	2,895,518	6,946	50,000	2,952,464
As at 01/01/2020	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			98,367	-2,936	-1,332	-26,969	27,873	493	-28,009	67,487	816		68,303
Net profit/loss for the year			98,367						-23,708	74,659	816		75,475
Other comprehensive income				-2,936	-1,332	-26,969	27,873	493	-4,301	-7,172			-7,172
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	-442		-11,671							-12,113			-12,113
Other changes not recognised in income			476						-2,281	-1,805	-1,564		-3,369
As at 30/9/2020	105,402	505,523	1,690,390	-4,301	82	99,760	18,351	-48,059	586,007	2,953,156	7,949	50,000	3,011,105

Consolidated statement of cash flows in €k	1/1-30/9/2020	1/1-30/9/2019
Profit/loss for the period	75,475	195,230
Non-cash items in profit/loss for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	64,467	-3,026
Change in provisions for staff benefits and other provisions	-2,077	-3,014
Change in other non-cash items	-4,402	3,136
Gains and losses on financial investments, property, plant and equipment and intangible assets	-1,457	-3,007
Subtotal	132,005	189,320
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	816,326	195,453
- Loans and advances to customers	-894,600	-747,478
- Trading assets	-12,974	-11,101
- Financial assets for operating activities ¹⁾	10,762	80,310
- Other assets from operating activities	26,338	49,835
- Amounts owed to credit institutions	1,250,840	183,274
- Amounts owed to customers	725,478	-80,639
- Securitised liabilities	101,998	220,065
- Other liabilities from operating activities	-30,934	-32,238
Cash flow from operating activities	2,125,240	46,798
Proceeds from the sale of financial assets		
- Used for investment activities ²⁾	569,428	264,546
- Property, plant and equipment, and intangible assets	0	71,838
Outlay on purchases of		
- Financial investments	-382,942	-377,771
- Property, plant and equipment, and intangible assets	-45,360	-96,625
Cash flow from investing activities	141,126	-138,012
Capital increase	0	0
Dividend distributions	-529	-38,811
Coupon payments on additional equity components	-1,725	-1,725
Inflow from subordinated debt capital and other financing activities		
- Issues	18,928	47,649
- Other	0	2,234
Outflow from subordinated debt capital and other financing activities		
- Redemptions	-58,810	-71,687
- Other	-25,540	-1,113
Cash flow from financing activities	-67,676	-63,453
Cash and cash equivalents at the end of preceding period	371,557	828,685
Cash flow from operating activities	2,125,240	46,798
Cash flow from investing activities	141,126	-138,012
Cash flow from financing activities	-67,676	-63,453
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	2,570,248	674,018
Interest received	300,218	309,230
Dividends received	10,596	32,832
Interest paid	-85,164	-97,087
Coupon payments on additional equity components	-1,725	-1,725
Income tax paid	-30,604	-44,814

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 three quarters of 2020 (1 January 2020 to 30 September 2020) and compare the results with the corresponding periods of the preceding year. This condensed interim report for the first three quarters of 2020 complies with IAS 34 ("Interim Reports"). No full audit or review by an auditor has been conducted of these consolidated condensed interim financial statements. We have not applied standards and interpretations that take effect as of the financial year 2021 or later.

Changes to accounting policies 2020

This interim report of Oberbank AG has been drafted using the same recognition and measurement policies as applied as at 31 December 2019. An exception are the standards and interpretations that apply to financial years that start on or after 1 January 2020. 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 2020.

- Conceptual Framework – Revised References to the Conceptual Framework in the IFRS Standards
- Amendments to IAS 1 and IAS 8 – Definition of 'material'
- Amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
- Amendment to IFRS 3 - Definition of a Business

IASB (International Accounting Standards Board) published a revised Conceptual Framework for Financial Reporting in March 2018. The revised Conceptual Framework for Financial Reporting consists of a new Chapter '*Status and purpose of the conceptual framework*' as well as eight further chapters. This does not result in any material effects on the consolidated financial statements of Oberbank.

With the amendments to IAS 1 and IAS 8, a uniform and precise definition of materiality of information in financial statements was created that aims to harmonise the conceptual framework for financial reporting, IAS 1 and IAS 8 as well as the IFRS practice statement on 'Making Materiality Judgements'. This does not result in any material effects on the consolidated financial statements of Oberbank.

The amendments to IFRS 9, IAS 39 and IFRS 7 refer, in particular, to certain easements with respect to hedge accounting rules that are mandatory for all hedging contracts affected by the reform of the reference interest rate. Moreover, further information must be provided as to the extent the amendment affects the hedging contracts of the company. This does not result in any material effects on the consolidated financial statements of Oberbank.

The amendment to IFRS 3 refers to the change to the definition of a business.

Actuarial assumptions

Material actuarial assumptions for calculating the present values of defined benefit obligations were updated as set out below.

