Oberbank

Interim Report to Shareholders as at 30 September 2021

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Key Performance Indicators

Income statement in € m	Q1-3 2021	Change	Q1-3 2020
Net interest income	256.2	1.3%	252.8
Profit from entities accounted for by the equity method	74.4	>–100.0 %	20.2
Charges for losses on loans and advances	–5.9	–68.2 %	–18.6
Net fee and commission income	143.1	12.0 %	127.7
Administrative expenses	–228.1	2.8 %	–221,9
Profit/loss for the period before tax	226.9	>100.0 %	107.0
Profit/loss for the period after tax	189.8	>100.0 %	75.5

Balance sheet in € m	30/9/2021	Change	31/12/2020
Total assets	26,851.1	9.9%	24,432.9
Loans and advances to customers	18,220.9	5.5%	17,264.7
Primary funds	16,631.0	7.8%	15,426.9
thereof savings deposits	2,579.4	–3.1%	2,660.9
thereof securitised liabilities incl. subordinated debt capital	2,701.7	15.5%	2,339.8
Shareholders' equity	3,256.1	7.1%	3,038.9
Customer funds under management	35,631.0	10.8%	32,147.6

Own funds pursuant to CRR in € m	30/9/2021	Change	31/12/2020
Common equity tier 1 capital (CET 1)	2,805.8	3.7%	2,705.2
Tier 1 capital	2,855.8	3.7%	2,755.2
Own funds	3,201.8	3.3%	3,099.3
CET 1 ratio in %	17.47	–0.37% ppt	17.84
Tier 1 capital ratio in %	17.78	–0.39% ppt	18.17
Total capital ratio in %	19.94	–0.49% ppt	20.43

Performance indicators	Q1-3 2021	Change	Q1-3 2020
Liquidity coverage ratio in %	187.20	52.87% ppt	134.33
Net stable funding ratio in %	134.81	14.15% ppt	120.66
Leverage ratio in %	11.52	0.90% ppt	10.61
Cost/income ratio in %	49.49	–14.38% ppt	63.87
Return on equity before tax in % (equity ratio)	9.63	4.77% ppt	4.86
Return on equity after tax in %	8.06	4.63% ppt	3.43
Risk/earnings ratio (credit risk/net interest) in %	2.30	–5.04% ppt	7.34

Resources	30/9/2021	Change	31/12/2020
Average number of staff (weighted)	2,155	–13	2,168
Number of branches	177	1	176

Situation of the Oberbank Group in the first three quarters of 2021

Robust earnings in customer business continues

In the first three quarters of 2021, Oberbank significantly increased income from business operations in all areas and earnings improved greatly. The bank's strength is revealed in its business operations with customers. Since the beginning of the year, lending volume has increased 5.5% to EUR 18.2 billion and net interest income improved by 1.3% to EUR 256.2 million. Net fee and commission income rose by a noteworthy 12% to EUR 143.1 million on the back of robust business in Corporate and Business Banking and strong demand for investment services. Cumulated net interest income and net fee and commission income increased by 4.9%, thus highlighting the high quality of our customer business.

Corporate and Business Banking, Personal Banking contribute substantially to earnings

We are highly pleased to report that the volume of new loans granted is well above the preceding year’s level and we attained a significant increase in the area of commercial banking services. Oberbank's expertise is highly sought-after by companies, especially in times like these. The volume of loans to private individuals was up by 7.5% in the first three quarters, driven primarily by home loans. In Private Banking & Asset Management, income increased by 13.9%. Oberbank's investment fund business expanded at a higher rate than the overall market.

Equity investments and low risk contributed to gratifying earnings trend

Income from entities accounted for by the equity method stood at EUR 74.4 million as at 30 September 2021, which is better than in the third quarter of the preceding year when it was EUR -20.2 million. A volume of EUR 5.9 million was allocated to impairment charges in the reporting period, which is 68.2% lower than in the first three quarters of 2020. The profit before tax for the period more than doubled, amounting to EUR 226.9 million versus EUR 107 million. Profit for the period after tax rose from EUR 75.5 million to EUR 189.8 million on 30 September 2021. The low cost/income ratio of 49.5% also contributed to the gratifying results.

Strong equity base secures our future and independence

Shareholders' equity of Oberbank AG rose in the first three quarter by 7.1% to EUR 3,256.1 million. A tier 1 capital ratio of 17.8% puts Oberbank in the ranks of the excellently capitalised European banks.

Sustainability management awarded international prime rating

In the summer, Oberbank's sustainability management was awarded prime status by the international agency ISS ESG. Oberbank AG now belongs to the top ten percent of the 277 institutions rated in the category of Financials/Public & Regional Bank. We also achieved the highest transparency level "Transparency Level: very high (80% to 100.0%)".

Solid results expected for the full year

Considering the strong recovery of the economy, we are confident about Oberbank's earnings performance. We aim to achieve a substantial improvement over the preceding year. However, the result for the year also depends on the development of credit risk and measurement risk. There are no signs of deterioration at present.

Oberbank’s expansion continued as planned with the opening of three new branches.

Franz Gasselsberger
CEO

Oberbank's shares

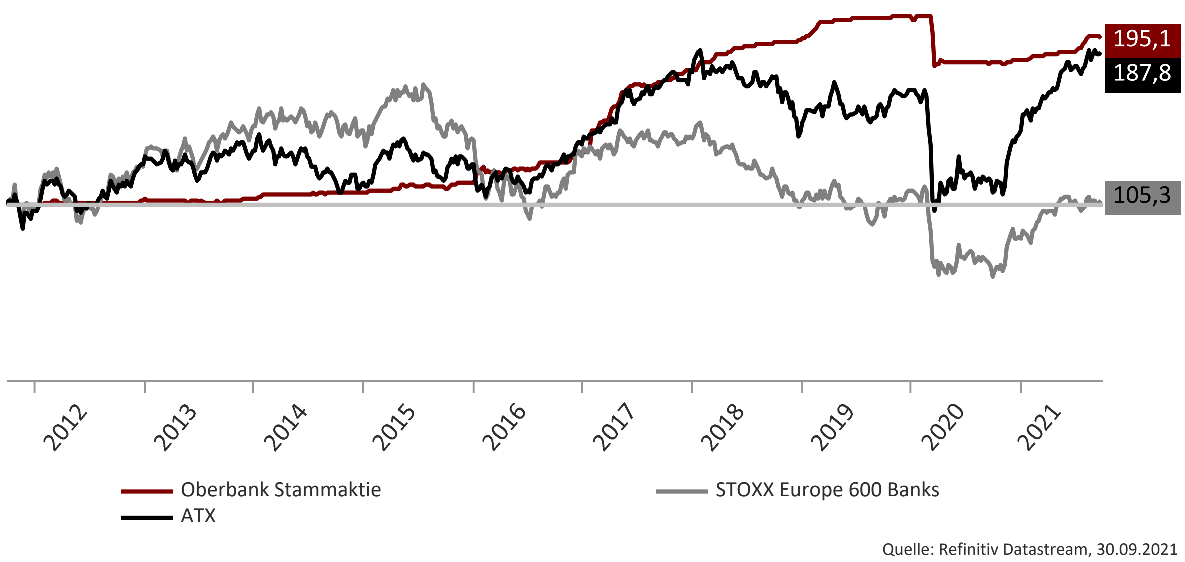
At the end of the first three quarters of 2021, Oberbank's ordinary shares were trading at EUR 90.40. The price trend of Oberbank's ordinary shares was +7.11. Including the dividend payouts of EUR 0.18 per share in January 2021 and of EUR 0.58 per share in May 2021, the performance of ordinary shares was +8.06%. Market capitalisation at the close of the third quarter 2021 was EUR 3,191.78 million compared to EUR 2,956.35 million at the end of the preceding year.

Oberbank' shares – key figures	Q1-3 2021*	Q1-3 2020
Number of ordinary no-par shares	35,307,300	32,307,300
Number of preference shares	0	3,000,000
High (ordinary/preference share) in €	90.60	96.00/91.00
Low (ordinary/preference share) in €	84.40	83.00/75.50
Close (ordinary/preference share) in €	90.40	83.80/83.00
Market capitalisation in €m	3,191.78	2,956.35
IFRS earnings per share in € annualised	7.19**	2.86**
P/E ratio, ordinary shares	12.57	29.30

*) As preference and ordinary shares have been combined, the information for the first three quarters of 2021 refers to ordinary shares.
**Earnings per share annualised. They are calculated as follows: profit for the period after tax in the first three quarters divided by the average number of ordinary shares in circulation, then divided by three with the result being multiplied by four (projection for the full year).

Oberbank ordinary shares vs. ATX and the European banking index

Period: 30/9/2011 to 30/9/2021



(*Text in chart – Top*: *Period from 30/9/2011 to 30/9/2021. Red line: Oberbank ordinary shares, Black line: ATX; Gray line: STOXX Europe 600 Banks. Source: Refinitiv Datastream, 30/9/21. Please note that the figures use German notation, therefore commas are periods and vice versa.)*

This chart compares the development of Oberbank's ordinary shares, the Austrian stock index ATX, and the European banking index STOXX Europe 600 Banks. The prices have been adjusted in the chart by indexing the daily closing prices of the relevant stock and the indices to 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 2021

Corporate and Business Banking

Corporate and Business Banking	Q1-3 2021	Q1-3 2020	± absolute	± in %
Net interest income	202.5	195.8	6.6	3.4%
Charges for losses on loans and advances	0.9	-13.3	14.2	
Net fee and commission income	79.9	66.9	13.0	19.4%
Net trading income	-1.0	1.0	-2.0	
Administrative expenses	-120.3	-122.6	2.3	-1.9%
Other operating income	-2.2	3.6	-5.9	
Profit/loss for the period	159.7	131.5	28.2	21.5%
Risk equivalent	10,913.6	10,625.3	288.3	2.7%
Average allocated equity	1,871.1	1,712.2	158.9	9.3%
Return on equity before tax	11.4%	10.2%	1.2% ppt	
Cost/income ratio	43.1%	45.9%	-2.8% ppt	

Earnings in Corporate and Business Banking

In the first three quarters of 2021, the number of applications submitted in Austria, Germany, Czech Republic, Hungary and Slovakia for subsidised loans, innovation projects and to secure liquidity was 33% higher at 1,484 projects compared to the pre-coronavirus year 2019. This significant increase in the number applications submitted under subsidised loan schemes was due to the government investment bonuses and the positive economic development after the exceptional development of 2020 caused by the pandemic. The volume of subsidised loans granted through Oberbank amounted to EUR 1,692 billion as at 30 September 2021, and was therefore 25% higher than in the same period of the preceding year.

