Annual Report 2021

Oberbank

CEO Franz Gasselsberger
Chairman of the Management Board

Nora Berger
Sustainability Manager
Oberbank AG

Planning for the future demands we embrace sustainability first.

oberbank.com

Florian Hagenauer
Management Board Member of Oberbank AG

Josef Weißl
Management Board Member of Oberbank AG

CEO Franz Gasselsberger
Chairman of the Management Board

Martin Seiter
Management Board Member of Oberbank AG

(from left to right)

Sustainability for us is far more than just a buzzword.

In fact, sustainability represents our commitment to thinking responsibly about the environment, and a future shaped by new and better ways of doing things.

Oberbank
Not like any other bank

Annual Report 2021

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Oberbank at a Glance

Income statement in €m	2021	2020	Change
Net interest income	346.1	336.9	2.7%
Charges for losses on loans and advances	-35.7	-41.8	-14.6%
Net fee and commission income	192.0	170.7	12.5%
Administrative expenses	-313.6	-294.9	6.3%
Profit for the year before tax	281.9	167.5	68.3%
Profit for the year after tax	234.6	123.5	90.0%

Balance sheet in €m	2021	2020	Change
Total assets	27,539.7	24,432.9	12.7%
Loans and advances to customers	18,427.9	17,264.7	6.7%
Primary funds	17,431.6	15,426.9	13.0%
of which savings deposits	2,534.7	2,660.9	-4.7%
of which securitised liabilities incl. subordinated debt capital	2,703.0	2,339.8	15.5%
Equity	3,317.9	3,038.9	9.2%
Customer funds under management	38,636.7	32,147.6	20.2%

Regulatory capital in € m	2021	2020	Change
Common equity tier 1 capital	2,971.1	2,705.2	9.8%
Tier 1 capital	3,021.1	2,755.2	9.7%
Own funds	3,353.2	3,099.3	8.2%
Common equity tier 1 capital ratio	18.35%	17.84%	0.52% ppt
Tier 1 capital ratio	18.66%	18.17%	0.50% ppt
Total capital ratio	20.71%	20.43%	0.28% ppt

Performance indicators	2021	2020	Change
Return on equity before tax (RoE)	8.88%	5.67%	3.21% ppt
Return on equity after tax	7.39%	4.18%	3.21% ppt
Cost/income ratio	49.68%	58.49%	-8.81% ppt
Risk/earnings ratio (credit risk/net interest)	10.32%	12.42%	-2.10% ppt

Resources	2021	2020	Change
Average number of staff (weighted)	2,152	2,168	-16
Number of branches	178	176	2

Oberbank shares – key figures	2021	2020
Number of ordinary no-par shares	35,307,300	35,307,300
High, ordinary share in €	91.60	96.00
Low, ordinary share in €	84.40	83.00
Close, ordinary share in €	91.40	84.40
Market capitalization in € m	3,227.09	2,978.74
IFRS earnings per share in €	6.66	3.52
Dividend per share in €	1.00[1)]	0.75
Price/earnings ratio, ordinary shares	13.72	24.0

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.

[1)]For the financial year 2021, the Management Board and Supervisory Board will propose to the Annual General Meeting 2022 the payout of a dividend of EUR 1.00.

Letter from the Chairman of the Management Board


FRANZ GASSELSBERGER
Chief Executive Officer of Oberbank AG

Letter from the Chairman of the Management Board

Dear readers, dear shareholders,

Pandemic and politics defined the headlines, but the economy developed robustly in the financial year

The economy in 2021 developed well despite the coronavirus pandemic. The first few months of the financial year 2021 were still overshadowed by a certain degree of uncertainty, but with the rising vaccination rates, sentiment in the business sector became increasingly positive and confident. The order books of our customers are full, and only commodity shortages, energy costs and supply chain problems that are preventing record growth rates. The unemployment rates dropped back to pre-crisis levels faster than anyone had hoped for. This in turn reveals what the biggest challenge for businesses will be, namely, labour shortages.

Oberbank has demonstrated that it is a reliable partner for customers despite the extraordinarily challenging circumstances. We made every effort to protect our excellent employees as best as possible. We set up a testing station already at the beginning of 2021 at which specially trained volunteer employees – to whom I would like to express my deepest appreciation for their social engagement – carried out the testing. But that was not enough for us. As soon as the vaccine became available to companies, we also set up a vaccination station for employees who wished to be vaccinated. This helped us achieve a vaccination ratio of 85% among our Austrian staff. In December we also started booster vaccinations. We will continue this in 2022 as well. This has made it possible for us continue banking operations in 2021 at full capacity, a fact reflected in the excellent earnings for the year. We received the award “Best Universal Bank 2021” from the newspaper “Börsianer” which we are very proud of; this honours the exceptional dedication of our staff.

This achievement is rooted in the high degree of trust our customers place in Oberbank, which illustrates how important it is to offer people in Austria an independent, regional Austrian banking alternative. It also reinforces us in our fight against the litigation that continued in 2021 from the largest single shareholder who is at the same time one of our largest competitors on the market. We will continue to make every effort to protect our independence. Independence is not an objective for its own sake, but a condition for the success and growth of the bank.

Excellent result attained in a highly challenging setting

Demand for loans rose by 6.7% to EUR 18.4 million and primary deposits increased significantly by 13.0% to EUR 17.4 billion. Net interest income increased by 2.7% to EUR 346.1 million. Net fee and commission income rose by 12.5% to EUR 192.0 million.

Income on equity investments increased at the turn of the year 2021 to just over EUR 100.1 million. The finance and trade results were also higher year on year. Charges for losses on loans and advances increased to EUR 35.7 million. Administrative expenses rose by 6.3% to EUR 313.6 million.

Net profit for the year before tax went up by 68.3% to EUR 281.9 million. Profit for the year after tax was EUR 234.6 million and was 90.0% higher than in 2020.

Tier 1 capital ratio still ranks among top performers in Europe

The positive trend in equity continued this year as well. At year-end 2021 it stood at just over EUR 3.4 billion. This corresponds to a tier 1 capital ratio of 18.66% and a total capital ratio of 20.71%. These key indicators are proof of the stability and risk-bearing capacity of Oberbank, which places it among the top-performing European banks.

Goal is regular dividend payouts

After two years of severe interventions by European banking regulators in the dividend policies of banks for the purpose of strengthening equity and to enable them to better cope with the pandemic-related defaults on loans, we hope that there will not be any more restrictions on dividends for the year 2021.

Based on the excellent results, the Management Board and the Supervisory Board will propose to the Annual General Meeting a dividend payout of EUR 1.00 per share. This is a gain of 33% year on year.

Oberbank Strategy 2025 – steady growth continues

Every five years, we analyze our strategic goals with the support of external consultants. The strategy supports our principal goal: to secure independence by achieving business success.

In the first half of 2020, work on the bank's new corporate strategy, *Oberbank 2025,* was completed, and in 2021 we started implementation in all eight of the strategic fields of action defined.

1. **New sales channels – we want satisfied customers at Oberbank**
   Giving good advice without closing a contract is of no value over the long term, but good advice is an important requirement for succeeding in sales. In 2025, we plan to increase income from services by 50% and net income interest by 5.5% year on year.

2. **Regional strategy: five countries, one bank – we aim to increase earnings in our regional markets to the level of our core markets.**
   Oberbank has been expanding for more than 35 years and plans to continue on this growth path. We have invested a great deal of energy and money in market expansion in Vienna, Germany, Czech Republic, Slovakia and Hungary. Market entry was successful, and now the focus is on increasing profitability.

3. **Advantage through digitalisation: we plan to invest more time in advisory services and sales.**
   Our goal for 2025 is to attain an ideal combination of the digital and physical worlds. By 2025, the possibilities of digitalisation will have been implemented to the benefit of our customers and until then we will provide the best possible support to our customers.

4. **Focus on people: we want to contribute to a new and positive professional image for bankers and are aiming for a team of the best at Oberbank by 2025.**

   The principal challenges for the future will be gender balance, management and attractive the best employees. We believe that the key to success is to have an open, high quality and respectful management culture that enables us to achieve a ratio of women in management positions of over 30% by 2025 and of 40% by 2030. This cultural transition will also make it easier to attract the best employees on the market.