	30/9/2020	31/12/2019
Interest rate applied	1.00%	1.00%
Increase under collective agreements	2.83%	2.91%
Pension increase	1.68%	1.65%

Oberbank group of consolidated companies

The group of consolidated companies as at 30 September 2020 included, apart from Oberbank AG, 29 Austrian and 18 foreign subsidiaries. Compared to 31 December 2019, the group of consolidated companies did not change.

Effects of the coronavirus pandemic on the interim results of the Group

1) Background

The coronavirus pandemic has been predominant for months with curfews, closed restaurants and shops as well as production standstills that have caused as of yet inconceivable, severe 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, various measures have been initiated and aid packages adopted to support the economy and private households as best as possible during this crisis that is threatening their very existence. The following explanations present updated information and the key aspects of the current effects of the coronavirus pandemic on the interim 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 our current 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 likely further development of the economy.

Updated discretionary decisions, assumptions and estimates contained in these consolidated financial statements basically relate 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 Note 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 valuation models, input parameters, the fair value hierarchy and the fair values of financial instruments are described in detail in Note 32) Fair value of financial instruments and other items regarding reconciliation as at 30 September 2020.

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, a value-in-use is calculated on the basis of the estimated future cash flows. Details regarding the effects of the coronavirus pandemic are given in 3) Risks of financial instruments.

3) Risk of financial instruments

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

The rapid spread of COVID-19 throughout Europe and the effects on the European economy have motivated both national as well as European authorities to take a number of measures to ensure that banks will be able to continue providing funds to the real economy.

Despite widespread uncertainty with respect to the duration and depth of the crisis for the real economy, it is clear that a significant economic contraction lies ahead, which, among other things, will result in reduced credit quality, and therefore, raise the level of impairment charges to be recognised. Although the crisis is affecting many sectors at the same time, some sectors are more severely affected and must be given special attention in risk analysis.

The measures taken, especially by national governments, also include far-reaching statutory payment deferrals and loan guarantees. Furthermore, corporate customers are supported by general payment deferrals from private actors.

The impairment model of Oberbank contains, among other things, a modification of default probability (“point-in-time PD”) to the effect that it takes into consideration forward-looking macroeconomic information. The general support measures help to ameliorate the negative economic effects for our customers, but also make the early detection of any potential deterioration of credit quality harder. The direct relationship between default rates and macroeconomic development is therefore temporarily suspended and distorted. The model developed at Oberbank uses a time-series that did not take into account these economic distortions, government support measures or extreme macroeconomic values. Therefore, the model cannot simply be applied to the current economic phase without any further adjustments.

Before this backdrop, the point-in-time adjustment factors compared to Q2/2020 were no longer adjusted. In order to meet the expected rise in default risks, a post-model adjustment was used effective as of 30 September 2020 that increases the level of risk provisioning looking forward for the sectors the most severely affected. This is guaranteed for these economic sectors by collectively assigning them to stage 2 of the impairment model.

A feature of the Covid-19 crisis is that the economic effects are particularly severe for certain sectors. However, the original development of the ECL model does not make a differentiation by economic sector. Likewise, it is not guaranteed that a SICR event (significant increase in credit risk) is recognized for the financial instruments of these customers through the two qualitative factors of forbearance and 30-day payment in default. Therefore, the best option in our view is to adjust the stage transfer model for the sectors the most severely affected by applying collective staging.

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 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 sector concerned.

The ECL calculation as at 30 September 2020 still takes into account the following macroeconomic forecasts in a normal scenario:

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

Compared to the start of the year, the amount of the impairment charges for performing loans (stage 1 and stage 2) increased by EUR 13.7 million, with the effect of the PIT-PD adjustment reaching EUR 6.9 million due to the changed economic outlook and the effect of the collective staging amounting to EUR 6.7 million.

Development of impairment charges

The balance of impairment charges for loans and advances has developed as follows since 1 January 2020:

Movements in loan loss provisions (income statement view)

in €k	1/1 to 30/9/2020	1/1 to 31/12/2019	1/1 to 30/9/2019
Additions to charges for losses on loans and advances	61,722	-98,748	87,271
Reversals of loan loss provisions	-43,860	83,875	-88,159
Direct write-offs of receivables	1,190	-1,101	668
Recoveries of written-off receivables	-1,948	2,860	-2,317
Result from non-significant modifications	-48	2	-12
Impairment gains/losses from POCI	1,500	902	0
Reconciliation from entities accounted for by proportionate consolidation	0	0	7,142
Total	18,556	-12,210	4,593

Movements in impairment provisions (balance sheet view)

in €k	As at 31/12/2019	Additions	Reversals	Used	Other effects ²⁾	As at 30/9/2020
for receivables from credit institutions, stage 1 + 2	827		-299			528
for receivables from credit institutions, stage 3:						
for receivables from customers, stage 1 + 2	37,610	8,606			-2	46,214
for receivables from customers, stage 3	164,360	35,976	-29,879	-14,415	-2,295	153,747
for debt securities, stage 1 + 2	872	15	-78		62	871
Loan loss provisions¹⁾	203,669	44,597	-30,256	-14,415	-2,235	201,360
for off-balance sheet items, stage 1 + 2	11,542	5,371				16,913
for off-balance sheet items, stage 3	110,222	11,754	-13,604		2,694	111,066
Total risk provisions	325,433	61,722	-43,860	-14,415	459	329,339

1) Loan loss provisions are recognised in line item 4 on the asset side of the balance sheet; risk provisions for off-balance sheet transactions are recognised in the item provisions (balance sheet liabilities 4).