Commercial loans

Oberbank's commercial lending volume increased by EUR 429.8 million or 3.1% from EUR 13,803.2 million to EUR 14,233.0 million.

Commercial loans		YoY change	
As at 30/9/2021	As at 30/9/2020*	absolute	in %
€ 14,233.0 million	€ 13,803.2 million	€ 429.8 million	3.1%

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

Investment and innovation finance

The number of applications for subsidised investments, innovation projects and to secure liquidity submitted in first three quarters of 2021 in Austria, Germany, Czech Republic, Hungary and Slovakia was 1,484 projects and thus 33% higher than in the pre-coronavirus year 2019. This significant rise in the number of applications submitted was due to the government investment bonuses and the positive economic development after the exceptional development of the year 2020 caused by the pandemic.
The volume of subsidised finance granted through Oberbank amounted to EUR 1,692 billion as at 30 September 2021, which is 25% higher than in the same period of the preceding year.

Investment finance		YoY change	
As at 30/9/2021	As at 30/9/2020*	absolute	in %
€ 10,624.2 million	€ 10,085.7 million	€ 538.5 million	5.3%

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

Leasing

After three quarters we achieved an increase again (EUR +35.7 million or +5.9%) at a volume of EUR 641.7 million in new business. After the steep decline in the first quarter (-14%) and the renewed uptrend in Q2 (-3.4%), we achieved a significant gain in Q3 (EUR +74 million or +43%) at EUR 246 million compared to the preceding year. This also resulted in a slight increase of the portfolio (EUR +27 million euros or +1.3%). Although we saw higher inflows, we expect a sideways movement in new business in the coming quarters, because the supply chain disruptions mean that we have to delay capitalising the new business acquired. A look at the regions shows that developments in CEE countries were especially gratifying in Hungary (EUR 38 million or +22%). In Austria and Germany, developments stabilised.

Structured finance and syndicated loans

In the first three quarters of 2021, demand was exceptionally robust for structured finance solutions. Therefore, the total number of transactions as well as total project volume increased significantly by 24% and 35%, respectively. Demand for structured real estate finance was particularly robust. The number of transactions rose by 34%, while the project even increased by almost 60%. In loans for investment and expansions, the volume and number of transactions increased steeply as well by almost 50% in each case. Demand for finance in the segments of tourism and M&A did not increase quite as strongly by comparison, but nonetheless rose by around about 25% in terms of project volume and transactions compared to the already very high level of the preceding year. Another well-filled pipeline is the one for structured finance and this means no decline of the solid business trend is expected for this segment over the short to medium term.

In the segment of syndicated loans, special loans and borrower's notes, there was a minimal decline compared to the above-average performance in the same quarter of the preceding year as regards the number of transactions as well as total outstanding exposure. However, growth was achieved again compared to the preceding reporting date.

Oberbank Opportunity Fund

In the first nine months of 2021, the Oberbank Opportunity Fund recorded 101 enquiries – the same level as in the preceding year – with this year also performing above average. The Oberbank Opportunity Fund completed twelve new transactions in this period. Since the inception of the Oberbank Opportunity Fund, 94 transactions for equity, mezzanine capital and high-yield capital have been supported with funding (plus external capital loans) and ten supplementary financing projects finalized. The volume of capital committed as at 30 September 2021 was approximately EUR 253 million distributed across equity, mezzanine capital and high-yield capital.

Primary deposits

No new developments in deposits – this is how one could summarize developments in sight and term deposits at Oberbank in Q3. The unchanging low-interest rate policy of the ECB is behind this situation. The application of negative interest rates is becoming increasing widespread. At the beginning of Q3, Oberbank adjusted the general base amount for sight deposits of corporate and business customers to EUR 30,000 per business account in the light of further rising deposit volumes. However, we conducted numerous talks with customers to develop suitable investment strategies.

Currency risk management

The booming economy is fuelling international business and therefore also foreign currency transactions. We saw brisk trading activity in the USD as well as in the other major currencies of our customers such as the Czech koruna and the Hungarian forint. The transactions of customers served directly by Treasury remained very lively. Speed, direct communication and market prices are the main elements of this type of support. We saw further growth in this segment over the preceding year.

Payment services

Revenues in corporate customer payment services were up again in Q3 and +8.6% higher year on year on 30 September 2021.

In the past quarter, we added new features to our banking app and it now includes functions for corporate and business customers. Intensive work is under way on the development of the electronic statement of fees functionality (CAMT.086) which is scheduled to go live in the fourth quarter.

Foreign business
According to the German Ministry of Economic Affairs in Berlin, the sideways movement of Q1 was followed by a decline in industrial production in Q2. According to a survey by the Munich-based Ifo Institute, the reason was production problems caused by supply chain bottlenecks for intermediate products, a situation reported by some 64% of the companies interviewed. The shortage of raw materials and key supplies for the construction and automotive industries also slowed the economic recovery in Oberbank's other sales markets in Central Europe during the summer when the coronavirus pandemic eased. Nonetheless, optimism still prevails that the economy in Central Europe will be able to continue its development from before the coronavirus pandemic until year-end 2021 and in 2022.

Documentary business
Securing supply chains is becoming extremely important. Global companies benefit from the expertise of Oberbank in the documentary business to protect them from the potential insolvency of their international business partners. Strict management and the timely receipt of liquidity is growing in importance and is critical for success. Therefore, demand for risk hedging instruments remains high. Demand is also rising for sales finance products such as receivables purchasing.

Factoring
Factoring as a finance alternative is still in high demand. The positive trend in new business evidenced by the 15% increase in the number of customers and in volumes continued for a sixth year in a row contrary to the general market trend. Compared to the preceding year’s level, factoring sales rose by +36% and the positive feedback from customers also reflects this trend.

Export finance
Apart from securing value chains, (re)building inventories is also highly topical. Oberbank provides services for financial restructuring and securing foreign subsidiaries as well as for implementation of domestic export investment projects to facilitate exporting activities. The expertise in this area is evidenced by a market share of more than 14% in OeKB’s credit line for export and contract investment financing. We defended our position as a leading Austrian regional bank for OeKB revolving lines of credit. With respect to OeKB’s export overdraft facilities for SMEs, Oberbank attained a market share of 11.3% as at 30 September 2021, and for OeKB’s credit line for large corporates (KRR procedure) its market share was 11%.

International network of partner banks and institutions
Oberbank's global network of 1,100 partner banks guarantees the worldwide smooth processing of commercial payment transactions and documentary business for Oberbank customers. It ensures access to the major global and European payment platforms in all business areas for services relating to payments, security and finance. Important coordination talks and meetings with partner banks, especially with the banks maintaining accounts and/or operating clearing functions, were conducted over video conferences and webinars due to the coronavirus.

Personal Banking

Personal Banking in €m	Q1-3 2021	Q1-3 2020	± absolute	± in %
Net interest income	47.2	46.7	0.5	1.2%
Charges for losses on loans and advances	-1.0	-0.4	-0.6	> 100.0%
Net fee and commission income	63.2	60.9	2.4	3.9%
Net trading income	0.0	0.0	0.0	0.0%
Administrative expenses	-76.4	-70.0	-6.4	9.2%
Other operating income	4.2	3.2	1.0	31.3%
Profit/loss for the period	37.3	40.3	-3.1	-7.6%
Risk equivalent	2,035.1	1,934.1	101.0	5.2%
Average allocated equity	348.9	311.7	37.2	11.9%
Return on equity before tax (RoE)	14.2%	17.2%	-3.0% ppt	
Cost/income ratio	66.6%	63.2%	3.4% ppt	

Earnings trend in Personal Banking

Profit in the Personal Banking segment was EUR 37.3 million, which is EUR 3.1 million or 7.6% lower year on year. Net interest income rose by EUR 0.5 million or 1.2% to EUR 47.2 million. Risk provisions increased by EUR 0.6 million to EUR 1 million. At EUR 63.2 million, net fee and commission income was EUR 2.4 million or 3.9% higher versus the preceding year. At EUR 76.4 million, administrative expenses were EUR 6.4 million or 9.2% higher than in the preceding year. Other operating income increased by EUR 1 million or 31.3% to EUR 4.2 million. Return on equity in Personal Banking declined from 17.2% by 3%-points to 14.2%, and the cost/income ratio deteriorated from 63.2% by 3.4%-points to 66.6%.

Personal accounts

The portfolio of personal accounts expanded year on year by 1,476 to a total of 192,692 accounts. In June 2021, a new sustainable account type was launched in Austria for retail customers, the "be(e) green Konto". As of 30 September 2021, 11.2% of accounts were already sustainable. The digital products for personal accounts was expanded by the functionality "push notifications" for the Oberbank app. The number of users of mobile payment services such as Apple Pay, Oberbank Wallet, Garmin Pay and Blue Code is rising steadily.

Personal accounts		YoY change	
As at 30/9/2021	As at 30/9/2020	absolute	in %
192,692	191,216	1,476	0.77%

Personal loans

The volume of personal loans increased by EUR 334.4 million or 9.2% to EUR 3,987.9 million compared to 30 September 2020, with the volume of new retail loans granted in Q1-3 2021 having risen by 6.6% year on year. Supported by current interest rates, demand for housing loans remained robust. The share of foreign currency loans in the overall personal loan portfolio of Oberbank is now only 1.7%. Oberbank also informs borrowers of potential funding schemes to promote sustainability and develops suitable project funding strategies together with customers. Since March 2021, energy performance certificates have been required to obtain a home loan in order to progressively increase the portfolio of sustainable loans.

Personal loans		YoY change	
As at 30/9/2021	As at 30/9/2020*	absolute	in %
€ 3,987.9 million	€ 3,653.5 million	€ 334.4 million	9.2%

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

Savings deposits

The volume of savings deposits decreased by EUR 92.1 million or 3.4% to EUR 2,579.4 million year on year.

Money is still being left on accounts or in daily callable investment forms. Online savings products continue to be in high demand, with more and more customers switching from savings passbooks to online savings products. Since the start of the year, online savings increased by EUR 99.3 million or +10.7%. In June 2021, Oberbank started offering a new sustainable account type, the “be green Sparkonto”.