5. **Focus on risk: we want to attain a best-in-class credit risk rating by 2025 and continue developing stably without unexpected disruptions.**
   In addition to tighter regulatory requirements, we must take the necessary measures to achieve leaner structures and speed up the lending process. Additionally, we want to increase the volume of loans by 40%, better manage the various risk developments in our markets, and generally keep credit risk at below average levels. To this end, we need new risk management systems.

6. **Meeting obligations: we plan to make Oberbank "ECB fit" by 2025.**
   We expect a massive increase in data and reporting requirements as well as in requirements for transparent and consistent data maintenance. This means that our management system must always meet the latest standards.
7. **Focus on efficiency: we want to be a cost leader with a cost/income ratio of 45% by 2025 despite the necessary future investments.**
   This is not a contradiction: We will invest in the training and further education of our staff in the coming years, in the internal digitalisation and also continue our expansion.

8. Sustainability: we are committed to the 1.5 C˚ target of the Paris Climate Agreement.

Oberbank is committed to clearly defined sustainability goals.
The topic of sustainability dominated public discourse in 2021 in addition to the coronavirus pandemic.
The regulatory and supervisory pressure on banks is enormous. Public awareness of the topic is also on the rise.
Oberbank has defined a clear sustainability strategy and ambitious goals it hopes to attain by 2025. We are committed to the 1.5 C˚ target of the Paris Climate Agreement. In future, we will disclose the carbon emissions of our portfolio of loans and investments. For this reason, Oberbank became a member of PCAF – Partnership for Carbon Accounting Financials in October 2021.
In June 2021, Oberbank was awarded prime status by the rating agency ISS ESG for its sustainability activities and its sustainability management. This places us in the ranks of the 10% best banks in our industry, an achievement that makes us proud. We are working on improving our sustainability performance to secure our prime rating and also achieve a higher rating grade.

Thank you on behalf of Management Board
I would like to express my special thanks on behalf of the entire Management Board to our employees who worked with amazing dedication throughout the entire year 2021, and were always there for our customers and partners. This ensured that Oberbank served its customers as a reliable partner in difficult times as well. I would also like to express my appreciation to my colleagues on the Board, Josef Weißl, Florian Hagenauer and Martin Seiter for their excellent work and collaboration.

We also extend our thanks to our customers for their understanding considering the changes that became necessary, and the Supervisory Board for its support with the management of the bank throughout the crisis and in our fight for our independence. My person thanks go to Martin Zahlbruckner who served as an outstanding Chairman of the Supervisory Board at the Annual General Meeting 2021 and will continue to serve as a member on the Supervisory Board.

Linz, 11 March 2022

CEO Franz Gasselsberger
Chairman of the Management Board

Corporate Governance Report for the Group

Corporate Governance Report for the Group

Preamble

A listed company with subsidiaries such as Oberbank must prepare a corporate governance report on a consolidated basis (§ 267b Austrian Business Code). As the Oberbank Group does not have any exchange-listed subsidiaries, the information required is limited to the information defined in § 243c (2) Austrian Business Code as set out in the principles of the Austrian Financial Reporting and Auditing Committee (AFRAC), i.e. the information on the mode of operation of the management boards and of the supervisory boards of these companies, on the measures to promote the underrepresented gender and on remuneration policy. The information required was integrated into the appropriate sections of the corporate governance report. The report has been prepared in accordance with the principles published by the Austrian Financial Reporting and Auditing Committee (AFRAC) for the drafting and auditing of corporate governance reports.

Corporate Governance

The commonly applied national and international standards of good corporate governance aim to guarantee the long-term and sustainable creation of added value for listed companies to safeguard the interests of all stakeholders involved.
This goal of long-term and sustainable value-added creation is also a strategic goal of Oberbank, and therefore, the establishment of effective corporate governance is a matter of great importance for us.
In its internal corporate governance principles, Oberbank takes guidance in this endeavour from the **Guidelines of the European Banking Authority** (**EBA**) on internal governance and from the rules of the Austrian Code of Corporate Governance (ÖCGK).
The revised version of the EBA Guidelines on Corporate Governance (EBA/GL/2021/05) effective as of 31 December 2021 were implemented at Oberbank and the internal framework was adjusted accordingly.

Austrian Code of Corporate Governance (ÖCGK)/ Conformity Declaration

As a listed company, Oberbank is committed to the Austrian Code of Corporate Governance (ÖCGK), as amended. The Code of Corporate Governance is available for downloading from the website of Oberbank at www.oberbank.at and serves as valuable guidance for developing internal mechanisms and rules.
The Supervisory Board of Oberbank made its first declaration of conformity at its meeting of 26 November 2007.
Ever since, Oberbank has complied with the respective, current version of ÖCGK by implementing the relevant rules or giving explanations for any departures from the rules; this was also reviewed and confirmed at the first meeting of the Supervisory Board of the year in March.
The adjustments that took effect as of January 2021 due to the updated ÖCGK concerned mainly the principles of remuneration policy and the information disclosed on the remuneration of governing bodies (remuneration report); these are taken into account in the current corporate governance report, and it has been accordingly reduced in scope. This information is now available in the remuneration policy for the management and supervisory boards of Oberbank and are published in the remuneration report on payments to members of the Management Board and Supervisory Board of Oberbank.

Oberbank's reasons for non-compliance with certain C Rules

The Austrian Code of Corporate Governance (ÖCGK) requires companies to state the reasons for any non-compliance with the so-called C Rules ("comply or explain") clearly, precisely and comprehensively (ÖCFK 2021, Annex 2b). Oberbank complied with the Code in the reporting year by explaining the following departures from the rules:

Rule 45 C: Owing to the historically evolved shareholder structure of Oberbank, the members of the Supervisory Board include representatives from among the individual major shareholders. Since these representatives also include banks, the respective Supervisory Board members also hold board functions at other banks that are competitors of Oberbank. The statutory obligations of the members of the Supervisory Board ensure that the legitimate interests of Oberbank are protected to the fullest extent.

Company information on the internet

Oberbank complies with the diverse right to information of shareholders by publishing the following materials and reports on its website:

Company information on the internet	Website
Austrian Code of Corporate Governance	www.corporate-governance.at
Oberbank AG shares	www.oberbank.at/oberbank-aktien
Shareholder structure	www.oberbank.at/aktionarsstruktur
Financial calendar	www.oberbank.at/finanzkalender
Annual General Meeting	www.oberbank.at/hauptversammlung
Corporate Governance: • Compliance Statement of Oberbank AG • Independence Criteria • Report of Oberbank AG on the Austrian Code of Corporate Governance • Publications pursuant to § 65 Banking Act regarding Corporate Governance and Remuneration • Internal Rules of Procedure of Oberbank AG • Articles of Association of Oberbank AG • Directors' Dealings	www.oberbank.at/corporate-governance
• Remuneration Policy • Remuneration Report	www.oberbank.at/hauptversammlung
Key indicators and reports of Oberbank AG: • Business, financial and sustainability reports • Letter to Shareholders • Single-entity financial statements	www.oberbank.at/kennzahlen-berichte
Ad-hoc reports Corporate News	www.oberbank.at/ad-hoc-meldungen

Composition and mode of operation of the Management Board

The Management Board of Oberbank AG conducts the Company's business in accordance with the principles and objectives derived from the overall bank strategy and on its own responsibility within the parameters defined by the Austrian Stock Corporation Act (AktG) to ensure the protection of the various interests at stake. The Supervisory Board monitors the implementation of the individual projects and their completion in compliance with the Articles of Association and the Rules of Procedure. The Management Board regularly reports to the Supervisory Board, ensuring a comprehensive flow of information.

In the case of fully consolidated companies (see Chapter “Consolidated Financial Statements, note 41), mandates in governing bodies, management positions, and if necessary, supervisory board mandates are carried out in many cases by current or former management board members or employees of Oberbank.

Regular reports on the development of business of the operational subsidiaries are sent to the Management Board. These subsidiaries are also covered by the Group rules on money laundering and compliance.