2) Thereof from ALGAR consolidation +€k +2,669; from securities measured at OCI + €k 60; from gains/losses on exchange rate fluctuations €k - 2,360.

As regards the non-performing loan portfolio (stage 3), there were no material effects from the coronavirus pandemic perceptible as at 30/9/2020.

Fair value measurement

The valuation models, input parameters, the fair value hierarchy and the fair values of financial instruments are described in detail in Note 32) Fair value of financial instruments and other items regarding reconciliation as at 30 September 2020.

Impairment loss on our equity investment in voestalpine AG

Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. If there is objective evidence for impairment of an investment accounted for using the equity method, a value in use is calculated on the basis of the estimated future cash flows that are to be expected from the associate. The present value is calculated on the basis of the discounted cash flow model. No impairment loss was recognised as at 31 December 2019.

Based on the impairment test for the stake held in voestalpine AG, an impairment charge of €k 80,587 was recognised in Q1 2020, a write-up of €k 26,106 in Q2 2020, and a write-up of €k 41,891 in Q3 2020. As the recoverable amount, a right-of-use value of €k 417,397 was recognised as at 30 September 2020 (31/03/2020: €k 372,377; 30/06/2020: €k 399,866) as the higher value from the comparison of the right-of-use value and the fair value minus cost of sale. The determination of the right-of-use value is based on the present value of the expected payment flows likely to be earned by voestalpine AG. The discount rate used as at 30 September 2020 in the terminal value is the WACC (weighted average cost of capital) of 7.37% (31/06/2020: 7.47%; 31/12/2019: 6.50%). A change to the discount rate by +/- 25 basis points would result in a reduction in the right-of-use value by 7.68% or an increase by 8.35%, while a change to the discount interest rate by +/- 50 basis points would reduce the right-of-use value by 14.77% or increase it by 17.45%.

The determination of the capital cost as at the reporting date 31 March 2020 revealed the higher degree of insecurity caused by the coronavirus pandemic which also resulted in investors and lenders demanding higher yields, which, however decreased again by the end of September 2020. In addition to the volatile capital costs, the insecurity caused by the coronavirus is also seen in the expected payment flows likely to be earned by voestalpine AG.

4) Impairment losses for non-financial assets and deferred tax assets on loss carryforwards

Oberbank has 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 costs. There were no indications for impairment losses such as branch closures, declining demand for banking products, significant changes to right-of-use assets and reassessment of usable life. The fair value of investment property was €k 104,920 (31/12/2019: €k 107,450). The decline is due to the depreciation over time. Currently there are no signs of additional market 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 €k 674 (31/12/2019: €k 740). The coronavirus pandemic has not changed the earnings situation of the group companies from which the loss carryforwards result. The tax loss carryforwards will remain recoverable.

The relief measures issued by IASB in May 2020 on the application of IFRS 16 granting lessees accounting concessions in the case of, for example, lease payment deferrals and rent reductions, which were granted in direct relation to the coronavirus pandemic, will not have any effect on Oberbank at present.

Oberbank as lessee has not made use of the options of lease payment deferrals or rent reductions. The final adoption of the concession measures regarding the application of IFRS 16 in EU law has meanwhile been finalized.

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

The presentation of the individual items of the income statement below shows the most important effects of the coronavirus pandemic on earnings. Except for the item Other administrative expenses, which can be attributed incrementally and directly to the coronavirus pandemic, the other items presented cannot be easily attributed unambiguously to COVID-19.

in €k	1/1 to 30/9/2020
Profit from entities accounted for by the equity method	
Expenses from impairments and income from additions	-12,600
Charges for losses on loans and advances	
Additions to charges for losses on loans and advances stage 1 and stage 2	-13,700
Administrative expenses	
Other administrative expenses ¹⁾	-547
Other operating income	
Net income from financial assets - FV/PL	-1,479

¹⁾ Expenses for special cleaning, purchase of cleaning and disinfection products and protective items, IT infrastructure, furnishings for branches

The profit/loss on financial assets measured at fair value in the income statement result mainly from the market valuation of the OBK APM Special Fund. The fund policy generally specifies investments in bonds, shares, gold and commodities, with shares representing the main portion. The market valuation of the Special Fund therefore depends on stock markets which have suffered heavy losses since 24 February 2020 due to the global coronavirus pandemic (start of price drops on international capital markets). Thus, for example, the Austrian leading index, ATX, lost approximately 38% from 1 January to 31 March 2020, some 30% until 30 June 2020, and around 35% until 30 September 2020.