Savings deposits		YoY change	
As at 30/9/2021	**As at 30/9/2020**	**absolute**	**in %**
€ 2,579.4 million	€ 2,671.5 million	-€ 92.1 million	-1.4%

Securities business

The excellent business performance in the securities business continued also in Q3 2021. Net fee and commission income increased by EUR 6.1 million or 13.9% to EUR 49.7 million year on year. Transactions by customers were also very lively over the summer, although volatility on markets was unusually low for long stretches. Only at the end of the quarter did fluctuations on stock markets become more pronounced. This was triggered by growing fears of the effects of supply bottlenecks in production chains, steeply rising energy prices and higher inflation rates. Remarkable was also the rise in interest rates, primarily for the US dollar, albeit starting out from very low levels.
The sustained negative interest rates in the euro money market increased demand for investments offering at least a chance of positive real returns. As bonds are also mostly yielding very low returns, inflows are primarily going into mixed funds that are permitted to invest in equities, commodities and gold. Demand for sustainable investments was also strong.

Commission income from securities		YoY change	
As at 30/9/2021	**As at 30/9/2020**	**absolute**	**in %**
€ 49.7 million	€ 43.6 million	€ 6.1 million	13.9%

Market value on custody accounts

The solid performance on stock markets as well as considerable inflows into investment funds and shares raised the market value of customer custody accounts by EUR 3.6 billion or 23.7% bringing the total volume to a new record of EUR 19 billion.

Market value on custody accounts		YoY change	
As at 30/9/2021	**As at 30/9/2020**	**absolute**	**in %**
€ 19,000.0 million	€ 15,359.2 million	€ 3,640.8 million	23.7%

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

Volumes under management at 3 Banken-Generali Investment-Gesellschaft m.b.H. also broke a new record. As at 30 September 2021, the volume under management was EUR 11.9 billion, which is an increase of EUR 1.8 billion year on year. The total market volume in Austria was EUR 211.5 billion, therefore, 3 Banken-Generali Investment-Gesellschaft m.b.H. accounted for a market share of 5.6%. This makes the company the fifth largest investment fund company in Austria. The website, which is the main source of information for services and regulatory documents, was completely overhauled. Oberbank’s share in the funds of the capital management company have risen since 31 December 2020 by 18.5% or EUR 869.1 million to EUR 5,558.2. Comparing this with the 10.2% growth rate of the overall market shows that the capital management company clearly outperformed the overall market once again. Over the past twelve months, the volume of growth was EUR 1,132 million or 25.6%, which is also above the market growth rate of 16.1%.

Net inflows into Oberbank's retail funds was EUR 294.4 million in the first nine months of the year. The share invested in the sustainability fund for retail customers was 30.9%, primarily into the Mensch & Umwelt line of products.

Retail investment funds and special funds		YoY change	
As at 30/9/2021	**As at 30/9/2020**	**absolute**	**in %**
€ 5,558.2 million	€ 4,426.2 million	€ 1,132.0 million	25.6%

Private banking

The volume of assets under management in private banking rose substantially by EUR 2,120.4 million or 22.2% year on year to EUR 11,684.1 million, attaining a new all-time high in end-of-quarter figures.
Inflows into individual portfolio management mandates also saw an increase to a new record level of EUR 744.5 million. It is also very pleasing that our German branches are contributing significantly to growth. Trading activity was also very lively in the brokerage business in which stock investors make their own investment decisions.

Assets under management - private banking		YoY change	
As at 30/9/2021	**As at 30/9/2020**	**absolute**	**in %**
€ 11,684.1 million	€ 9,563.7 million	€ 2,120.4 million	22.2%

Building society savings

In the first half of 2021, Oberbank acted as intermediary for 8,712 building society savings contracts. This corresponds to an increase of 1,738 contracts or 24.9% versus the same period of the preceding year.

Wüstenrot loans

The increase in Wüstenrot loans was also significant in the first three quarters compared to the same period of the preceding year. By 30 September 2021, a lending volume of EUR 39.6 million was brokered for Wüstenrot. This corresponds to a rise of EUR 11.8 million or 42.4%.

Insurance business

In the insurance business, total production (life insurance and non-life insurance) rose by 47.7% year on year. All insurance segments posted growth. The steepest increases recorded year on year were in the segments of company pension schemes (108.8%) and retail endowment life insurance policies (55.8%).

Insurance contracts - premium volume*		YoY change	
As at 30/9/2021	**As at 30/9/2020**	**absolute**	**in %**
€ 141.0 million	€ 95.4 million	- € 45.6 million	47.7%

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

Financial Markets

Financial Markets in € m	Q1-3 2021	Q1-3 2020	± absolute	± in %
Net interest income	6.5	10.3	-3.8	-36.9%
Profit from entities accounted for by the equity method	74.4	-20.2	94.6	
Charges for losses on loans and	-5.8	-4.8	-1.0	20.6%
Net fee and commission income	0.0	0.0	0.0	
Net trading income	5.4	0.1	5.3	> 100.0%
Administrative expenses	-8.0	-6.5	-1.5	23.7%
Other operating income	1.1	-3.6	4.7	
Profit/loss for the period	73.5	-24.7	98.3	
Risk equivalent	5,365.5	5,653.4	-287.9	-5.1%
Average allocated equity	919.9	911.0	8.9	1.0%
Return on equity before tax (RoE)	10.7%	n.a.	14.3% ppt	
Cost/income ratio	9.2%	n.a.	57.6% ppt	

n.a. – not indicative

Earnings trend in Financial Markets

The profit in Financial Markets rose by EUR 98.3 million from negative EUR 24.7 million to positive EUR 73.5 million. Net interest income decreased by EUR 3.8 million or 36.9% to EUR 6.5 million. Income from equity investments rose from negative EUR 20.2 million by EUR 94.6 million to positive EUR 74.4 million. Charges for losses on loans and advances increased from EUR 4.8 million by EUR 1 million to EUR 5.8 million. Net trading income rose from EUR 0.1 million by EUR 5.3 million to EUR 5.4 million. Administrative expenses were EUR 1.5 million higher year on year at EUR 8 million. Other operating income increased by EUR 4.7 million from negative EUR 3.6 million to positive EUR 1.1 million. RoE in the first quarter of 2021 was 10.7%, and the cost/income ratio was 9.2%.

Proprietary trading

The economic upswing in the first nine months of this year had an impact on financial and capital markets as well. Stock markets continued their uptrend, interest rates rose slightly and the US dollar profited the most of all currencies. Around the end of the third quarter, sentiment in the business sector became gloomier, especially due to supply chain disruptions, resulting in higher insecurity. Additionally, inflation is being fuelled by rising commodity prices and also by supply chain delays, and in some countries, it has reached levels not seen for ten years. This is raising expectations of a hike in interest rates. In this environment, trading contributed positively to results. However, due to rising uncertainty, we are keeping risk appetite low.

Refinancing

As we completed most planned refinancing transactions in the first half of the year, there were no transactions worthy of mention Q3. We raised a total of EUR 500 million on international capital markets (EUR 250 million in green covered bonds and EUR 250 million I senior non-preferred bank bonds) as well as almost EUR 90 million through sales. No significant activities are planned for the fourth quarter.
Due to the attractive terms, we applied for another EUR 100 million in September from the ECB's TLTRO III refinancing programme. We currently have a total of EUR 2.3 billion in refinancing under this programme. Customer deposits increased by EUR 842 million in the first nine months.

Own funds

Own funds were EUR 3,201.8 million as at 30 September 2021, which is a ratio of 19.9%. Tier 1 capital was EUR 2,810.6 million and the tier 1 capital ratio was 17.7%. Common equity tier 1 capital of EUR 2,760.6 million corresponds to a ratio of 17.4%.

Risk

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

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

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

The other risk categories are equity risk (risk of loss in value or foregone profits in the equity portfolio), market risk (risk of losses due to fluctuating interest rates, foreign exchange rates or equity prices), operational risk and liquidity risk. These risks are also covered by the corresponding funds in line with the principle of conservatism. In the case of liquidity risk, the sound position of Oberbank is also supported by the fact that it can refinance the entire credit volume (EUR 18.2 billion as at 30 September 2021) with the primary deposits of customers, own issues and deposits from Förderbanken (OeKB, LfA, KfW) which amounted to EUR 19.6 billion as at 30 September 2021. Additionally, Oberbank has a permanent risk controlling system in place as well as strict process management and other efficient control and management instruments.

Outlook

Due to the strong recovery of the economy, we are confident about Oberbank's earnings performance. We aim to achieve a substantial improvement over the preceding year. However, the result for the year also depends on the development of credit risk and measurement risk. There are no signs of deterioration at present.

Consolidated Interim Financial Statements pursuant to IFRS
Consolidated statement of comprehensive income from 1/1/2021 to 30/9/2021

Consolidated income statement in €k		1/1 to 30/9 2021	1/1 to 30/9 2020	Change in €k	Change in %
1. Interest and similar income		280,550	306,155	-25,605	-8.4
a) Interest income pursuant to effective interest rate method		265,747	291,356	-25,609	-8.8
b) Other interest income		14,803	14,799	4	0.0
2. Interest and similar expenses		-24,351	-53,339	28,988	-54.3
Net interest income	(1)	256,199	252,816	3,383	1.3
3. Profit from entities recognised using the equity method	(2)	74,426	-20,204	94,630	>-100.0
4. Charges for losses on loans and advances	(3)	-5,902	-18,556	12,654	-68.2
5. Fee and commission income		158,016	143,064	14,952	10.5
6. Fee and commission expenses		-14,913	-15,326	413	-2.7
Net fee and commission income	(4)	143,103	127,738	15,365	12.0
7. Net trading income	(5)	4,393	1,126	3,267	> 100.0
8. Administrative expenses	(6)	-228,085	-221,912	-6,173	2.8
9. Other operating income	(7)	-17,256	-14,044	-3,212	22.9
a) Net income from financial assets - FVPL		4,032	-1,479	5,511	>-100.0
b) Net income from financial assets - FVOCI		-307	-159	-148	93.1
c) Net income from financial assets - AC		-79	160	-239	>-100.0
d) Other operating income		-20,902	-12,566	-8,336	66.3
Profit/loss for the period before tax		226,878	106,964	119,914	> 100.0
10. Income taxes	(8)	-37,100	-31,489	-5,611	17.8
Profit/loss for the period after tax		189,778	75,475	114,303	> 100.0
of which attributable to the owners of the parent company and the owners of additional equity components		188,928	74,659	114,269	> 100.0
of which attributable to non-controlling interests		850	816	34	4.2

Other comprehensive income in €k	1/1 to 30/9/2021	1/1 to 30/9/2020
Profit/loss for the period after tax	189,778	75,475
Items not reclassified to profit or loss for the year	24,942	4,155
-/+ Actuarial gain/loss IAS 19	13,351	658
+/- Deferred taxes on actuarial gains/losses IAS 19	-3,338	-164
+/- Share from entities recognised using the equity method	10,122	2,757
+/- Value changes in own credit risk recognised in equity IFRS 9	-18,155	37,164
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	4,539	-9,291
+/- Value changes in equity instruments recognised in equity IFRS 9	24,564	-35,961
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	-6,141	8,992
Items reclassified to profit or loss for the year	8,792	-11,327
+/- Value changes recognised in equity for debt securities IFRS 9	204	-1,777
Amounts recognised in equity	255	-1,792
Reclassification adjustments	-52	15
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	-51	444
Amounts recognised in equity	-64	448
Reclassification adjustments	13	-4
± Currency exchange differences	4,219	-2,936
+/- Share from entities recognised using the equity method	4,420	-7,058