Members of the Management Board

In the 2021 financial year, the Management Board of Oberbank consisted of four members. At the meeting of the Supervisory Board in May 2021, the mandate of CEO Franz Gasselsberger was prolonged prematurely for a further five years, therefore, until 12 May 2027.

	Year of birth	Initial appointment	End of period of office
Franz Gasselsberger	1959	28 April 1998	12 May 2027
Josef Weißl	1959	1 May 2005	30 April 2025
Florian Hagenauer	1963	1 Dec. 2009	30 Nov. 2024
Martin Seiter	1985	1 Oct. 2020	30 Sept. 2023

CEO Franz Gasselsberger

Having obtained a doctorate in law from Paris-Lodron University in Salzburg, Franz Gasselsberger started his career at Oberbank in 1983. Parallel to his management function in the Bank's Salzburg operations, he completed the MBA program at the International Management Academy, earning an International Executive MBA degree.

In April 1998, the Supervisory Board appointed him to the Management Board of Oberbank AG; on 1 May 2002, he was appointed Board Spokesman; on 1 May 2005 he was designated Chairman of the Management Board with the title "Generaldirektor" (CEO). In November 2007, the German Federal President appointed Franz Gasselsberger Honorary Consul of the Federal Republic of Germany in Upper Austria. He is also a member of the Management Board and Vice President of the Austrian Bankers Association (VOeBB), Member of the Management Board of the Federation of Austrian Industries, of the Upper Austrian Association of Independent Businesspeople, of the Upper Austrian Federation of Industries, the Austrian Society for Bank Research (BWG), and President of the LIMAK Austrian Business School.

Supervisory board mandates and further functions in non-Group Austrian and international companies:

Member of the Supervisory Board of Lenzing Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft

Member of the Supervisory Board of BKS Bank AG

Member of the Supervisory Board of voestalpine AG

Oberbank complies with all upper limits to mandates pursuant to the ÖCGK, Stock Corporation Act and the Banking Act.

Management Board Member Josef Weißl

Upon his graduation from the University of Linz, where he studied business management and law, Josef Weißl started his career at Oberbank in 1983. In addition to his management activities for the Salzburg business division, he completed the LIMAK General Management Programme in 2002 and graduated from the LIMAK MBA Programme in 2005. In 2005, the Supervisory Board appointed him to the Management Board of Oberbank AG.

He is also a member of the Austrian-American Society and President of its Upper Austrian regional organisation.

Supervisory board mandates and further functions in non-Group Austrian and international companies:

Chairman of the Supervisory Board of Gasteiner Bergbahnen Aktiengesellschaft

Member of the Supervisory Board of BRP-Powertrain Management GmbH

Functions in companies included in the consolidated financial statements:

None

Compliance with all upper limits to mandates pursuant to the ÖCGK, Stock Corporation Act and the Banking Act is given.

Management Board Member Florian Hagenauer

After graduating with a degree from the University of Vienna in International Commerce and Business Administration, he started his career at Oberbank in 1987. As of 1987 he worked in what was then the Foreign Department, later renamed the "Bank Relations and Payment Systems". In 1994, he was appointed authorised signatory (Prokurist) for the entire bank, and in 1999, he became Deputy Head of the Organisation Department.

He completed the LIMAK General Management Programme in 1999 and the LIMAK MBA Programme in 2005. In 2005, Florian Hagenauer was appointed Managing Director of 3 Banken-EDV Gesellschaft (today: 3 Banken IT GmbH). In 2008, he returned to Oberbank in the position of Head of the Organisation Department. In 2009, the Supervisory Board appointed him to the Management Board of Oberbank AG. He is also Vice President of “Verein der Förderer der OÖ Landmuseen” and member of the Federation of Austrian Industries in Upper Austria.

Supervisory board mandates and further functions in non-Group Austrian and international companies:

Deputy Chairman of the Supervisory Board of Wüstenrot Wohnungswirtschaft registrierte Genossenschaft mit beschränkter Haftung

Member of the Supervisory Board of Energie AG Oberösterreich

Chairman of the Supervisory Board of VA Intertrading Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of 3 Banken Wohnbaubank AG

Member of the Advisory Board of 3 Banken IT GmbH

Member of the Advisory Board of Oberbank Service GmbH

Compliance with all upper limits to mandates pursuant to the ÖCGK, Stock Corporation Act and the Banking Act is given.

Management Board Member, Martin Seiter

After graduating from high school and completing civil service as an ambulance paramedic, Martin Seiter joined Oberbank in 2006. After graduating from Oberbank Ausbildungsakademie, he initially worked as a personal banking advisor at the Gmunden Salzkammergut branch and became manager of the Gmunden Rathausplatz branch in 2011. He worked in further positions in Sales and at the Main Branch Salzburg, as Head of the Main Branch Salzkammergut, and as joint manager of the Main Branch Upper Austria South created by the combination of the Main Branches of Salzkammergut and Wels.
Martin Seiter was general authorized signatory (*Gesamtprokurist*) at Headquarters, and from December 2017 until December 2018 he worked as Deputy Head of Personal Banking. From 2018 to 2020, he completed an MBA course of studies at the LIMAK Business School, and graduated with a Master of Business Administration (MBA).

Supervisory board mandates and further functions in non-Group Austrian and international companies:

Member of the Supervisory Board of the MINTality Stiftung, **functions in companies included in the consolidated financial statements:**

None

Compliance with all upper limits to mandates pursuant to the ÖCGK, Stock Corporation Act and the Banking Act is given.

Mode of operation of the Supervisory Board

The Management Board has the obligation to uphold the interests of the company in its work with the aim of optimally achieving the sustainable value added defined in the corporate strategy for the benefit of all stakeholders.
The mode of operation of the Management Board is defined by the legal framework and the Articles of Association in addition to the defined areas of competence in the Internal Rules of Procedure of the Management Board. Cooperation within the Management Board is based on regular Management Board meetings, usually held weekly. Resolutions are usually reached unanimously even though the areas of responsibility are clearly defined for each individual member of the Management Board. In the case of major decisions with an impact on risk, it is customary to inform the Supervisory Board by the latest at the next subsequent meeting unless approval is mandatory under the Articles of Association, the law or the Internal Rules of Procedure of the Management Board and of the Supervisory Board. Additionally, the individual members of

the Management Board cooperate closely with the second management level of the bank, which must also report to the Management Board in connection with the extensive internal reporting duties.

Current Management Board Remits (31/12/2021)

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

1) CEE as defined by Oberbank comprises the regions of Czech Republic, Slovakia and Hungary.

Composition and mode of operation of the Supervisory Board

Members of the Supervisory Board

The number and type of all additional mandates in the case of all members of the Supervisory Board comply with the mandate restrictions pursuant to the Banking Act effective since 1 July 2014. In accordance with Rule 58 C ÖCGK, all supervisory board mandates and similar functions in domestic and international listed companies are listed here.

	Year of birth/initial appointment Scheduled end of period of office
Presidency:	
Andreas König, Chairman (since 11 May 2021) Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft	1960 / 11 May 2021 / AGM 2026
Martin Zahlbruckner, Vice Chairman ***(Chairman until 11 May 2021; Vice Chairman since 11 May 2021)***	*1966 / 18 May 2016 / AGM 2023*
Ludwig Andorfer, Vice Chairman (until 11 May 2021)	1944 / 24 May 2011 / 11 May 2021
Representatives of shareholders:	
Hannes Bogner Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft; Member of the Supervisory Boards of BKS Bank AG and of Palfinger AG	1959 / 20 May 020 / AGM 2022
Gerhard Burtscher Member of the Supervisory Board of BKS Bank AG (Chairman until 17 May 2021)	1967 / 18 May 2016 / AGM 2026
Stephan Koren	1957 / 15 May 2018; AGM 2024
Barbara Leitl-Staudinger	1974 / 13 May 2014 / AGM 2022
Alfred Leu	1958 / 18 May 2016 / AGM 2023
Peter Mitterbauer	1975 / 20 May 2020 / AGM 2025
Barbara Steger	1980 / 13 May 2014 / AGM 2022
Herta Stockbauer Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft	1960 / 13 May 2014 / AGM 2024