Furthermore, reduced dividend distributions from equity investments are expected for which the corona-related dividend reductions cannot be clearly quantified.

6) Material events since the close of the period for the interim report

No events of material significance occurred after the reporting date 30 September 2020.

Details of the income statement in €k

1) Net interest income	1/1 to 30/9/2020	1/1 to 30/9/2019
Interest income from		
Credit and money market operations	265,168	278,581
Shares and other variable-yield securities	1,874	5,047
Other equity investments	4,727	8,780
Subsidiaries	492	4,765
Fixed-interest securities and bonds	33,894	39,749
Interest and similar income	306,155	336,922
Interest expenses for		
Deposits	-27,366	-47,090
Securitised liabilities	-13,886	-15,740
Subordinated liabilities	-11,803	-15,145
Result of non-significant modifications	-284	0
Interest and similar expenses	-53,339	-77,975
Net interest income	252,816	258,947
2) Income from entities recognised using the equity method	1/1 to 30/9/2020	1/1 to 30/9/2019
Net amounts from proportionately recognised income	-12,523	39,164
Expenses from operating leases	-80,597	0
Income from write-ups	67,997	0
Income from write-ups due to purchases	4,919	0
Profit from entities accounted for by the equity method	-20,204	39,164
3) Charges for losses on loans and advances	1/1 to 30/9/2020	1/1 to 30/9/2019
Additions to charges for losses on loans and advances	-61,722	-65,552
Direct write-offs	-1,190	-838
Reversals of charges for losses on loans and advances	43,860	74,536
Recoveries of written-off receivables	1,948	1,918
Result of non-significant modifications	48	-10
Result of POCI financial instruments	-1,500	943
Charges for losses on loans and advances	-18,556	10,997
4) Net fee and commission income	1/1 to 30/9/2020	1/1 to 30/9/2019
Fee and commission income:		
Payment services	45,109	45,914
Securities business	49,488	42,237
Foreign exchange, foreign bank notes and precious metals	12,025	12,605
Credit operations	31,460	30,559
Other service and advisory business	4,982	3,119
Total fee and commission income	143,064	134,434
Net fee and commission expenses		
Payment services	3,190	3,513
Securities business	5,891	5,867
Foreign exchange, foreign bank notes and precious metals	439	417
Credit operations	4,128	3,109
Other service and advisory business	1,678	311
Total fee and commission expenses	15,326	13,217
Net fee and commission income	127,738	121,217
5) Net trading income	1/1 to 30/9/2020	1/1 to 30/9/2019
Gains/losses on interest rate contracts	-406	1,025
Gains/losses on foreign exchange, foreign bank note and numismatic	3,651	-515
Gains/losses on derivatives	-2,119	1,923
Net trading income	1,126	2,433

6) Administrative expenses	1/1 to 30/9/2020	1/1 to 30/9/2019
Staff costs	132,853	139,707
Other administrative expenses	66,896	63,710
Write-offs and impairment allowances	22,163	20,864
Administrative expenses	221,912	224,281

7) Other operating income	1/1 to 30/9/2020	1/1 to 30/9/2019
a) Net income from financial assets - FVTPL	-1,479	26,956
thereof from designated financial instruments	2,873	7,275
thereof financial instruments with mandatory measurement at FVPL	-4,352	19,681
b) Net income from financial assets - FVOCI	-159	157
thereof from the measurement of debt instruments	-308	-35
thereof from the sale and derecognition of debt instruments	149	192
c) Net income from financial assets - AC	160	1,617
d) Other operating result	-12,566	1,631
Other operating income:	32,305	41,406
Income from operational risks	7,651	16,178
Gains from the sale of land and buildings	289	0
Income from private equity investments	2,534	1,724
Income from operating leases	11,630	12,927
Other income from the leasing sub-group	4,579	4,195
Brokerage fees from third parties	2,946	2,703
Other	2,676	3,679
Other operating expenses	-44,871	-39,775
Expenses from operational risks	-3,738	-6,187
Stability tax	-3,938	-3,523
Contributions to the resolution fund and deposit protection scheme	-18,230	-12,392
Expenses from operating leases	-10,544	-11,340
Other income from the leasing sub-group	-4,036	-5,034
Other	-4,385	-1,299
Other operating income net/other operating expenses	-14,044	30,361

8) Income taxes	1/1 to 30/9/2020	1/1 to 30/9/2019
Current income tax expense	37,273	32,623
Deferred income tax expenses (income)	-5,784	10,985
Income taxes	31,489	43,608

9) Earnings per share in €	1/1 to 30/9/2020	1/1 to 30/9/2019
Number of shares as at 30/09	35,307,300	35,307,300
Average number of shares in issue	35,137,952	35,277,211
Profit/loss for the period after tax	75,475	195,230
Earnings per share in €	2.15	5.53
Annualised values	2.86	7.38