	1/1 to 30/9/2021	1/1 to 30/9/2020
Total income and expenses recognised directly in equity	33,734	-7,172
Total comprehensive income for the period from net profit/loss and income/expenses not recognised in profit/loss	223,512	68,303
of which attributable to the owners of the parent company and the owners of additional equity components	222,662	67,487
thereof attributable to non-controlling interests	850	816

Performance indicators	1/1 to 30/9/2021	1/1 to 30/9/2020
Cost/income ratio in %1)	49.49	63.87
Return on equity before tax in %2)	9.63	4.86
Return on equity after tax in %3)	8.06	3.43
Risk-earnings ratio (credit risk/net interest income) in %4)	2.30	7.34
Earnings per share (annualised) in €5)6)	7.19	2.86

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

Consolidated Interim Financial Statements pursuant to IFRS

Consolidated statement of comprehensive income from 1/7/2021 to 30/9/2021

Consolidated income statement in €k		**1/7 to 30/9/**	**1/7 to 30/9/**	**Change in €k**	**Change in %**
1. Interest and similar income		93,540	95,953	-2,413	-2.5
a) Interest income purs. to effective interest rate method		88,495	91,681	-3,186	-3.5
b) Other interest income		5,045	4,272	773	18.1
2. Interest and similar expenses		-4,122	-12,898	8,776	-68.0
Net interest income	(1)	89,418	83,055	6,363	7.7
3. Profit from entities recognised using the equity method	(2)	30,628	24,776	5,852	23.6
4. Charges for losses on loans and advances	(3)	2,393	-9,094	11,487	>-100.0
5. Fee and commission income		51,054	45,751	5,303	11.6
6. Fee and commission expenses		-4,826	-4,722	-104	2.2
Net fee and commission income	(4)	46,228	41,029	5,199	12.7
7. Net trading income	(5)	413	400	13	3.3
8. Administrative expenses	(6)	-76,715	-74,412	-2,303	3.1
9. Other operating income	(7)	-2,223	3,991	-6,214	>-100.0
a) Net income from financial assets - FVPL		-789	9,307	-10,096	>-100.0
b) Net income from financial assets - FVOCI		-142	52	-194	>-100.0
c) Net income from financial assets - AC		-72	0	-72	>-100.0
d) Other operating income		-1,220	-5,368	4,148	-77.3
Profit/loss for the period before tax		90,142	69,745	20,397	29.2
10. Income taxes	(8)	-14,078	-11,707	-2,371	20.3
Profit/loss for the period after tax		76,064	58,038	18,026	31.1
of which attributable to the owners of the parent company and the owners of additional equity components		75,861	57,757	18,104	31.3
thereof attributable to non-controlling interests		203	281	-78	-27.8

Other comprehensive income in €k	1/7 to 30/9/2021	1/7 to 30/9/2020
Profit/loss for the period after tax	76,064	58,038
Items not reclassified to profit or loss for the year	9,917	1,244
-/+ Actuarial gain/loss IAS 19	4,451	220
+/- Deferred taxes on actuarial gains/losses IAS 19	-1,113	-55
+/- Share from entities recognised using the equity method	4,718	-2,354
+/- Value changes in own credit risk recognised in equity IFRS 9	104	-1,721
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	-26	430
+/- Value changes in equity instruments recognised in equity IFRS 9	2,376	6,299
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	-594	-1,575
Items reclassified to profit or loss for the year	4,992	3,723
+/- Value changes recognised in equity for debt securities IFRS 9	109	964
Amounts recognised in equity	110	964
Reclassification adjustments	-1	0
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	-28	-241
Amounts recognised in equity	-28	-241
Reclassification adjustments	0	0
± Exchange differences	1,964	1,237
+/- Share from entities recognised using the equity method	2,946	1,763

	1/7 to 30/9/2021	1/7 to 30/9/2020
Total income and expenses recognised directly in equity	14,909	4,967
Total comprehensive income for the period from net profit/loss and income/expenses not recognised in profit/loss	90,973	63,005
of which attributable to the owners of the parent company and the owners of additional equity components	90,770	62,724
thereof attributable to non-controlling interests	203	281

Consolidated balance sheet as at 30/9/2021

Assets						
in €k			**30/9/2021**	**31/12/2020**	**Change in €k**	**Change in %**
1.	Cash and balances at central banks	(10)	4,299,208	2,105,984	2,193,224	> 100.0
2.	Loans and advances to banks	(11)	518,691	968,908	-450,217	-46.5
3.	Loans and advances to customers	(12)	18,220,893	17,264,665	956,228	5.5
4.	Trading assets	(13)	38,440	47,434	-8,994	-19.0
5.	Financial investments	(14)	3,110,619	3,404,229	-293,610	-8.6
	a) Financial assets - FVPL		491,139	560,251	-69,112	-12.3
	b) Financial assets FVOCI			487,826	-89,714	-18.4
	c) Financial assets - AC		1,238,326	1,459,007	-220,681	-15.1
	d) Interests in entities accounted for		983,042	897,145	85,897	9.6
6.	Intangible assets	(15)	2,316	2,203	113	5.1
7.	Property, plant and equipment	(16, 17)	389,552	404,351	-14,799	-3.7
	a) Investment property		87,726	89,656	-1,930	-2.2
	b) Other property, plant and equipment		301,826	314,695	-12,869	-4.1
8.	Other assets	(18)	271,348	235,155	36,193	15.4
	a) Deferred tax assets		2,282	7,388	-5,106	-69.1
	b) Positive fair values of closed out derivatives in the banking book		105,514	153,306	-47,792	-31.2
	c) Other		163,552	74,461	89,091	>100
	Total assets		**26,851,067**	**24,432,929**	**2,418,138**	**9.9**

	Equity and liabilities					
	in €k		**30/9/2021**	**31/12/2020**	**Change in €k**	**Change in %**
1.	Amounts owed to credit institutions	(19)	6,027,002	5,065,644	961,358	19.0
	a) Refinance allocated for customer loans		2,986,218	2,734,835	251,383	9.2
	b) Other amounts owed to credit institutions		3,040,784	2,330,809	709,975	30.5
2.	Amounts owed to customers	(20)	13,929,266	13,087,168	842,098	6.4
3.	Securitised liabilities	(21)	2,203,480	1,854,005	349,475	18.8
4.	Provisions for liabilities and charges	(22)	358,419	372,841	-14,422	-3.9
5.	Other liabilities	(23)	578,525	528,630	49,895	9.4
	a) Trading liabilities	(24)	35,404	42,799	-7,395	-17.3
	b) Tax liabilities		34,118	6,638	27,480	> 100.0
	ba) Current tax liabilities		31,058	2,932	28,126	> 100.0
	bb) Deferred tax liabilities		3,060	3,706	-646	-17.4
	c) Negative fair values of closed out derivatives in the banking book		18,714	39,932	-21,218	-53.1
	c) Other		490,289	439,261	51,028	11.6
6.	Subordinated debt capital	(25)	498,262	485,775	12,487	2.6
7.	Shareholders' equity	(26)	3,256,113	3,038,866	217,247	7.1
	a) Equity after minorities		3,198,667	2,981,215	217,452	7.3
	b) Minority interests		7,446	7,651	-205	-2.7
	c) Additional equity capital components		50,000	50,000	0	0.0
	Total equity and liabilities		**26,851,067**	**24,432,929**	**2,418,138**	**9.9**

Consolidated statement of changes in equity as at 30/9/2021

					Revaluation reserve								
in €k	Subscribed capital	Capital reserves	Retained earnings	Exchange differences	Reclassified debt securities IFRS 9	Equity instruments IFRS 9 not reclassified	Change in own credit risk IFRS 9 not reclassified	Actuarial gains/losses purs. to IAS 19	Associates	Equity after minorities	Shares of non-controlling shareholders	Additional equity capital components	Shareholders' equity
As at 1/1/2020	**105,844**	**505,523**	**1,605,472**	**-1,365**	**1,414**	**126,729**	**-9,522**	**-48,552**	**616,297**	**2,901,840**	**8,697**	**50,000**	**2,960,537**
Consolidated net profit			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**
As at 1/1/2021	**105,381**	**505,523**	**1,717,804**	**-5,663**	**242**	**112,620**	**6,128**	**-54,292**	**593,474**	**2,981,215**	**7,651**	**50,000**	**3,038,866**
Consolidated net profit			121,143	4,219	153	18,423	-13,616	10,013	82,327	222,662	850		223,512
Net profit/loss for the year			121,143						67,785	188,928	850		189,778
Other comprehensive income				4,219	153	18,423	-13,616	10,013	14,542	33,734			33,734
Dividend distribution			-20,408							-20,408			-20,408
Coupon payments on additional equity components			-1,725							-1,725			-1,725
Capital increase													
Issuance of additional equity components													
Repurchased own shares	483		12,856							13,339			13,339
Other changes not recognised in income			15						3,569	3,584	-1,055		2,529
As at 30/9/2021	**105,864**	**505,523**	**1,829,685**	**-1,444**	**395**	**131,043**	**-7,488**	**-44,279**	**679,370**	**3,198,667**	**7,446**	**50,000**	**3,256,113**

Consolidated statement of cash flows in €k	**1/1 to 30/9/2021**	**1/1 to 30/9/2020**
Profit/loss for the period	189,778	75,475
Non-cash items in profit/loss for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-29,483	64,467
Change in provisions for staff benefits and other provisions for liabilities and charges	-4,409	-2,077
Change in other non-cash items	-4,616	-4,402
Gains and losses on financial investments, property, plant and equipment and intangible assets		
	-361	-1,457
Subtotal	**150,909**	**132,005**
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	464,441	816,326
- Loans and advances to customers	-950,657	-894,600
- Trading assets	10,219	-12,974
- Financial assets for operating activities[1)]	94,895	10,762
- Other assets from operating activities	2,068	26,338
- Amounts owed to credit institutions	977,226	1,250,840
- Amounts owed to customers	845,270	725,478
- Securitised liabilities	353,823	101,998
- Other liabilities from operating activities	-38,567	-30,934
Cash flow from operating activities	**1,909,625**	**2,125,240**
Proceeds from the sale of		
- Financial assets held as investments[2)]	516,171	569,428
- Property, plant and equipment, and intangible assets	6,771	0
Outlay on purchases of		
- Financial investments	-212,939	-382,942
- Property, plant and equipment, and intangible assets	-22,335	-45,360
Cash flow from investing activities	**287,667**	**141,126**
Capital increase	0	0
Dividend distributions	-20,408	-529
Coupon payments on additional equity components	-1,725	-1,725
Inflow from subordinated debt capital and other financing activities		
- Issues	41,700	18,928
- Other	15,064	0
Outflow from subordinated debt capital and other financing activities		
- Redemptions	-25,600	-58,810
- Other	-13,099	-25,540
Cash flow from financing activities	**-4,069**	**-67,676**
Cash and cash equivalents at the end of preceding period	**2,105,984**	**371,557**
Cash flow from operating activities	1,909,625	2,125,240
Cash flow from investing activities	287,667	141,126
Cash flow from financing activities	-4,069	-67,676
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	**4,299,208**	**2,570,248**
Interest received	278,576	300,218
Dividends received	13,597	10,596
Interest paid	-61,583	-85,164
Coupon payments on additional equity components	-1,725	-1,725
Income tax paid	-30,135	-30,604

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 2021 (1 January 2021 to 30 September 2021) and compare the results with the corresponding periods of the preceding year. This interim report for the first three quarters of 2021 complies with IAS 34 ("Interim Reports"). No full audit or review by an auditor has been conducted of these condensed interim financial statements for the Group. We have not applied standards and interpretations that take effect as of the financial year 2022 or later.