Honorary president for life:
Hermann Bell *(since 13 May 2014)*

Representatives of the Works Council:
Wolfgang Pischinger, first delegated: 28 January 1993; Chairman of the Central Works Council of Oberbank AG
Susanne Braun, first delegated: 15 May 2018, Oberbank Baden bei Wien
Alexandra Grabner, first delegated: 26 March 2014; Central Works Council of Oberbank AG
Elfriede Höchtel, first delegated: 22 May 2007; Oberbank Wels
Sven Zeiss, first delegated: 1 January 2019; Oberbank Main Branch Salzburg

State Commissioners:
Angelika Schlögel, State Commissioner, appointed as of 1 August 2017
Jutta Raunig, Deputy State Commissioner appointed as of 1 July 2017

Criteria for the assessment of the independence of a member of the Supervisory Board

In compliance with Rule C 53 of the Austrian Code of Corporate Governance, the Supervisory Board defined the following criteria to ensure its members' independence and also published it on its website at www.oberbank.at

- A supervisory board member shall be considered independent if he or she has not served as a member of the management board or as a management staff member of the Company or one of its subsidiaries in the past three years. A previous management board mandate shall not be deemed to qualify a person as lacking independence, above all, when considering all of the circumstances set out in § 87 (2) Stock Corporation Act there is no doubt as to the independent exercise of the mandate.
- The supervisory board member shall not maintain or have maintained, in the past year, any business relations with the company or one of its subsidiaries to any extent of significance for such member of the supervisory board. This shall also apply to relationships with companies in which a member of the Supervisory Board has a material economic interest. The approval of individual transactions by the Supervisory Board pursuant to L Rule 48 does not automatically mean the person is qualified as independent. The establishment or existence of agreements with the Company that are customary in banking shall not be deemed to prejudice a Supervisory Board member's independence.
- The Supervisory Board member shall not have acted as auditor of the company or have owned a share in the auditing company or have worked there as an employee in the past three years.
- A supervisory board member shall not be a member of the management board of another company in which a member of the management board of the company is a supervisory board member unless the two companies are part of the same group or are associated with one another through a shareholding.
- The supervisory board member shall not be closely related (direct offspring, spouses, life partners, parents, uncles, aunts, sisters, nieces, nephews) to a member of the management board who holds one of the aforementioned positions.

All members of the Supervisory Board of Oberbank elected by the Annual General Meeting have confirmed their independence in accordance with these criteria in individual declarations. Furthermore, with the exception of Herta Stockbauer (BKS Bank AG), Gerhard Burtscher (Bank für Tirol und Vorarlberg AG), Hannes Bogner (UCBA), all members of the Supervisory Board elected by the Annual General Meeting are neither shareholders with a stake of more than 10% nor representatives of such shareholders (Rule 54 C Austrian Code of Corporate Governance). Outside the scope of its ordinary banking activities, Oberbank has no business relationships with subsidiaries or individuals (including Supervisory Board members) that could jeopardise the Bank's independence.
In addition to the independence criteria in the meaning of the ÖCGK, the Banking Act also specifies in some cases more restrictive criteria for representatives of the capital on supervisory boards and on certain committees of supervisory boards. The full supervisory board must include at least two representatives of the capital that meet the independence criteria pursuant to § 28a (5a) no 2 Banking Act. The full Supervisory Board has been in full compliance with these criteria since they entered into force. The collective suitability of the entire body is evaluated annually and was also confirmed in the report year. The different independence criteria applicable to the committees defined in the respective legal provisions are stated in the explanations on each of the committees.

Mode of operation of the Supervisory Board

The Supervisory Board has consisted since the Annual General Meeting of 20 May 2020 of ten elected representatives of the capital and five delegated Representatives of the Works Council after the extraordinary Annual General Meeting of 4 February 2020 adopted the decision to reduce the members from eleven to ten.
The Supervisory Board held four regular meetings and one extraordinary supervisory board meeting in the financial year 2021 at which it performed its control functions (see also Report of the Supervisory Board).
The extraordinary supervisory board meeting of 12 July was held in connection with the written request of UniCredit Bank Austria made to the Annual General Meeting 2019 relating to the legally binding ruling of Oberlandesgericht Linz (Higher Regional Court of Upper Austria) to reduce the number of members of the Supervisory Board.

The attorney invited to the meeting for legal counsel from the law firm Saxinger, Chalupsky & Partner Rechtsanwälte GmbH confirmed at both the extraordinary meeting of the Supervisory Board on 12 July 2021 and also at the meeting of the Legal Committee on 27 September 2021 that the ruling did not contain anything to indicate the need to take action on the part of the Management Board or the Supervisory Board. None of the members of the Supervisory Board failed to take part personally in more than half of the meetings of the Supervisory Board (Rule 58 C Austrian Code of Corporate Governance).

The Supervisory Board monitors how the Management Board manages the company, discusses the business and risk strategy with the Management Board, monitors the efficacy of the main processes such as accounting, risk management, internal audit and the internal control system; it reviews the single-entity and consolidated financial statements, monitors the independence of the auditors of the financial statements, defines the items to be decided at the Annual General Meeting regarding the election of the auditor and the election of new Supervisory Board members; it discusses and decides jointly with the Management Board the common proposals for resolutions for all other items of the agenda; it examines conformity with the law and compliance with the remuneration guidelines and is responsible for the appointment and removal of the Management Board members and for many other matters. At the November meeting in 2021, the Nomination Committee of the Supervisory Board approved the new Fit & Proper Rules based on the new Fit & Proper Policy of Oberbank amended to meet EBA-GL 2021/06; these Rules are the basis for a fit & proper evaluation of the members of the Management Board, the Supervisory Board and the collective suitability of the full Supervisory Board and its Committees.

The evaluation was conducted in the reporting year at the meetings of the Nomination Committee and of the full Supervisory Board in March 2021, based on the Guidelines valid at the time.
Apart from expert knowledge and the personal qualification of the individual members of the Supervisory Board as well as an assessment of their independence and of any potential conflicts of interest, the purpose is to evaluate the collective suitability of the full Supervisory Board and all of its Committees regarding the criteria for composition, age and diversity. The strict rules of the Banking Act are complied with. An internal policy on how to deal with potential conflicts of interest has been defined by the company. Therefore, the members of the management board and of the supervisory board are under the obligation to disclose any conflicts of interest. Should members of the supervisory board have a conflict of interests, they must immediately report this to the chairperson of the supervisory board; should the chairperson have a conflict of interests, the chairperson must report this to his or her deputy. The supervisory board also deals with any conflicts of interest of the members of the management board; these must be disclosed within the governing body. All conflicts of interest must be documented and dealt with properly; in certain cases, the appropriate (mitigating) measures must be taken in individual cases, for example, the exclusion of a member with a conflict of interests from the debate and abstention from voting. Furthermore, a comprehensive set of rules regarding transactions with related parties (or companies) exists to ensure compliance with the applicable legal provisions.

At the meeting of 17 March 2021, the Supervisory Board conducted a re-evaluation of the suitability of the members of the Nomination Committee and confirmed that they qualified as fit & proper.
Based on the extensive materials and with the help of a preparatory questionnaire, the Supervisory Board also conducted the self-evaluation of its activities pursuant to C Rule 36 of the Austrian Code of Corporate Governance ÖCGK.

In order to accomplish its extensive tasks, the Supervisory Board establishes a certain number of committees that include the relevant experts from among its members who deal with the topics specified by law, by the Articles of Association or by the Rules of Procedure.

Committees set up by the Supervisory Board

With the objective of improving operational efficiency, the Supervisory Board of Oberbank AG has set up a Working Committee, a Credit Committee, a Risk Committee, an Audit Committee, a Nominations Committee and a Remuneration

Committee. Their members are elected by the full Supervisory Board from among the shareholder representatives and supplemented by the required number of members from among staff representatives.
Due to the dispute with the two minority shareholders UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H., which has been ongoing since mid-March 2019 and is now before a court of law, the Supervisory Board passed the resolution to establish a separate committee (Legal Committee) for dealing with the legal issues in connection with this legal dispute.