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

Details of the balance sheet in €k

10) Cash and balances at central banks	30/9/2020	31/12/2019
Cash in hand	94,751	98,007
Credit balances with central banks of issue	2,475,497	273,550
Cash and balances at central banks	2,570,248	371,557

11) Loans and advances to credit institutions	30/9/2020	31/12/2019
Loans and advances to Austrian credit institutions	120,450	130,624
Loans and advances to foreign credit institutions	603,811	1,392,360
Loans and advances to credit institutions	724,261	1,522,984
12) Loans and advances to customers	30/9/2020	31/12/2019
Loans and advances to domestic customers	10,635,338	9,952,209
Loans and advances to foreign customers	7,021,356	6,819,963
Loans and advances to customers	17,656,694	16,772,172
13) Impairment charges on loans and advances	30/9/2020	31/12/2019
Impairment charges for banks	528	826
Impairment charges for customers	199,961	201,971
Impairment charges for debt securities	871	872
Impairment charges on loans and advances	201,360	203,669
14) Trading assets	30/9/2020	31/12/2019
Bonds and other fixed-interest securities		
Listed	0	0
Shares and other variable-yield securities		
Listed	1,396	1,975
Positive fair values of derivative financial instruments		
Currency contracts	7,267	2,696
Interest rate contracts	43,698	36,278
Other contracts	31	0
Trading assets	52,392	40,949
15) Financial investments	30/9/2020	31/12/2019
Bonds and other fixed-interest securities		
Listed	2,007,939	2,089,681
Unlisted	62,456	77,480
Shares and other variable-yield securities		
Listed	54,310	96,186
Unlisted	207,494	207,822
Equity investments/shares		
Subsidiaries	91,612	92,673
Entities accounted for using the equity method		
Banks	472,281	449,932
Non-banks	417,398	464,145
Other equity investments		
Banks	39,990	39,990
Non-banks	130,603	126,730
Financial investments	3,484,083	3,644,639
a) Financial assets - FVPL	571,216	533,355
b) Financial assets FVOCI	459,874	498,185
thereof equity instruments	292,433	327,400
thereof debt instruments	167,441	170,785
c) Financial assets - AC	1,563,314	1,699,022
d) Interests in entities accounted for using the equity method	889,679	914,077
Financial investments	3,484,083	3,644,639

16) Intangible assets	30/9/2020	31/12/2019
Other intangible assets	1,335	1,281
Customer base	355	392
Intangible assets	1,690	1,673

17) Property, plant and equipment	30/9/2020	31/12/2019
Investment property	90,427	92,739
Land and buildings	95,235	93,212
Business equipment and furnishings	58,469	63,067
Other property, plant and equipment	16,141	25,193
Right of use for leased objects	146,793	140,583
Property, plant and equipment	407,065	414,794

18) 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 rights 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 three quarters of 2020 or as at 30 September 2020:

Leasing in the consolidated balance sheet	30/9/2020	31/12/2019
Property, plant and equipment	146,793	140,583
Right-of-use for land and buildings	142,437	135,800
Right-of-use for business equipment and furnishings	548	534
Right-of-use for other property, plant and equipment	1,505	1,530
Right-of-use in investment property	2,303	2,719
Other liabilities		
Leasing liabilities	147,442	140,991

Additions to rights-of-use in the first half-year of 2020 were €k 22,533. Cash outflows for leasing liabilities amounted to €k 11,634.

Leasing in the consolidated income statement	1/1 to 30/9/2020	1/1 to 30/9/2019
Interest expenses for leasing liabilities	608	634
Administrative expenses	12,296	12,729
Depreciation/amortisation for rights-of-use to land and buildings	10,057	9,960
Depreciation/amortisation for rights-of-use to business equipment and furnishings	192	179
Depreciation/amortisation for rights-of-use to other property, plant and equipment	570	592
Depreciation/amortisation for rights-of-use to investment property	450	0
Other expenses from lease contracts	1,028	1,998
Other operating income		
Income from subleasing rights-of-use	620	625

Leasing in the consolidated statement of cash flows	1/1 to 30/9/2020	1/1 to 30/9/2019
Repayment of leasing liabilities from finance activities	-11,634	-11,063
Interest expenses for leasing liabilities from operating activities	608	634

19) Other assets	30/9/2020	31/12/2019
Deferred tax assets	31,230	25,367
Other assets	108,083	112,406
Positive fair values of closed out derivatives in the banking book	163,838	118,657
Deferred items	3,828	7,500
Other assets	306,979	263,930