Changes to accounting policies 2021

The quarterly report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31/12/2020. An exception are the standards and interpretations that apply to financial years that start on or after 1 January 2021. Only those new standards and interpretations are presented that are relevant for the operating activities of Oberbank.

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

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

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

Actuarial assumptions

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

	30/9/2021	31/12/202
Interest rate applied	1.25%	0.75%
Increase under collective agreements	2.63%	2.83%
Pension increase	1.67%	1.68%

The Oberbank group of consolidated companies

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

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

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

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

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

Segmentation

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

Stage Model

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

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

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

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

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

The assessment of the significant increase in credit risk is a key factor of the 3-stage model in the impairment rules of IFRS 9, because when there is a significant increase in credit risk, the impairment must be recognised over the entire life of the financial instrument (lifetime ECL).
The stage assessment is used to classify the loans into two stages for performing loans and one stage for the non-performing loan portfolio (stage 3). The lifetime expected credit loss is recognised for stages 2 and 3, while for stage 1 the 12-month expected credit loss is calculated.
The overall classification concept of Oberbank is based on qualitative, quantitative and backstop criteria.
At the time of initial recognition on the balance sheet, every instrument is assigned to stage 1 at first. An exception is made for assets that are already impaired at the time of recognition (so-called POCI assets). On subsequent reporting dates, the transition to stage 2 occurs when there is a significant increase in credit risk. However, if the conditions of significant deterioration of creditworthiness are no longer given, a retransfer to stage 1 is carried out.

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

Qualitative criteria for a stage transfer

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

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

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

All financial instruments, which had an absolute low credit risk on the balance sheet date may be assigned to stage 1 as an exception to the relative approach (IFRS 9.5.5.10). When a borrower is in a rating class with a very low credit risk (rating classes AA to 1b), the financial instrument is also assigned to stage 1. This logic is applied only to the low-default portfolio for the segments of sovereigns and banks. The low credit risk exemption therefore applies to a portfolio that would generally be designated as 'investment grade' (average PD of rating class corresponds to S&P equivalent ratings to BBB-).

Likewise, foreign currency loans with income in a congruent currency and also loans with special purpose vehicles classified as performing are assigned to stage 2. Currency fluctuations and movements in collateral assets in the case of special purpose vehicles have a higher risk with respect to ability to service a loan than in the case of conventional loan portfolios.

Apart from qualitative factors inherent to the model for a stage transfer, Oberbank also applies the collective stage transfer to stage 2 for certain sub-portfolios with the continuation of the coronavirus crisis. The principal reasons for this are the massive economic distortions accompanied by extraordinary government interventions. The model establishing a connection between economic performance and credit default rates is based on the one hand, on a break in the system, and on the other, on the fact that the deteriorating economic conditions are not yet fully factored into the internal bank ratings. Before this backdrop, it appears necessary to temporarily represent the expected higher credit risk by a collective stage transfer.
In this management overlay, additional risks are identified with an influence on impairment charges, especially crisis-induced risk and that are probably of temporary nature.
Collective staging is applied in the following portfolios:

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

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

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

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

Qualitative criteria for a stage transfer

The transfer criterion at Oberbank is based mainly on an analysis of the cumulated default probabilities (lifetime PDs). The following variables influence the determination of a relative deterioration of PD:

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

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

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

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

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

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

Calculating ECL

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

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

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

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

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

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

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

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

Key input parameters

Probability of Default (PD)

The probability of default is derived for the segments Corporates, SME and Retail in a base scenario from the historic default rates and the migration probability. The default probabilities for different maturities (lifetime PD) is calculated for each segment and rating stage based on the default vector of the migration matrix. The default probability for the segments Banks and Sovereigns is derived directly from the internal ratings and thus from the internal banking master scale. The determination of the historic default rates and migration probabilities for the central customer portfolio is based on the migration matrix for each respective segment. In such cases, the last ten-year period is used. The basis for determining the 1-year migration matrix is in a first step the view by quarters of rating migrations.

The 1-year migration matrix is determined based on a matrix multiplication of four successive quarters. The final 1-year migration matrix is the mean value of all migration matrices determined. The 1-year PD per rating class is the sum of the PD from the three default rating classes 5a, 5b and 5c. The cumulated and lifetime PD is formed based on the Markov assumption for migration matrices by applying matrix multiplication. This results in PD curves per segment and rating class. For individual segments and maturity bands, these conditional basis PD that result from the 'through-the-cycle migration matrix' are adjusted in order to include forward-looking information. This so-called 'point-in-time adjustment' (PIT adjustment) is done using statistical models to attempt to relate the default probability with the explanatory macroeconomic variables.
A linear regression is used as a statistical model, with the default probability being estimated. The regression parameters are estimated by maximization of the likelihood function. Key macroeconomic variables used in the model are the Austrian long-term bond yield (10 years), the harmonized consumer price index (CPI), as well as gross domestic product growth (GDP). A country weighting is applied to the CPI and GDP factors. In this context, the countries of Austria, Germany, Czech Republic, Hungary and Slovakia are considered which is where Oberbank does business, with the factors being weighted as follows: Austria with 65%, Germany with 15%, Czech Republic with 10%, Hungary and Slovakia each with 5%. The model selection is based on the information criterion pursuant to Akaike (AIC), with the variables being chosen in a step-wise selection process.

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

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

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

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

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

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

At Oberbank, there are loans that were granted on a "until further notice" basis with respect to maturity. Within the scope of the annual credit review, the credit agreement is reassessed and, if applicable, the terms are adjusted with a view to the changes in credit quality. These loans can be called at any time. Therefore, with respect to maturity, it is assumed that the period is one year, because every year a decision is made on the prolongation of the line of credit. Oberbank is thus exposed to the credit risk for a maximum period of one year.
In the case of overdraft facilities, the portion is calculated first that is currently not being used. In this case, the credit balance is deducted from the overdraft limit. This unused part of an overdraft facility consequently remains unchanged over the entire life of the loan. The calculation of the exposure at default (EAD) is based throughout on a credit conversion factor. The due date of the overdraft facility always corresponds to the maturity of the loan.

Sensitivity analysis

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

Impairment charges by segment

in €k	100% Stage 1 12M-ECL	ECL calculation as at 30/9/2021	100% Stage 2 LT ECL
Banks	-1,050	-1,051	-1,334
Corporates	-32,447	-62,030	-118,948
Retail	-3,212	-4,866	-13,046
SME	-2,544	-3,453	-4,299
Sovereign	-352	-413	-1,054
Total	-39,606	-71,813	-138,680

Effects of the coronavirus pandemic on the consolidated quarterly financial statements

1. Background

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

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

The updated discretionary decisions, assumptions and estimates contained in these consolidated financial statements relate essentially to the items presented below.

Risk provisions

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

Fair value of financial instruments

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

Impairment losses on investments recognised using the equity method

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

3. Risks of financial instruments

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

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

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

The Oberbank impairment model contains, among other things, a modification of the default probability (PD) to take into account forward-looking macroeconomic information. The financial aid measures help to ameliorate the negative economic effects for our customers, but also make the early detection of any potential worsening of credit quality more difficult. Therefore, the direct relationship between default rates and macroeconomic development is temporarily suspended and distorted. If one were to apply the already positive estimates for GDP growth for the year 2021 in the model, the expected default probabilities would decrease even further although the rating structure has not yet deteriorated across a broad base. The FLI model developed at Oberbank uses a time-series that does not take into account these economic distortions, government support measures or extreme macroeconomic values, and therefore, it cannot be applied to the current economic phase.
Before this backdrop, the point-in-time adjustment factors have not been adjusted since the second quarter of 2020.

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

Normal scenario	**Year 1 (Average of 4 quarters)**	**Year 2 (Average of 4 quarters)**	**Year 3 (Average of 4 quarters)**
Real GDP growth	-6.1%	5.6%	3.8%
Harmonized consumer price index	1.1%	1.4%	1.7%
Ten-year Austrian government bonds	-0.1%	0.2%	0.3%

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

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

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

- Receivables from borrowers in industries severely affected by lockdowns: Based on the allocation to branches using the NACE code system, a structural analysis of both the supply and the demand side with respect to the severity of the shock is conducted and the companies are categorised according to a 5-tier scale. Based on this categorisation, receivables with the highest ranking regarding the severity of the economic impact of the lockdowns are transferred to stage 2. As a consequence, the NACE Code serves as a further qualitative criterion in the stage transfer model, and therefore, a lifetime expected loss is used as basis for defining impairment charges for all receivables of the sectors concerned (accommodations, restaurant and food service industry, travel, aerospace).
- Receivables from borrowers that are still in the status of statutory moratoria as at the reporting date: In this case, it is pointed out that in some of Oberbank's markets (Hungary, Slovakia) EBA-compliant deferrals are still possible; therefore, these loans are assigned to stage 2 provided there are not already classified as forborne. Generally, it is assumed that the necessity of a payment deferral granted on the reporting date is a further indicator of a higher default risk.
- Receivables from borrowers in the segment of real estate project finance with commercial mortgage-backed collateral: As the credit risk of these loans are directly related to the earnings opportunities from the sale or rental of real estate, any distortions on the real estate market caused by the coronavirus crisis have an effect on creditworthiness. The current focus is on the market for commercial real estate where demand is being negatively influenced by the pandemic.
- Receivables from borrowers classified as severely affected by the coronavirus based on case-by-case analyses conducted in Q1 2021 of coronavirus vulnerability of customers with high risk exposure: As a management overlay measure, a risk provision in the amount of the lifetime expected loss was allocated for these customers.
- The government-ordered payment deferrals in Hungary where the bank has subsidiaries was extended again until 30 September 2021. This not only makes it difficult to assess the default risks of borrowers who make use of the payment deferrals, but also the mutual influence that widens defaults in this area to all other borrowers. Even at the Hungarian National Bank, the extension of the payment deferrals was controversial and there were fears of severe negative effects on the Hungarian economy. Due to this initial situation, business transactions in Hungary are transferred to stage 2.