The Audit Committee, the Risk Committee, the Remuneration Committee and the Legal Committee each consist of four representatives of the capital, and the Credit Committee, the Working Committee and the Nomination Committee each of three representatives of the capital.
With the exception of the Nominations Committee, employee representatives are members of the committees in accordance with legal provisions.

Audit Committee
The Audit Committee fulfils its obligations under § 63a (4) of the Austrian Banking Act. These include:

- Monitoring the accounting process and presenting recommendations and proposals to guarantee their reliability;
- Monitoring the effectiveness of the Company's internal control system, the internal auditing system and the risk management system;
- Monitoring the audit of the single-entity and consolidated financial statements taking into account the findings and conclusions in reports that the oversight body of the auditing profession has published pursuant to § 4 (2) no 12 Auditor Supervisory Act (APAG);
- The review and monitoring of the independence of the auditor (auditor of the consolidated financial statements), especially with respect to the additional services provided to the audited company; Art. 5 of Regulation (EU) No 537/2014 and § 271a (6) Austrian Business Code) applies;
- Reporting the findings of the audit of the financial statements to the Supervisory Board and presenting how the audit of the financial statements contributed to the reliability of financial reporting as well as on the role of the Audit Committee;
- The audit of the financial statements and the preparations for their approval, examination of the proposal for the appropriation of profits, the management report and, if applicable, the corporate governance report, as well as the report on the audit findings to Supervisory Board;
- If applicable, the audit of the consolidated financial statements and Group management report, the consolidated corporate governance report as well as the report on the audit findings to Supervisory Board;
- The execution of the procedure for the selection of the auditor for the single-entity and consolidated financial statements considering also the appropriateness of the fee and the recommendation for the appointment of the auditor of the single-entity and consolidated financial statements to the Supervisory Board pursuant to Art. 16 of Regulation (EU) No. 537/2014.

With the entry into force on 17 June 2016 of the new Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public interest entities, the Audit Committee was assigned additional monitoring obligations regarding auditor independence; the Audit Committee also discussed this topic in detail at its meetings of 17 March 2021 and 28 September 2021.
The Audit Committee convened twice in the reporting year. The two meetings were held in the presence of the auditor and the State Commissioner and the Deputy State Commissioner.
The auditor presented the findings of the audit conducted in accordance with the auditing assignment defined in the audit contract on the economic position (single-entity and consolidated financial statements) and on the risk situation of the bank to the Management Board and to the Chairman of the Supervisory Board. The Chairperson then presented the findings to the Audit Committee, which discussed the matter at length directly with the auditors. The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.

In accordance with Rule 83 of the Austrian Code of Corporate Governance, the bank auditor was also commissioned in the reporting year to review the functioning of the risk management system. In the report to the Audit Committee, the bank auditor confirmed at the meeting of 28 September 2021 that the risk management system in place is fully functional in all material respects.

The execution of the procedure for the selection of the auditor for the single-entity and consolidated financial statements considering also the appropriateness of the fee and the recommendation for the appointment of the auditor of the single-entity and consolidated financial statements to the Supervisory Board is done by the Audit Committee pursuant to Art. 16 of Regulation (EU) No. 537/2014.

The resolution passed by circular on 23 March 2020 was adopted unanimously by the Audit Committee to conduct a two-tier selection procedure for the appointment of a new auditor for the single-entity and consolidated financial statements for the financial year 2022. The tender materials, the selection criteria, the evaluation procedure and the enlarged project team entrusted with the administrative execution were also approved.

Bidders that meet the pre-qualification criteria and submit their bids on time had the opportunity to give presentations to the members of the Audit Committee. Based on the preliminary evaluation of the bids at the Audit Committee meeting of 15 September 2020, the group of bidders was limited to two auditing firms. At the meeting of 17 March 2021, the Audit Committee made a well-founded recommendation after a thorough audit for the appointment of a new auditor to the annual general meeting 2021; this recommendation was discussed at the subsequent meeting of the full Supervisory Board, which followed the recommendation unanimously and made the corresponding motion to the Annual General Meeting 2021.

Committee Members: Ludwig Andorfer (Chairman until 11 May 2021), Gerhard Burtscher (Chairman since 11 May 2021), Andreas König (since 11 May 2021), Stephan Koren, Martin Zahlbruckner, Wolfgang Pischinger, Susanne Braun.

With Gerhard Burtscher and Stephan Koren, two committee members have specialist knowledge and practical experience in banking operations in the areas of finance and accounting (financial experts). All member of the Committee meet the independence criteria of § 63a (4) Banking Act.

Working Committee

The Working Committee is not a committee required by law.

The Working Committee takes decisions on matters of special urgency which are not assigned to either the plenary meeting of the Supervisory Board or the Credit Committee under the Rules of Procedure. These include, but is not limited to the acquisition and divestment of shareholdings of significant size and the acquisition, sale or encumbrance of real estate and investments exceeding defined threshold amounts, which are exactly specified in the Rules of Procedure of the Management Board and the Supervisory Board. In urgent matters requiring prompt decisions, the Working Committee, in accordance with the Articles of Association, exercises its decision-making power by resolutions reached by written circular, and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone.

In 2021, five time-critical resolutions were approved by the Working Committee. Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next plenary meeting of the Supervisory Board. Oberbank relies on the banking expertise of the members of the Committee for all decisions that usually have to be reached by written circular due to urgency.

Committee Members: Ludwig Andorfer (Chairman until 11 May 2021), Barbara Leitl-Staudinger (Chairwoman since 11 May 2021), Gerhard Burtscher, Stephan Koren, Wolfgang Pischinger, Susanne Braun

Credit Committee

The Credit Committee is not a committee required by law.
The approval of the Credit Committee is required for every loan exceeding the threshold amount specified in the Rules of Procedure of the Management Board unless such loan is approved directly by the full Supervisory Board at one of its meetings. Large exposures in the meaning of Article 392 of EU Regulation No. 575/2013 (CRR) must be presented to the Supervisory Board and the Credit Committee for a decision. In urgent matters requiring prompt decisions, the Credit Committee, in accordance with the Articles of Association, exercises its decision-making power by resolutions reached by written circular, and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone. In 2021, the Credit Committee approved 91 time-critical resolutions. Transactions decided by the Credit Committee are subsequently reported and discussed in detail at the next plenary meeting of the Supervisory Board.

Committee Members: Herta Stockbauer (Chairwoman), Ludwig Andorfer (until 11 May 2021), Stephan Koren (since 11 May 2021), Gerhard Burtscher, Wolfgang Pischinger, Susanne Braun

Risk Committee

In its function as Risk Committee, it must deal with the following matters pursuant to § 39d Banking Act:

- Advising the Management Board with respect to current and future risk appetite, and the risk strategy of the credit institution;
- Monitoring implementation of the risk strategy in connection with the management, monitoring and containment of risks pursuant to § 39 (2b) nos. 1 to 14, with capital adequacy and with liquidity;
- Reviewing the pricing policy for the services and products offered by the credit institution to check if it adequately takes the business model and risk strategy of the credit institution into account, and if necessary, presenting a plan for remedial measures;
- Regardless of the tasks of the Remuneration Committee, it checks to ascertain if the incentives of the internal remuneration system take into consideration risk, capital, liquidity, probability and time of profits realization.

In the reporting year, the Committee, in compliance with the Banking Act, held one meeting in the presence of the staff member responsible for the independent risk management function within Oberbank and the State Commissioner; at this meeting, the Committee dealt in detail with the risk strategy of Oberbank and other matters required by law.
The full Supervisory Board was informed of the topics discussed detail at its following meeting.

Committee Members: Stephan Koren (Chairman), Hannes Bogner, Herta Stockbauer, Martin Zahlbruckner, Wolfgang Pischinger, Susanne Braun

Apart from Chairman Stefan Koren, Hannes Bogner and Herta Stockbauer have the required experience and expertise for monitoring implementation of the bank's risk strategy as required by law. All member of the Committee meet the independence criteria of § 39d (3) Banking Act.

Nominations Committee

The Nominations Committee performs the tasks assigned to it by law (§ 29 Banking Act).