20) Amounts owed to credit institutions	30/9/2020	31/12/2019
Amounts owed to domestic banks	3,768,351	2,824,684
Amounts owed to foreign banks	2,282,490	1,971,149
Amounts owed to credit institutions	6,050,841	4,795,833
21) Amounts owed to customers	30/9/2020	31/12/2019
Savings deposits	2,671,468	2,697,443
Other	10,044,912	9,283,208
Amounts owed to customers	12,716,380	11,980,651
22) Securitised liabilities	30/9/2020	31/12/2019
Bonds issued	1,775,843	1,649,309
Other securitised liabilities	13,609	13,554
Securitised liabilities	1,789,452	1,662,863
23) Provisions for liabilities and charges	30/9/2020	31/12/2019
Provisions for termination benefits and pensions	195,894	199,541
Provisions for anniversary bonuses	15,131	14,962
Provisions for credit risks	127,979	121,764
Other provisions	40,773	45,095
Provisions for liabilities and charges	379,777	381,362
24) Other assets	30/9/2020	31/12/2019
Trading liabilities	42,732	38,092
Tax liabilities	36,661	3,997
Current tax liabilities	32,885	250
Deferred tax liabilities	3,776	3,747
Leasing liabilities	147,442	140,991
Other liabilities	256,603	238,459
Negative fair values of closed out derivatives in the banking book	34,435	35,030
Deferred items	61,841	68,699
Other liabilities	579,714	525,268
25) Other liabilities (trading liabilities)	30/9/2020	31/12/2019
Currency contracts	94	2,877
Interest rate contracts	42,638	35,215
Other contracts	0	0
Trading liabilities	42,732	38,092
26) Subordinated debt capital	30/9/2020	31/12/2019
Subordinated bonds issued incl. tier 2 capital	474,783	522,515
Hybrid capital	0	0
Subordinated debt capital	474,783	522,515
27) Equity	30/9/2020	31/12/2019
Subscribed capital	105,402	105,844
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,340,359	2,288,601
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Share of non-controlling shareholders	7,949	8,697
Shareholders' equity	3,011,105	2,960,537

28) Contingent liabilities and commitments	30/9/2020	31/12/2019
Other contingent liabilities (guarantees and letters of credit)	1,289,151	1,275,336
Contingent liabilities	1,289,151	1,275,336
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,128,729	4,045,352
Credit risks	4,128,729	4,045,352

29) Segment report as at 30/9/2020	Personal Banking	Corporates	Financial Markets	Other	Total
Core business segments in €m					
Net interest income	46.7	195.8	10.3		252.8
Profit from entities accounted for by the equity method			-20.2		-20.2
Charges for losses on loans and advances	-0.4	-13.3	-4.8		-18.6
Net fee and commission income	60.9	66.9			127.7
Net trading income		1.0	0.1		1.1
Administrative expenses	-70.0	-122.6	-6.5	-22.8	-221.9
Other operating income	3.2	3.6	-3.6	-17.3	-14.0
Profit/loss for the period before tax	40.3	131.5	-24.7	-40.1	107.0
Average risk-weighted assets	1,934.1	10,625.3	5,653.4		18,212.7
Average allocated equity	311.7	1,712.2	911.0		2,934.9
RoE (return on equity before tax)	17.2%	10.2%	n.a.		4.9%
Cost/income ratio	63.2%	45.9%	n.a.		63.9%

n.a. – not indicative

Segment report as at 30/9/2019	Personal Banking	Corporates	Financial Markets	Other	Total
Core business segments in €m					
Net interest income	47.6	194.1	17.2		258.9
Profit from entities accounted for by the equity method			39.2		39.2
Charges for losses on loans and advances	-1.4	15.6	-3.3		11.0
Net fee and commission income	56.2	65.1	-0.1		121.2
Net trading income		-0.1	2.5		2.4
Administrative expenses	-69.7	-116.3	-6.8	-31.5	-224.3
Other operating income	3.1	9.4	28.8	-11.0	30.4
Profit/loss for the period before tax	35.9	167.9	77.5	-42.5	238.8
Average risk-weighted assets	1,854.8	10,139.2	5,523.1		17,517.1
Average allocated equity	302.0	1,651.0	899.3		2,852.3
RoE (return on equity before tax)	15.8%	13.6%	11.5%		11.2%
Cost/income ratio	65.2%	43.3%	7.8%		49.6%

30) Human resources	30/9/2020	31/12/2019
Salaried employees	2,168	2,150
Blue-collar	7	9
Total resources	2,175	2,159