Compared with the start of the year, the amount of the impairment charges for performing loans (stage 1 and stage 2) increased by EUR 1.7 million.

<u>Fair value valuations</u>

The valuation models, input parameters, the fair value hierarchy and the fair values of financial instruments are described in detail in Note 31) Fair value of financial instruments and other items regarding reconciliation as at 30 September 2021.

<u>Impairment testing for investments recognised using the equity method</u>

Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank in the entity. If there is objective evidence for impairment of an investment accounted for using the equity method, an individual value-in-use is calculated for this investment. The higher of the two values – market price and value-in-use – constitute the recoverable amount pursuant to IAS 36.6 and is used for the measurement. Cause for an impairment test is given when the fair value drops by at least 20% below the carrying value recognized using the equity method or if this decline persists over a period of more than nine months at a level below the carrying value recognized using the equity method. As at 30 September 2021, these conditions did not apply to any of the entities recognized using the equity method even though voestalpine's market price of EUR 32.04 per share was 4.9% below the carrying value of EUR 33.70 per share.

4. Impairment losses for non-financial assets and deferred tax assets on loss carryforwards
Oberbank holds non-financial assets in intangible assets; property, plant and equipment; investment property; and right-of-use assets on leased objects. Assets are accounted for at amortised cost. There were no indications for impairment losses such as branch closures, declining demand for banking products, significant changes to right-of-use assets or the reassessment of usable life. The fair value of investment property was EUR 102,370 thousand (31/12/2020: EUR 105,150 thousand). The decline is due to 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 EUR 525 thousand (31/12/2020: EUR 647 thousand). The earnings situation of the Group companies from which the loss carryforwards result did not change due to the coronavirus pandemic. The tax loss carryforwards remain recoverable.

The relief measures issued by IASB in May 2020 and in March 2021 on the application of IFRS 16 granting lessees accounting concessions in the case of, for example, lease payment deferrals and rent reductions, which are directly related to the coronavirus pandemic, are not of relevance for Oberbank at present.
Oberbank as a lessee has not made use of the options of lease payment deferrals or rent reductions.

5. Presentation of the effects due essentially to the coronavirus pandemic
The most important effect of the coronavirus pandemic on the income statement concerns, as mentioned above, the item Charges for losses on loans and advances (additions to loan loss provisions in lending stage 1 and stage 2). However, the additions in an amount of EUR 1,767 thousand cannot be clearly assessed as having been caused directly by the coronavirus crisis. Furthermore, the item Other administrative expenses in an amount of EUR 230 thousand include costs directly related to the coronavirus pandemic (expenses for special cleaning, purchase of cleaning and disinfecting products, and protective items, IT infrastructure, furnishings for branches).
Additionally, the coronavirus reduced or suspended distributions on profits from equity investments. However, the effects caused by the coronavirus cannot be precisely quantified.

6. Material events since the close of the interim reporting period
No events of material significance occurred after the reporting date 30 September 2021.

Details of the income statement in €k

1) Net interest income	**1/1 to 30/9/2021**	**1/1 to 30/9/2020**
Interest income from		
Credit and money market operations	248,721	265,168
Shares and other variable-yield securities	2,682	1,874
Other equity investments	3,078	4,727
Subsidiaries	1,196	492
Fixed-interest securities and bonds	24,873	33,894
Interest and similar income	280,550	306,155
Interest expenses for		
Deposits	70	-27,366
Securitised liabilities	-13,437	-13,886
Subordinated liabilities	-10,138	-11,803
Result of non-significant modifications	-846	-284
Interest and similar expenses	-24,351	-53,339
Net interest income	256,199	252,816

2) Profit from entities recognized using the equity method	**1/1 to 30/9/2021**	**1/1 to 30/9/2020**
Net amounts from proportionately recognised income	67,967	-12,523
Expenses from impairments and income from additions	6,459	-12,600
Income from additions due to purchases	0	4,919
Profit from entities recognized using the equity method	74,426	-20,204

3) Charges for losses on loans and advances	**1/1 to 30/9/2021**	**1/1 to 30/9/2020**
Additions to charges for losses on loans and advances	-61,210	-61,722
Direct write-offs	-1,106	-1,190
Reversals of charges for losses on loans and advances	54,984	43,860
Recoveries from written-off receivables	1,682	1,948
Result of non-significant modifications	30	48
Result of POCI financial instruments	-282	-1,500
Charges for losses on loans and advances	-5,902	-18,556

4) Net commission income	**1/1 to 30/9/2021**	**1/1 to 30/9/2020**
Net fee and commission income from :		
Payment services	48,742	45,109
Securities business	56,126	49,488
Foreign exchange, foreign bank notes and precious metals	14,426	12,025
Credit operations	34,287	31,460
Other service and advisory business	4,435	4,982
Total net fee and commission income	158,016	143,064
Net fee and commission expenses for:		
Payment services	3,457	3,190
Securities business	6,465	5,891
Foreign exchange, foreign bank notes and precious metals	427	439
Credit operations	4,376	4,128
Other service and advisory business	188	1,678
Total fee and commission expenses	14,913	15,326
Net fee and commission income	143,103	127,738

5) Net trading income	1/1 to 30/9/2021	1/1 to 30/9/2020
Gains/losses on interest rate contracts	1,222	-406
Gains/losses on foreign exchange, foreign bank notes and numismatic	997	3,651
Gains/losses on derivatives	2,174	-2,119
6) Administrative expenses	**1/1 to 30/9/2021**	**1/1 to 30/9/2020**
Staff costs	134,927	132,853
Other administrative expenses	70,926	66,896
Write-offs and impairment allowances	22,232	22,163
Administrative expenses	228,085	221,912

7) Other operating income	1/1 to 30/9/2021	1/1 to 30/9/2020
a) Net income from financial assets - FVPL	4,032	-1,479
thereof from designated financial instruments	-5,263	2,873
thereof financial instruments with mandatory measurement at FVPL	9,295	-4,352
b) Net income from financial assets - FVOCI	-307	-159
thereof from the measurement of debt instruments	-368	-308
thereof from the sale and derecognition of debt instruments	61	149
c) Net income from financial assets - AC	-79	160
d) Other operating income	-20,902	-12,566
Other operating income:	**26,538**	**32,305**
Income from operational risks	3,324	7,651
Gains from the sale of land and buildings	0	289
Income from private equity investments	140	2,534
Income from operating leases	10,775	11,630
Other income from the leasing sub-group	5,605	4,579
Brokerage fees from third parties	3,497	2,946
Other	3,197	2,676
Other operating expenses	**-47,440**	**-44,871**
Expenses from operational risks	-4,273	-3,738
Stability tax	-3,776	-3,938
Contributions to the resolution fund and deposit protection scheme	-21,960	-18,230
Expenses from operating leases	-11,278	-10,544
Other income from the leasing sub-group	-3,749	-4,036
Other	-2,404	-4,385
Other operating income net of other operating expenses	-17,256	-14,044

8) Income taxes	1/1 to 30/9/2021	1/1 to 30/9/2020
Current income tax expense	37,825	37,273
Deferred income tax expense (income)	-725	-5,784
Income taxes	37,100	31,489

9) Earnings per share in €	1/1 to 30/9/2021	1/1 to 30/9/2020
Number of shares as at 30/09	35,307,300	35,307,300
Average number of shares in issue	35,217,322	35,137,952
Profit/loss for the period after tax	189,778	75,475
Earnings per share in €	5.39	2.15
Annualised values	7.19	2.86

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

Details of the balance sheet in €k

10) Cash and balances with central banks	30/9/2021	31/12/2020
Credit balances with central banks of issue	4,141,567	1,943,836
Other liabilities	157,641	162,148
Cash and balances with central banks	4,299,208	2,105,984

11) Loans and advances to credit institutions	30/9/2021	31/12/2020
Loans and advances to domestic credit institutions	146,082	79,498
Loans and advances to foreign credit institutions	372,609	889,410
Loans and advances to credit institutions	518,691	968,908

12) Loans and advances to customers	30/9/2021	31/12/2020
Loans and advances to domestic customers	10,477,589	10,210,754
Loans and advances to foreign customers	7,743,304	7,053,911
Loans and advances to customers	18,220,893	17,264,665

13) Trading assets	30/9/2021	31/12/2020
Bonds and other fixed-interest securities		
Listed	0	206
Shares and other variable-yield securities		
Listed	1,307	551
Positive fair values of derivative financial instruments		
Currency contracts	4,965	5,239
Interest rate contracts	32,168	41,438
Other contracts	0	0
Trading assets	38,440	47,434

14) Financial investments	30/9/2021	31/12/2020
Bonds and other fixed-interest securities		
Listed	1,490,539	1,877,632
Unlisted	59,608	60,568
Shares and other variable-yield securities		
Listed	113,880	91,656
Unlisted	218,064	214,284
Equity investments/shares		
in subsidiaries	82,204	94,468
in entities recognized using the equity method		
Banks	499,210	476,421
Non-banks	483,832	420,724
Other equity investments		
Credit institutions	46,647	46,441
Non-banks	116,635	122,035
Financial investments	3,110,619	3,404,229
a) Financial assets - FVPL	491,139	560,251
b) Financial assets FVOCI	398,112	487,826
thereof equity instruments	339,177	329,186
thereof debt instruments	58,935	158,640
c) Financial assets - AC	1,238,326	1,459,007
d) Interests in entities recognised using the equity method	983,042	897,145
Financial investments	3,110,619	3,404,229

15) Intangible assets	30/9/2021	31/12/2020
Other intangible assets	1,996	1,861
Customer base	320	342
Intangible assets	2,316	2,203

16) Property, plant and equipment	30/9/2021	31/12/2020
Investment property	87,726	89,656
Land and buildings	90,643	89,314
Business equipment and furnishings	50,243	58,124
Other property, plant and equipment	15,656	24,039
Right of use for leased objects	145,284	143,218
Property, plant and equipment	389,552	404,351

17) Lease contracts in which Oberbank is lessee

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

Leasing in the consolidated balance sheet	30/9/2021	31/12/2020
Property, plant and equipment	145,889	143,218
Right-of-use for land and buildings	142,477	140,339
Right-of-use for business equipment and furnishings	906	590
Right-of-use for other property, plant and equipment	1,901	1,566
Right-of-use in investment property	605	723
Other liabilities		
Leasing liabilities	146,815	143,934

Additions to right-of-use in the first three quarters of 2021 were €k 15,910. Cash outflows for leasing liabilities amounted to €k 12,044.