- Find candidates for an appointment to any vacant positions on the Management Board and present relevant proposals to the Supervisory Board;
- If required by the respective legal form of the credit institution, provide support to the Supervisory Board in preparing proposals for the Annual General Meeting for appointments to vacant positions on the Supervisory Board;
- Within the scope of its tasks pursuant to nos 1 and 2, considering the requirement to achieve a balance and wide scope of knowledge, skills and experience of all members of a relevant entity, prepare a description of the tasks with an applicant job profile, and state the time required to accomplish the tasks;

- Within the scope of its tasks pursuant to nos. 1 and 2, define a target ratio for the underrepresented gender on the Management Board and on the Supervisory Board as well as develop a strategy to achieve this target; the target ratio, strategy and progress achieved must be published pursuant to Article 435 (2) (c) of Regulation (EU) No 575/2013;
- Within the scope of its tasks pursuant to nos 1 and 2, ensure that when decisions are being reached by the Management Board or the Supervisory Board, no individual or a small group of persons is able to dominate those bodies in such a manner than is contrary to the interests of the bank;
- it regularly evaluates – in any case when events occur that indicate the need for a re-assessment – the structure, size, composition and performance of the Management Board and of the Supervisory Board.
- Regularly, but in any case at least yearly, conduct an assessment of the knowledge, skills and experience of both the Management Board members and of each of the members of the Supervisory Board as well as of the respective body as a whole and report its findings to the Supervisory Board;
- Review the course of the Management Board with respect to the selection of senior management staff and support the Supervisory Board in preparing recommendations for the Management Board.

Among other things, the Nomination Committee defines the rules – unless the Remuneration Committee is responsible – of the relations between the company and the members of the Management Board, submits proposals regarding appointments to management board positions (vacancies) and takes care of addressing succession planning issues.
At the regular meeting held in March 2021, the Nomination Committee also conducted an evaluation of the current task descriptions and applicant profiles for members of the management board and of the supervisory board, and discussed the process and objectives of the strategic succession planning in detail.
Apart from an evaluation of the knowledge, skills and experience of the management board members and of each of the members of the supervisory board as well as of the respective body as a whole, a review and an assessment is also made of the formal independence of the members of the Supervisory Board and an evaluation is conducted of any potential conflicts of interest on the management board and supervisory board.
The Nominations Committee also prepared a proposal for a resolution at the Annual General Meeting 2021 on the topic of filling vacant positions on the Supervisory Board; this proposal was adopted at the subsequent meeting of the supervisory board unanimously.
At the extraordinary meeting held on 10 May 2021, the Nominations Committee dealt with the topic of the premature prolongation of the mandate of CEO Franz Gasselsberger and prepared the relevant proposal for the Supervisory Board meeting of 11 May 2021.
At another extraordinary meeting held on 22 November 2021, the Nomination Committee deliberated the changes to the Fit & Proper Guidelines made by the Fit & Proper Office of Oberbank in accordance with the need to implement the new EU Directive including all related Directives and adopted the resolution.

<u>Committee Members:</u> Barbara Leitl-Staudinger (Chairwoman), Ludwig Andorfer (until 11 May 2021), Andreas König (since 11 May 2021), Herta Stockbauer
There are no separate independence criteria defined in the Banking Act for the Nominations Committee.

Legal Committee
The Legal Committee is not a committee required by law.
On account of the lawsuit filed by the largest individual shareholder against Oberbank that contests the resolution passed by the Annual General Meeting 2019 to reduce the number of shareholder representatives from twelve to eleven, the Supervisory Board set up a special committee at its meeting of 17 September 2019 to deal with this legal dispute with UniCredit Bank Austria and all related pending proceedings. The committee also has the power to commission external service providers (in particular, lawyers) with the representation of the company by the Supervisory Board externally, to make any required statements of the Supervisory Board in court proceedings or proceedings before authorities as well as to take decisions in these matters (decision-making competence) unless it is mandatory for the full Supervisory Board itself to reach a decision.

This became necessary because confidential information from the Supervisory Board had been passed on to the lawyers of the shareholder filing the lawsuit. The step was taken to prevent further violations of the Supervisory Board's policy on conflicts of interests. In such proceedings, the company is represented by the management board and supervisory board, which may require swift decisions in some circumstances by circular vote that would otherwise take too long in the full supervisory board. This Committee was made as compact as possible to enable quick responses and is composed of independent, experienced members of the Supervisory Board with legal expertise. The legal committee met five times in 2021 in the presence of the State Commissioners and informed itself of the current status of the individual proceedings.

Committee Members: Andreas König (Chairman since 11 May 2021), Barbara Leitl-Staudinger, Barbara Steger, Herta Stockbauer (Chairwoman until 11 May 2021, member since 11 May 2021), Wolfgang Pischinger, Susanne Braun

Remuneration Committee

The Remuneration Committee performs the tasks assigned to it by law.

In accordance with the new provisions of the Stock Corporation Act § 78a to § 78e and § 98a based on the EU Shareholder Rights Directive regarding the remuneration policy for the Management Board and the Supervisory Board, the Supervisory Board must define principles for the remuneration of the Management Board and Supervisory Board.
The Remuneration Policy

- must be supportive of the business strategy and the long-term goals,
- it must be clear and easy to understand,
- it must describe the different fixed and variable payments and their relative shares,
- it must present how the remuneration and employment terms and conditions of employees are considered,
- it must clearly and comprehensively present the criteria for the variable components,
- it must take into consideration the financial and non-financial criteria,
- it must contain the waiting periods and possibilities for demanding refunds,
- it must precisely define the waiting periods and retention periods for the share components,
- it must contain the term of the contracts, the material termination periods,
  the main features of the additional retirement benefits, of pre-retirement programmes and termination conditions,
- it must explain the procedures for determining, reviewing and implementation,
- it must describe the role of the Remuneration Committee, and after a review describe all material changes.

The Remuneration Policy was discussed by the Remuneration Committee at its meeting of 17 March presented and explained to the Supervisory Board at its meeting of 18 March 2020. The Supervisory Board adopted the resolution to present the Remuneration Policy to the Annual General Meeting of 20 May 2020. The Remuneration Policy was explained at this Annual General Meeting in a separate agenda item and was approved. The variable components of the remuneration for the individual members of the management board for the financial year 2020 was determined on the basis of this remuneration policy and was presented clearly in accordance with the recommendations of AFRAC in a remuneration report that was presented to the Annual General Meeting 2021 and published.
The evaluation of the remuneration policy presented for the first time to the Annual General Meeting in 2020 by the Remuneration Committee resulted in the adjustment of the method used to determine the variable remuneration for the management board, and for this reason the amended Policy had to be presented to the Annual General Meeting in 2021 again, which approved it.

Additionally, the Remuneration Policy and the Remuneration Report presented were published on the bank's website at www.oberbank.at/hauptversammlung.

At its extraordinary meeting of 10 May 2021, the Remuneration Committee defined the framework conditions for the management board contract for Franz Gasselsberger should his contract be prolonged by the Supervisory Board.

Committee Members: Andreas König (Chairman since 11 May 2021), Franz Peter Mitterbauer, Herta Stockbauer, Martin Zahlbruckner (Chairman until 11 May 2021, member since 11 May 2021), Ludwig Andorfer (until 11 May 2021), Wolfgang Pischinger

The chairperson is supported by three long-term managers with many years of experience in the area of remuneration policy. All members of the Committee meet the criteria of the EBA reference guidelines.

Measures aimed at promoting women (§ 243c (2) no. 2 Business Code) and diversity concept (§ 243c (2a) Business Code)
At a share of around 60% women in total staff, Oberbank has an excellent starting situation for the development of women for executive positions.

Management positions below Board level
As at 31 December 2021, the Oberbank Group (including Leasing) employed 118 women in executive positions (up to team leader level); this corresponds to a share of 25.76% (2020: 108 women or 24.1%).

In 2018, the project “Chance 2030, Gender Balance – Next Generation” was executed with the help of external advisors. Implementation started in 2019.

Within the scope of this project, a detailed survey was conducted of the management positions at the various departments that will have to be filled in the coming years.