31) Regulatory Capital pursuant to Part 2 of Regulation (EU) No 575/2013 - Pillar I in €k	30/9/2020	31/12/2019	30/9/2019
Subscribed capital	98,722	99,622	99,622
Capital reserves	505,523	505,523	505,523
Retained earnings	2,154,353	2,181,127	2,074,806
Minority interests	0	0	0
Cumulated other comprehensive income	70,134	70,069	68,022
Regulatory adjustment items	-21,516	6,530	6,144
Deductions from common equity tier 1 capital items	-255,816	-203,899	-208,253
COMMON EQUITY TIER 1 CAPITAL	2,551,400	2,658,972	2,545,864
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	2,601,400	2,708,972	2,595,864
Qualifying supplementary capital instruments	333,593	352,382	346,956
Nominal capital preference shares purs. to transition rules	7,200	6,300	6,300
AT1 capital instruments purs. to transition rules	0	0	0
Supplementary capital (tier 2) items purs. to national impl. rules	5,336	9,406	11,217
General credit risk adjustments	0	0	0
Deductions from tier 2 capital items	-18,836	-18,992	-20,253
Supplementary capital (tier 2)	327,293	349,096	344,220
OWN FUNDS	2,928,693	3,058,068	2,940,084
Total risk exposure purs. Art. 92 CRR			
Credit risk	14,310,138	13,978,718	14,076,232
Market risk, settlement risk and CVA risk	39,211	52,758	49,924
Operational risk	1,083,459	1,083,459	1,055,408
Total exposure	15,432,808	15,114,935	15,181,564
Own funds ratio purs. Art. 92			
Common equity tier 1 capital ratio	16.53%	17.59%	16.77%
Tier 1 capital ratio	16.86%	17.92%	17.10%
Total capital ratio	18.98%	20.23%	19.37%
Regulatory requirement own capital ratios purs. to transition rules in %			
Common equity tier 1 capital ratio	7.06%	7.13%	7.13%
Tier 1 capital ratio	8.56%	8.63%	8.63%
Total capital ratio	10.56%	10.63%	10.63%
Regulatory capital requirements purs. to transition rules in €k			
Common equity tier 1 capital	1,089,556	1,078,299	1,083,098
Tier 1 capital	1,321,048	1,305,023	1,310,822
Total capital	1,629,705	1,607,322	1,614,453
Free capital components			
Common equity tier 1 capital	1,461,844	1,580,673	1,462,766
Tier 1 capital	1,280,352	1,403,949	1,285,042
Total capital	1,298,988	1,450,746	1,325,631

32) Fair value of financial instruments and other items regarding reconciliation as at 30/09/2020	AC	FVTPL	thereof	HFT	FVOCI	thereof equity instruments FVOCI	thereof debt instruments FVOCI	AC/ liabilities	Other	Total
Cash and balances at central banks								2,570,248		2,570,248
								2,570,248		2,570,248
Loans and advances to credit institutions								724,261		724,261
								726,610		726,610
Loans and advances to customers	25,612	55,462	36,799		40,727		40,727	17,534,894		17,656,694
	26,730	55,462	36,799		40,727		40,727	17,713,552		17,836,471
Loan loss provisions								-201,360		-201,360
								-201,360		-201,360
Trading assets				52,392						52,392
				52,392						52,392
Financial investments	1,563,314	571,217	323,033		459,874	292,433	167,441		889,679	3,484,083
	1,623,828	571,217	323,033		459,874	292,433	167,441			
Intangible assets									1,690	1,690
Property, plant and equipment									407,065	407,065
Other assets				163,838					143,140	306,979
				163,838						
of which closed out derivatives positions in the banking book				163,838						163,838
				163,838						
Total assets	1,588,926	626,678	359,832	216,230	500,601	292,433	208,167	20,628,042	1,441,575	25,002,052
	1,650,558	626,678	359,832	216,230	500,601	292,433	208,167	20,809,050		
Amounts owed to banks		29,243	29,243					6,021,598		6,050,841
		29,243	29,243					5,981,856		6,011,100
Amounts owed to customers		412,726	412,726					12,303,654		12,716,380
		412,726	412,726					12,319,811		12,732,537
Securitised liabilities		884,344	884,344					905,108		1,789,452
		884,344	884,344					954,643		1,838,987
Provisions for liabilities and charges									379,777	379,777
Other liabilities				77,167					502,547	579,714
				77,167						
of which closed out derivatives positions in the banking book				34,435						34,435
				34,435						34,435
Subordinated debt capital		395,841	395,841					78,943		474,783
		395,841	395,841					92,246		488,086
Capital									3,011,105	3,011,105
Total equity and liabilities	-	1,722,154	1,722,154	77,167	-	-	-	19,309,302	3,893,429	25,002,052
	-	1,722,154	1,722,154	77,167	-	-	-	19,348,557		

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

In the first three quarters of 2020, 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	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 30/09/2020		Q1-Q3 2020	cumulated	as at 30/09/2020
Amounts owed to banks	-82		276	1,220	1,220
Amounts owed to customers	13,166		-480	51,397	51,397
Securitised liabilities	11,407		-16,469	23,054	23,054
Subordinated debt capital	-23		-2,938	23,110	23,110

In the first three quarters of 2020, there were no reclassifications of cumulated profit or loss within equity.

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to a change to the 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 31/12/2019		in the financial year 2019	cumulated	as at 31/12/2019
Amounts owed to banks	-101		786	1,514	1,514
Amounts owed to customers	-850		-10,894	64,933	64,933
Securitised liabilities	-2,868		-5,003	20,860	20,860
Subordinated debt capital	-8,878		-531	27,821	27,821

In the financial year 2019, there were no reclassifications of cumulated profit or loss within equity.