Consolidated income statement in €k	1/1 to	1/1 to 30/9/2020
Interest expenses for leasing liabilities	562	608
Administrative expenses	11,692	12,296
Depreciation/amortisation for rights-of-use to land and buildings	10,601	10,388
Depreciation/amortisation for rights-of-use to business equipment and furnishings	236	192
Depreciation/amortisation for rights-of-use to other property, plant and equipment	737	570
Depreciation/amortisation for rights-of-use to investment property	118	118
Other expenses from lease contracts	867	1,028
Other operating income		
Income from subleasing rights-of-use	641	620

Leasing in the consolidated statement of cash flows	1/1 to 30/9/2021	1/1 to 30/9/2020
Repayment of leasing liabilities from finance activities	-12,044	-11,634
Interest expenses for leasing liabilities from operating activities	562	608

18) Other assets	30/9/2021	31/12/2020
Deferred tax assets	2,282	7,388
Other assets	156,868	70,751
Positive fair values of closed out derivatives in the banking book	105,514	153,306
Deferred items	6,684	3,710
Other assets	271,348	235,155

19) Amounts owed to credit institutions	30/9/2021	31/12/2020
Amounts owed to domestic banks	4,213,833	3,336,015
Amounts owed to foreign banks	1,813,169	1,729,629
Amounts owed to credit institutions	6,027,002	5,065,644

The balance sheet item Amounts owed to credit institutions contains an amount payable of EUR 2,300 million under the targeted longer-term refinancing operations (TLTRO III) of the ECB. These loans taken out between June 2020 and September 2021 have an interest rate of -0.5%. The interest rate is in conformity with market refinancing compared to deposits of our customers and other comparable secured loans. Therefore, we recognized the refinance liability as a financial instrument pursuant to IFRS 9.

In the first observation period, which lasted until June of this year, we achieved the required increase in lending to be eligible for the bonus and the negative refinancing interest rate decreased by a further -0.5%. This results in interest income of EUR 7.96 million for this year. If we achieve the required increase in lending volume in the current observation period until the end of the year, the negative refinancing interest rate will decrease by a further -0.5%. However, since it is not sufficiently certain that this condition will be met in the current period, the potential further decrease in interest expected for the relevant period in the financial year 2021 was not yet recognized in income. Should there be a change to our assessment of the fulfilment of the loan requirements, this would be treated as a change in our estimate pursuant to IFRS 9.B5.4.5 and recognized in income in future periods.

20) Amounts owed to customers	30/9/2021	31/12/2020
Savings deposits	2,579,419	2,660,875
Other	11,349,847	10,426,293
Amounts owed to customers	13,929,266	13,087,168

21) Securitised liabilities	30/9/2021	31/12/2020
Bonds issued	2,189,640	1,839,717
Other securitised liabilities	13,840	14,288
Securitised liabilities	2,203,480	1,854,005

22) Provisions for liabilities and charges	30/9/2021	31/12/2020
Provisions for termination benefits and pensions	185,481	201,775
Provisions for anniversary bonuses	15,219	15,778
Provisions for credit risks	121,442	117,159
Other provisions	36,277	38,129
Provisions for liabilities and charges	358,419	372,841

23) Other assets	30/9/2021	31/12/2020
Trading liabilities	35,404	42,799
Tax liabilities	34,118	6,638
Current tax liabilities	31,058	2,932
Deferred tax liabilities	3,060	3,706
Leasing liabilities	146,815	143,934
Other liabilities	275,738	237,262
Negative fair values of closed out derivatives in the banking book	18,714	39,932
Deferred items	67,736	58,065
Other liabilities	578,525	528,630

24) Other liabilities (trading liabilities)	30/9/2021	31/12/2020
Currency contracts	3,691	1,875
Interest rate contracts	31,713	40,924
Other contracts	0	0
Trading liabilities	35,404	42,799

25) Subordinated debt capital	30/9/2021	31/12/2020
Subordinated bonds issued incl. tier 2 capital	498,262	485,775
Hybrid capital	0	0
Subordinated debt capital	498,262	485,775

26) Shareholders' equity	30/9/2021	31/12/2020
Subscribed capital	105,864	105,381
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,585,408	2,368,439
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Share of non-controlling shareholders	7,446	7,651
Shareholders' equity	3,256,113	3,038,866

27) Contingent liabilities and credit risks	30/9/2021	31/12/2020
Other contingent liabilities (guarantees and letters of credit)	1,428,068	1,290,784
Contingent liabilities	1,428,068	1,290,784
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,591,228	4,402,862
Credit risks	4,591,228	4,402,862

28) Segment report as at 30/9/2021 Core business segments in €m	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	47.2	202.5	6.5		256.2
Profit from entities recognised using the equity method			74.4		74.4
Charges for losses on loans and advances	-1.0	0.9	-5.8		-5.9
Net fee and commission income	63.2	79.9			143.1
Net trading income		-1.0	5.4		4.4
Administrative expenses	-76.4	-120.3	-8.0	-23.3	-228.1
Other operating income	4.2	-2.2	1.1	-20.3	-17.3
Profit/loss for the period before tax	37.3	159.7	73.5	-43.6	226.9
Average risk-weighted assets	2,035.1	10,913.6	5,365.5		18,314.2
Average allocated equity	348.9	1,871.1	919.9		3,139.9
RoE (return on equity before tax)	14.2%	11.4%	10.7%		9.6%
Cost/income ratio	66.6%	43.1%	9.2%		49.5%

Segment report as at 30/9/2020 Core business segments in €m	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	46.7	195.8	10.3		252.8
Profit from entities recognised using 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

29) Human resources	30/9/2021	31/12/2020
Salaried employees	2,155	2,168
Blue-collar	7	7
Total resources	2,162	2,175

30) Regulatory capital purs. to Part 2 of Regulation (EU) No 575/2013 - Pillar I in €k	30/9/2021	31/12/2020	30/9/2020
Subscribed capital	105,922	105,922	98,722
Capital reserves	505,523	505,523	505,523
Retained earnings	2,371,568	2,288,023	2,154,353
Minority interests	0	0	0
Cumulated other comprehensive income	79,671	64,698	70,134
Regulatory adjustment items	4,728	-9,303	-21,516
Deductions from common equity tier 1 capital items	-261,635	-249,653	-255,816
Common equity tier 1 capital	**2,805,777**	**2,705,210**	**2,551,400**
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	**2,855,777**	**2,755,210**	**2,601,400**
Qualifying supplementary capital instruments	359,306	356,117	333,593
Nominal capital preference shares purs. to transition rules	0	0	7,200
AT1 capital instruments purs. to transition rules	0	0	0
Supplementary capital (tier 2) items purs. to national impl. rules	1,431	5,050	5,336
General credit risk adjustments	0	0	0
Deductions from tier 2 capital items	-14,698	-17,047	-18,836
Supplementary capital (tier 2)	346,039	344,120	327,293
Own funds	**3,201,816**	**3,099,330**	**2,928,693**
Total risk exposure purs. Art. 92 CRR			
Credit risk	14,956,729	14,074,381	14,310,138
Market risk, settlement risk and CVA risk	48,406	39,278	39,211
Operational risk	1,053,164	1,053,164	1,083,459
Total exposure	**16,058,299**	**15,166,823**	**15,432,808**
Own funds ratio purs. Art. 92 CRR			
Common equity tier 1 capital ratio	17.47%	17.84%	16.53%
Tier 1 capital ratio	17.78%	18.17%	16.86%
Total capital ratio	19.94%	20.43%	18.98%
Regulatory requirement own capital ratios purs. to transition rules in %			
Common equity tier 1 capital ratio	7.05%	7.05%	7.06%
Tier 1 capital ratio	8.55%	8.55%	8.56%
Total capital ratio	10.55%	10.55%	10.56%
Regulatory capital requirements purs. to transition rules in €k			
Common equity tier 1 capital	1,132,110	1,069,261	1,089,556
Tier 1 capital	1,372,985	1,296,763	1,321,048
Total capital	1,694,151	1,600,100	1,629,705
Free capital components			
Common equity tier 1 capital	1,673,667	1,635,949	1,461,844
Tier 1 capital	1,482,792	1,458,447	1,280,352
Total capital	1,507,665	1,499,230	1,298,988

31) Fair value of financial instruments and other items regarding reconciliation as at 30/9/2021 in €k	**AC**	**FVTPL**	thereof	**HFT**	**FVOCI**	thereof equity instruments FVOCI	thereof debt instruments FVOCI	**AC/liabilities**	**Other**	**Total**
Cash and balances with central banks								4,299,208		**4,299,208**
								4,299,208		**4,299,208**
Loans and advances to credit								518,691		**518,691**
institutions								519,795		**519,795**
Loans and advances to customers	14,204	65,697	31,282		35,674		35,674	18,105,318		**18,220,893**
	14,501	65,697	31,282		35,674		35,674	18,432,451		**18,548,323**
Trading assets				38,440						**38,440**
				38,440						**38,440**
Financial investments	1,238,326	491,139	236,573		398,111	339,177	58,935		983,042	**3,110,619**
	1,271,864	491,139	236,573		398,111	339,177	58,935			
Intangible assets									2,316	**2,316**
Property, plant and equipment									389,552	**389,552**
Other assets				105,514					165,834	**271,348**
				105,514						
thereof closed out				105,514						**105,514**
derivatives in the banking book				105,514						105,514
Total assets	**1,252,530**	**556,836**	**267,855**	**143,954**	**433,786**	**339,177**	**94,609**	**22,923,218**	**1,540,744**	**26,851,067**
	1,286,365	**556,836**	**267,855**	**143,954**	**433,786**	**339,177**	**94,609**	**23,251,454**		
Amounts owed to banks		25,641	25,641					6,001,361		**6,027,002**
		25,641	25,641					5,957,709		**5,983,350**
Amounts owed to customers		399,441	399,441					13,529,825		**13,929,266**
		399,441	399,441					13,543,574		**13,943,015**
Securitised liabilities		779,224	779,224					1,424,256		**2,203,480**
		779,224	779,224					1,445,913		**2,225,137**
Provisions for liabilities and charges									358,419	**358,419**
Other liabilities				54,119					524,406	**578,525**
				54,119						
thereof closed out				18,714						18,714
derivatives in the banking book				18,714						18,714
Subordinated debt capital		349,241	349,241					149,021		**498,262**
		349,241	349,241					159,744		**508,985**
Capital									3,256,113	**3,256,113**
Total equity and liabilities	–	**1,553,547**	1,553,547	**54,119**	–	–	–	**21,104,464**	**4,138,938**	**26,851,067**
	–	**1,553,547**	1,553,547	**54,119**	–	–	–	**21,106,940**		

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

Liabilities designated at fair value through profit or loss in €k	Cumulated changes to fair value due to a change to own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 30/9/2021	Q1-Q3 2021	Cumulated	as at 30/9/2021
Amounts owed banks	-60	443	625	625
Amounts owed to customers	-3,071	16,804	49,418	49,418
Securitised liabilities	-3,504	18,672	20,011	20,011
Subordinated debt capital	-3,349	6,227	19,248	19,248

In the first three quarters of 2021, there were no reclassifications of cumulated profit or loss within equity.