By defining an internal ratio of 50% for women when making new appointments and successors for positions, the goal is to raise the share of women in management positions to at least 40% in the coming ten years.

The attainment of this quota is supported by a wide range of measures in recruiting, leave of absence and personnel development as well as internal and external communication.

We also continued certification as a family-friendly company, a programme started in 2011 with the “Grundzertifikat Audit berufundfamilie” (“Basic Certificate Audit berufundfamilie”) awarded for a period of three years by the Federal Ministry for Economy, Family and Youth. The external evaluation is conducted by TÜV SÜD Landesgesellschaft Österreich GmbH. In 2014, 2017 and 2020, this government quality certificate was awarded for a further three years.

In the autumn of 2021, the childcare facility “Kinkis Nest” was opened at the Oberbank headquarters in Linz in order to enable our female employees to return to work as soon as possible after maternity leave.

Target ratios and implementation strategy
The Management Board and Supervisory Board of Oberbank have developed a diversity concept which also contains measures to promote women.

Status quo 31 December 2021:

Governing body	Number of women	Number of men	Minority ratio
Management Board	0	4	0%
Supervisory Board (shareholder representatives)	3	7	30%
Supervisory Board (employee representatives)	3	2	40%

Supervisory Board (total)	6	9	40%

Members of the Management Board
At present, the Management Board (governing body) has four male members. In the past few years, recruiting from the ranks of higher management has been very successful. Therefore, it must be the aim of the bank to ensure, already at the second management level, that the share of women in management positions increases continuously, and the aforementioned project “Chance 2030, Gender Balance – Next Generation” will contribute greatly to this end.

The target for the Nominations Committee is 25% for a 4-person Board and 33% for a 3-person Board.

With a view to developing staff for in-house management positions and to filling openings on the Management Board, but also for new Board members from outside, the Nominations Committee has prepared job descriptions and applicant profiles for the Board members responsible for both sales and back office; these will also serve as guidelines in the event of potential candidates from the bank’s own ranks. The priority defined for women candidates in the recruiting process when qualifications are equal will apply here as well.

Supervisory Board (shareholder representatives)
When filling expiring mandates, the chairperson of the Supervisory Board and the Nomination Committee of Oberbank always endeavour to find qualified women to take on Supervisory Board mandates. The statutory provision states a share of 30% in total on supervisory boards from the underrepresented gender; at three out of ten capital representatives, Oberbank complies with the law.

Supervisory Board (employee representatives)
As at 31 December 2021, the employee representatives consisted of three women and two men.

Based on the agreement reached by the capital representatives and employee representatives that defines an overall view of the composition, 6 of 15 supervisory board members are women, and therefore, the underrepresented gender is represented 40% on the Supervisory Board of Oberbank. Therefore, Oberbank exceeded the statutory ratio of 30% on 31 December 2021.

Diversity
The Management Board of Oberbank currently consists of four male Austrian citizens. Three Management Board members are in charge of sales and share responsibility for the regional sales units in the bank’s five country markets. Sales units report to these Management Board members in line with those members’ main remits for Corporates and Personal Banking respectively. The fourth Management Board member is in charge of all back office matters and the relevant departments dealing with these. The Supervisory Board consists of three female shareholder representatives and seven male shareholder representatives. All are top specialists in their fields, with the board exhibiting a broad diversification (banks, insurance, industry, academia). In accordance with the strategic goal of preserving the independence of Oberbank, there is no political influence on the Supervisory Board. With respect to the age of the members of the Supervisory Board, we would like to state that the Supervisory Board members have many years of professional experience, which is also highly appreciated, and that this guarantees good supervision. However, in the past years there have been several elections and appointments of shareholder representatives and employee representatives which brought younger members onto the Supervisory Board without detracting from quality. Nonetheless, bearing in mind the responsibility to be assumed, the Works Council also refrains from delegating young and unexperienced colleagues. The majority of the shareholder representatives hold university degrees, with qualifications ranging from business and law to technical specialties. The other members of the Supervisory Board also have sufficient experience, especially in the area of banking, to ensure proper supervision.

In accordance with the one-third parity rule, five employee representatives are on the Supervisory Board of the Bank. The three women and two men come from various business areas of the bank, including one employee from the Central Works Council and employees from sales.

Evaluation of Compliance with the C Rules pursuant to Rule 62 ÖCGK

In accordance with Rule 62 of the Austrian Code of Corporate Governance (ÖCGK) which states that at least every three years compliance with the C Rules must be evaluated, in 2020 the Supervisory Board assigned KPMG the task of evaluating Oberbank AG's compliance with the C Rules of the ÖCGK in accordance with C Rule 62 of the ÖCGK on the basis of the Corporate Governance Report for the financial year 2019 and to assess if the statement of compliance by the Management Board presented an essentially true view of implementation and compliance with the relevant C Rules of the ÖCGK.

<u>Audit activities</u>

- Interviews of persons responsible for reporting on compliance with the Austrian Code of Corporate Governance
- Inspection of the relevant documents and materials
- Analysis of the information made available on the website
- Review and examination of the statement of compliance by the Management Board and the explanations of departures from the C Rules of the ÖCGK for the financial year 2019 based on the questionnaire published by the Austrian Working Group for Corporate Governance.

<u>Findings of the audit</u>

Based on its audit activities, KPMG did not gain knowledge of any matters that would lead it to believe that the statement of the company in the Corporate Governance Report fails to present a true view of implementation and compliance with the relevant rules of the ÖCGK.

As KPMG also served as auditor of the financial statements for the financial year 2019, under the contract the audit did not include a review of compliance with C Rules 77 to 83 of ÖCGK.
This audit will be conducted again in the financial year 2023.

Linz, 11 March 2022

The Management Board

CEO	Management Board Member	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer	Martin Seiter
Remit	Remit	Remit	Remit
Personnel and Accounting	Personal Banking	Overall Risk Management	Corporate and Business Banking

Investor Relations and Compliance

Shares and shareholder structure

Autonomy and independence are high priorities for Oberbank. This is achieved by robust earnings, a sound risk policy and shareholders with an interest in preserving the independence of Oberbank. No single shareholder of Oberbank AG is in a position to acquire a direct or indirect controlling interest. There is a syndicate agreement between BKS, BTV and Wüstenrot Genossenschaft for the purpose of protecting Oberbank's independence. Further stabilising elements are the shares owned by the employee foundation and long-time business partners like Wüstenrot and Generali.

Oberbank AG's ordinary shares 2021

Oberbank's ordinary shares developed very soundly in the year 2021. Performance was 8.29%. Including dividends, performance was 9.46%. Dividends for the financial year 2020 were EUR 0.75 per share divided into two payments (EUR 0.58, EUR 0.17). As the conditions precedent no longer apply on 31 December 2021 or earlier to Oberbank AG regarding the Recommendation of the European Central Bank

(i) limiting dividend payouts (Recommendation of the European Central Bank of 15 December 2020 on dividend distributions during the coronavirus pandemic and repealing Recommendation ECB/2020/35 [ECB/2020/62]), and

(ii) at the time the abovementioned conditions precedent were valid, there were no other statutory restrictions or other limiting recommendations from supervisory authorities that would have contradicted the distribution of a dividend in this amount,

the Management Board in execution of the corresponding resolution of the Annual General Meeting 2021 resolved to distribute on every eligible share a dividend of EUR 0.17 in addition to the originally possible EUR 0.58. With the dividend payment of a total of EUR 0.75, the price trend in 2021 corresponded to performance (price + dividend).

Market capitalisation of Oberbank AG was EUR 3,227.09 million at the end of 2021.

Oberbank shares – key figures	2021	2020
Number of ordinary no-par shares	35,307,300	35,307,300
High, ordinary share in €	91.60	96.00
Low, ordinary share in €	84.40	83.00
Close, ordinary share in €	91.40	84.40
Market capitalization in € m	3,227.09	2,978.74
IFRS earnings per share in €	6.66	3.52
Dividend per share in €	1.00[1)]	0.75
Price/earnings ratio, ordinary shares	13.72	24.0

[1)]The Management Board and Supervisory Board proposed to the Annual General Meeting 2022 the payout of a dividend of EUR 1.00 for the financial year 2021.