Assets designated at fair value through profit or loss as at 30/09/2020	Maximum default risk	Reduction due to related credit derivatives or similar instruments	Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
			Q1-Q3 2020	cumulated	Q1-Q3 2020	cumulated
Loans and advances to customers	36,799	-	-	-	-	-
Financial investments	323,033	-	-	522	-	-

Assets designated at fair value through profit or loss as at 31/12/2019	Maximum default risk	Reduction due to related credit derivatives or similar instruments	Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
			in the financial year 2019	cumulated	in the financial year 2019	cumulated
Loans and advances to customers	41,666	-	-	-	-	-
Financial investments	280,617	-	563	563	-	-

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:

	30/9/2020	31/12/2019
Loans and advances to customers FVTPL	55,462	56,684
Financial investments FVTPL	571,217	533,355
Financial investments FVOCI	292,433	327,399
Trading assets	52,392	40,949
Derivatives positions in the banking book	163,838	118,657
Total	1,135,342	1,077,044

Fair value hierarchy of financial instruments as at 30/09/2020										
	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		55,462		40,727			96,189		45,057	51,132
Trading assets			52,392				52,392	1,381	51,011	
Financial assets - FVPL		571,217					571,217	339,640	231,576	
Financial assets - FVOCI				459,874			459,874	217,996	3,975	237,902 ¹⁾
Other assets			163,838				163,838		163,838	
of which closed out derivatives positions in the banking book			163,838				163,838		163,838	
Financial assets not carried at fair value										
Loans and advances to credit institutions					724,261		724,261		726,610	
Loans and advances to customers	25,612				17,534,894		17,560,506		26,730	17,713,552
Financial assets - AC	1,563,314						1,563,314	1,563,988	59,840	
Financial liabilities carried at fair value										
Amounts owed to credit institutions		29,243					29,243		29,243	
Amounts owed to customers		412,726					412,726		412,726	
Securitised liabilities		884,344					884,344		884,344	
Other liabilities			77,166				77,166		77,166	
of which closed out derivatives positions in the banking book			34,435				34,435		34,435	
Subordinated debt capital		395,841					395,841		395,841	

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 30/09/2020

	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										
Amounts owed to credit institutions					6,021,598		6,021,598		5,981,856	
Amounts owed to customers					12,303,654		12,303,654		12,319,811	
Securitised liabilities					905,108		905,108		954,643	
Other liabilities										
Subordinated debt capital					78,943		78,943		92,246	

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 the Strategic Risk Management Department 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 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 the 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 Reuters Market Data 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 options pricing model). 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 rating 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 the customer and collateral). The exchange rates used are the reference rates published by the ECB.

The effects of the COVID-19 pandemic on interest rates are minor. Rather, the sustained phase of low interest rates was aggravated, because the major central banks lowered key lending rates and/or took measures to boost liquidity to support the economy. Central bank purchasing schemes and low inflationary expectations kept long-term interest rates low. Therefore, there is no increased influence of the interest rate component on financial instruments measured at fair value due to the COVID-19 pandemic. An economic downswing triggered by the COVID-19 pandemic and the resultant potential downgrading of credit ratings of customers 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 0.7 million (31. Dec. 2019 € 0.6 million), and if risk premiums were to increase by 100 bp the fair values of these receivables would drop by € 1.3 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 valuation 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 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.

Movements in €k	Equity investments FVOCI
Carrying value as at 1/1/2020	238,761
Additions (purchases)	0
Disposals (sales)	-859
Value changes recognised in equity	0
Value changes recognised in income	0
Carrying value as at 30/9/2020	237,902

The item Other comprehensive income from these instruments increased by €k 9.

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 01/01/2020	52,253
Transfer to level 2	0
Additions	3,852
Disposals	-4,197
Changes in fair value	-776
of which disposals	-220
of which portfolio instruments	-556
Carrying value as at 30/9/2020	51,132

There were no transfers between Level 1 and Level 2.

Major transactions with related parties as at 30 September 2020 were:

Associated companies	€k 0
Subsidiaries	€k 0
Other related parties	€k 26,500

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 results of operations of the Oberbank Group;
- these consolidated interim financial statements cover the first three quarters of 2020 (1 January 2020 to 30 September 2020) and present a true and fair view of the assets, liabilities, financial position and results of operations 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 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 nine 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 three months of the financial year and with respect to material business transactions with related parties that must be disclosed.

Linz, 27 November 2020

Management Board



CEO

Franz Gasselsberger



Management Board
Member

Josef Weiß



Management Board
Member

Florian Hagenauer



Management Board
Member

Martin Seiter

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)
		OSG2 ¹ (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) Banken DL Servicegesellschaft m.b.H., 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 data. 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 2020

22 May 2020	Report for Q1 2020
28 August 2020	Report for Q1-Q2 2020
27 November 2020	Report for Q1-Q3 2020

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

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