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

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

Assets designated at fair value through profit or loss as at 30/9/2021 in €k			Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
	Maximum default risk	Mitigation due to related credit derivatives or similar instruments	Q1-Q3 2021	Cumulated	Q1-Q3 2021	Cumulated
Loans and advances to customers	31,282	-	-	-	-	-
Financial investments	236,573	-	-	306	-	-

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

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

in €k	**30/9/2021**	**31/12/2020**
Loans and advances to customers FVTPL	65,697	74,678
Financial assets FVPL	491,139	560,251
Financial investments FVOCI	339,177	329,186
Trading assets	38,440	47,434
Derivatives in the banking book	105,514	153,306
Total	**1,039,967**	**1,164,855**

Fair value hierarchy of financial instruments as a 30/9/2021										
	AC Carrying value	**FVTPL Carrying value**	**HFT Carrying value**	**FVOCI Carrying value**	**AC/ Liabilities carrying value**	**Other carrying value**	**Total carrying value**	**Level 1 Fair value**	**Level 2 Fair value**	**Level 3 Fair value**
Financial instruments carried at fair value in €k										
Loans and advances to customers		65,697		35,674			**101,371**		56,991	44,380
Trading assets			38,440				**38,440**	835	37,605	
Financial assets - FVPL		491,139					**491,139**	252,886	238,253	
Financial assets - FVOCI				398,111			**398,111**	168,948	4,097	225.066[1)]
Other assets			105,514				**105,514**		105,514	
of which closed out derivatives in the banking book			105,514				**105,514**		105,514	
Financial assets not carried at fair value										
Loans and advances to credit institutions					518,691		**518,691**		519,795	
Loans and advances to customers	14,204				18,105,318		**18,119,522**		14,501	18,432,451
Financial assets - AC	1,238,326						**1,238,326**	1,215,921	55,943	
Financial liabilities carried at fair value										
Amounts owed to credit institutions		25,641					**25,641**		25,641	
Amounts owed to customers		399,441					**399,441**		399,441	
Securitised liabilities		779,224					**779,224**		779,224	
Other liabilities			54,119				**54,119**		54,119	
of which closed out derivatives in the banking book			18,714				**18,714**		18,714	
Subordinated debt capital		349,241					**349,241**		349,241	

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 measure company valuation.

Fair value hierarchy of financial instruments as at 30/9/2021										
	AC Carrying value	**FVTPL Carrying value**	**HFT Carrying value**	**FVOCI Carrying value**	**AC/ Liabilities carrying value**	**Other carrying value**	**Total carrying value**	**Level 1 Fair value**	**Level 2 Fair value**	**Level 3 Fair value**
Liabilities not carried at fair value										
Amounts owed to credit institutions					6,001,361		**6,001,361**		5,957,709	
Amounts owed to customers					13,529,825		**13,529,825**		13,543,574	
Securitised liabilities					1,424,256		**1,424,256**		1,445,913	
Other liabilities										
Subordinated debt capital					149,021		**149,021**		159,744	

The fair value corresponds to the amount at which an asset can be sold or a liability settled by market participants in a transaction under market conditions on the balance sheet date or at which a debt can be transferred.
The assessment of the fair value is based on the assumption that the transaction takes place either on the principal market for the respective asset or debt instrument or, if no such principal market exists, the most advantageous active market for the respective transaction, provided the entities involved have access to such markets. Where market prices are available for identical assets or debt instruments in an active market to which access is available on the balance sheet date, these prices are used for the measurement (level 1). Where no such market prices are available, the fair value is determined using valuation models based on parameters that are either directly or indirectly observable (level 2). Where the fair value cannot be assessed on the basis of market prices or using valuation models fully based on directly or indirectly observable market data, individual valuation parameters that are not observable on the market are estimated on the basis of reasonable assumptions (level 3). All fair value measurements refer to regularly performed measurements. There were no one-off fair value measurements in the reporting period.

Measurement process

Responsibility for independent monitoring and communication of risks as well as the measurement of financial instruments lies with Strategic Risk Management of Oberbank. The unit is functionally and organisationally separate from trading, which is responsible for the initiation and conclusion of transactions. Trading book positions are marked-to-market daily at the close of business.
Valuation is based on current stock exchange prices where such quoted market prices are publicly available. If direct measurement based on prices quoted on securities exchanges is not possible, model values derived from current market data (yield curves, volatilities, etc.) are used. The market data is validated daily; at regular intervals, the model prices are compared with the prices actually obtainable on the market. Moreover, model prices of derivatives are compared with the model values of the partner banks. The management is sent a daily update on risk positions and the valuation results based on the entire trading book positions. The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

Valuation methods for measuring fair values

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

Input factors for fair value measurement

The measurement of the fair value of financial instruments in level 1 is based on prices quoted on active markets. These instruments include listed securities and derivative instruments. If direct measurement based on prices quoted on securities exchanges is not possible, the present value in level 2 is estimated using model values derived from current market data (yield curves, volatilities, etc.). Underlying interest-rate curves and volatilities are obtained from the Refinitiv system. Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes, Hull & White, etc.). Structured products are measured on the basis of price information obtained from third parties. All derivative instruments are measured on a counterparty-risk-free basis in a first step. In a second step, a credit risk markdown is determined (credit valuation adjustment, CVA) based on the internal default probabilities of an expected loss. The fair values of non-listed securities are obtained from the Geos system. The fair value of investment fund units is obtained from the fund management companies. The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities, subordinated capital and amounts owed to banks and customers, with the cash flows of own issues being calculated using the contractual interest rate. The interest rates used for discounting are derived from the discount curve applicable to the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue. The credit 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 customers and collateral). The exchange rates used are the reference rates published by the ECB. After the flattening of the coronavirus pandemic and a clear economic recovery, a slight rise in interest rates is currently expected. There is no increased influence on financial instruments measured at fair value from the interest rate component.
The economic downturn triggered by the coronavirus pandemic did not have a direct effect on customer defaults due to the massive government financial aid schemes implemented. Defaults and credit downgrades are expected to occur with a time lag. A potential downgrading of customers' credit ratings affects the calculation of fair values of level 3 financial instruments.
If measurements based on risk premiums were to increase by 50 bp, receivables from customers measured at fair value would decline by EUR 0.4 million (31/12/2020 EUR 0.6 million), and if risk premiums were to increase by 100 bp, the fair values of these receivables would decline by EUR 0.9 million (31/12/2020: EUR 1.2 million).
The fair value of equity investments and shares in affiliated companies is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation. Changes in the fair value hierarchy or classification take place whenever there is a change in the quality of the input parameters used in the measurement method. Classification adjustments are made at the end of the reporting period. The following table shows the development of equity investments FVOCI measured at fair value and assigned to level 3. The fair value of 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 1/1/2021	237,299
Additions (purchases)	511
Disposals (sales)	-12,744
Value changes recognised in equity	0
Value changes recognised in income	0
Carrying value as at 30/9/2021	225,066

The item Other comprehensive income from these instruments increased by EUR 9,000.
The remaining level 3 financial instruments measured at fair value refer to loans and advances to customers.

Movements in €k	**Loans and advances to customers**
Carrying value as at 1/1/2021	50,301
Transfer to level 2	0
Additions	0
Disposals	-4,664
Changes in fair value	-1,257
thereof disposals	-182
thereof portfolio instruments	-1,075
Carrying value as at 30/9/2021	44,380

There were no transfers between Level 1 and Level 2.

Major transactions with related parties as at 30/9/2021:

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

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

The Management Board confirms that

- These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) currently in force and published by the International Accounting Standards Board (IASB) as applicable in the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC); they furthermore present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group.
-
- these consolidated interim financial statements cover the first three quarters of 2021 (1 January 2021 to 30 Sept. 2021) and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

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

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

b) the management report for the first three quarters presents a true and fair view of the assets, liabilities, financial position and profit or loss with respect to 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 subject to mandatory disclosure.

Linz, 29 October 2021

The Management Board

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

Current Management Board Remits

Franz Gasselsberger **CEO**	**Josef Weißl** **Management Board Member**	**Florian Hagenauer** **Management Board Member**	**Martin Seiter** **Management Board Member**
General Business Policy			
Internal Audit			
Compliance			
Business and Service Departments			
RUC (Accounts & Controlling)	PKU (Personal Banking)	KRM (Credit Management)	CIF (Corporate & International Finance)
HRA (Human Resources)	PAM (Private Banking & Asset Management)	RIS (Strategic Risk Management)	TRE (Treasury & Trade)
		OSG[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[2]), 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) Oberbank Service GmbH, 100% subsidiary of Oberbank
2) CEE as defined by Oberbank comprises the regions of Czech Republic, Slovakia and Hungary.

Notes

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

Financial Calendar

5 April 2022	Online publication of the Annual Report for the year 2021
5 April 2022	Publication of the financial statements 2021 in the Official Gazette "Wiener Zeitung"
7 May 2022	Record date for the 142nd Annual General Meeting
17 May 2022	142nd Annual General Meeting of Oberbank AG
20 May 2022	ex dividend day
23 May 2022	Record date
24 May 2022	Dividend payout day
19 May 2022	Report for Q1 2022
25 August 2022	Report for Q1-2 2022
25 November 2022	Report for Q1-3 2022

Information is available online at www.oberbank.at under Investor Relations.

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