Steady appreciation

Oberbank ordinary shares have been listed on the Vienna Stock Exchange since 1 July 1986 and their value has risen steadily. Shareholders who acquired Oberbank shares in 1986 and participated in all capital increases have earned an average yield of 8.84% per year (before withholding tax) taking into account dividend distributions. Earnings per share rose significantly in 2022 from EUR 3.52 to EUR 6.66. Based on the shares' closing price, the price/earnings ratio (PER) for ordinary shares was 13.72. At the 142nd Annual General Meeting on 12 May 2022, the Board will recommend a dividend distribution of EUR 1.00 per qualifying share which is EUR 0.25 higher than in the preceding year.
Provided the Annual General Meeting approves, the proposal is to distribute a dividend of EUR 1.00 on every qualifying share from the net profit of EUR 35,521,878.02 reported in the financial statements for the period ended on 31 December 2021.

Oberbank's overall bank rating and mortgage-backed cover pool

The rating grades issued by Standard & Poor's did not change in 2021. Both the good overall bank rating of A (outlook: negative) and the highest rating grade of AAA (with a stable outlook) for our mortgage-backed cover pool confirm the stability of Oberbank.

Oberbank issues

With the first covered green bond issued by an Austrian bank and a senior non-preferred bond with volume of EUR 250 million each, Oberbank was again quite successful with its bond issues in the year 2021.
The covered bond has a maturity of ten years and the senior non-preferred bond of eight years. The two issues were substantially oversubscribed. In 2021, a total of EUR 550.3 million in bonds were issued. Securitised liabilities rose by EUR 351.9 million or 19% to EUR 2,207.8 million.
Supplementary capital (tier 2) including subordinated capital increased by EUR 17.5 million or 3.8% to EUR 480.6 million due to bond issues and the redemption of subordinate and supplementary capital bonds.

Shareholders of Oberbank as at 31 December 2021	Total
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck (incl. BTV 2000)*	16.15%
BKS Bank AG, Klagenfurt (incl. subordinating syndicate with BVG)**	14.79%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.50%
Generali 3 Banken Holding AG, Wien	1.62%
Employees	4.26%
CABO Beteiligungsgesellschaft m.b.H., Wien	23.76%
UniCredit Bank Austria AG, Wien	3.41%
Free float	31.51%

* BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. (BTV 2000), a 100% consolidated subsidiary of Bank für Tirol und Vorarlberg Aktiengesellschaft, owns 2.62% in Oberbank AG.
** Die Beteiligungsverwaltung Gesellschaft m.b.H. (BVG) owns 0.58% in Oberbank AG.

The share capital of Oberbank is divided into 35,307,300 ordinary registered shares, which are listed on the Vienna Stock Exchange under ISIN AT0000625108. The largest individual shareholder is CABO Beteiligungsgesellschaft m.b.H., a 100% consolidated subsidiary of UniCredit Bank Austria. Free float (31.51% of Oberbank ordinary shares) is held by companies, institutional investors and private investors.

Investor relations and communication

Oberbank informs shareholders in detail about its financial position and earnings performance in its quarterly and annual reports. The website www.oberbank.at also provides a continuous flow of information. The invitation to the Annual General Meeting encourages shareholders to seek direct contact with the members of the Management Board and the Supervisory Board. Potentially price-sensitive events are disclosed through the "euro ad hoc system" under "Insider Information".

Investor Relations:

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www.oberbank.at

Financial calendar 2022	
Online publication of the Annual Report 2021	5 April 2022
Publication of the Annual Report 2021 in the Official Gazette "Wiener Zeitung"	5 April 2022
Date of record for Oberbank shares	7 May 2022
142nd Annual General Meeting	17 May 2022
Ex dividend day – dividend for the financial year 2021	20 May 2022
Record date – dividend for the financial year 2021	23 May 2022
Dividend payout day – dividend for the financial year 2021	24 May 2022

Publication of quarterly reports	
Q1	19 May 2022
HY1	25 August 2022
Q1-Q3 2022	25 Nov. 2022

141st Annual General Meeting of Oberbank on 11 May 2021 / resolutions passed

Agenda item 2 Resolution on the use of the net profit for the financial year 2020
Yes: 19,570,020 votes; No: 0 votes; abstentions: 9,606,714 votes

Agenda item 3 Resolution on the discharge from liability of the members of the Management Board for the financial year 2020

Gasselsberger: YES: 19,492,526 votes; No: 9,594,427 votes; abstentions: 13,424 votes
Weißl: YES: 19,492,819 votes; No: 9,594,427 votes; abstentions: 13,131 votes
Hagenauer: YES: 19,492,856 votes; No: 9,594,427 votes; abstentions: 13,094 votes
Seiter: YES: 19,492,676 votes; No: 0 votes; abstentions: 9,607,701 votes

Agenda item 4 Resolution on the discharge of the members of the Supervisory Board for the financial year 2020

Zahlbruckner: YES: 29,075,732 votes; NO: 0 votes; ABSTENTIONS: 24,645 votes
Stockbauer: YES: 19,482,088 votes; No: 9,594,427 votes; abstentions: 23,862 votes
Andorfer YES: 19,481,422 votes; No: 9,594,427 votes; abstentions: 24,528 votes
Burtscher: YES: 19,481,945 votes; NO: 9,594,427 votes; abstentions: 24,005 votes
Bogner: YES: 29,074,244 votes; No: 0 votes; abstentions: 26,133 votes
Hofstätter-Pobst: YES: 13,356,219 votes; NO: 14,699,856 votes; ABSTENTIONS: 1,044,302 votes
Koren: YES: 29,076,247 votes; NO: 0 votes; ABSTENTIONS: 24,130 votes
Leitl-Staudinger: YES: 29,076,382 votes; NO: 0 votes; ABSTENTIONS: 23,995 votes
Leu: YES: 29,075,589 votes; NO: 0 votes; ABSTENTIONS: 24,788 votes
Franz Peter Mitterbauer: YES: 29,080,729 votes; NO: 1 vote; ABSTENTIONS: 19,647 votes
Peter Mitterbauer: YES: 29,080,729 votes; NO: 0 votes; ABSTENTIONS: 19,648 votes
Samstag YES: 15,637,552 votes; NO: 1,691 votes; ABSTENTIONS: 13,461,134 votes
Steger: YES: 29,075,732 votes; NO: 0 votes; ABSTENTIONS: 24,645 votes
Pischinger: YES: 19,469,076 votes; NO: 9,594,427 votes; ABSTENTIONS: 36,874 votes
Braun: YES: 29,075,732 votes; NO: 0 votes; ABSTENTIONS: 24,645 votes
Grabner: YES: 29,075,757 votes; NO: 0 votes; ABSTENTIONS: 24,620 votes
Höchtel: YES: 29,075,732 votes; NO: 0 votes; ABSTENTIONS: 24,645 votes
Pirner: YES: 29,075,732 votes; NO: 0 votes; ABSTENTIONS: 24,645 votes
Zeiss: YES: 29,075,732 votes; NO: 0 votes; ABSTENTIONS: 24,645 votes

Agenda item 5 Supervisory Board elections

TOP 5a: Confirmation of total number of capital representatives on the Supervisory Board with 10 members
YES: 19,567,820 votes; NO: 9,594,437 votes; ABSTENTIONS: 14,477 votes

TOP 5b: Election Burtscher
YES: 19,541,499 votes; NO: 9,617,152 votes; ABSTENTIONS: 18,083 votes

TOP 5c: Election König

YES: 19,546,286 votes; NO: 9,612,042 votes; ABSTENTIONS: 18,406 votes

Agenda item 6 Appointment of the bank auditor for the financial year 2022

YES: 29,152,631 votes; No: 0 votes; abstentions: 24,103 votes

Agenda item 7 Appointment of the bank auditor for the subsidiary Slovakia for the financial year 2021

YES: 29,147,490 votes; No: 0 votes; abstentions: 29,244 votes

TOP 8: Resolution on the remuneration report

YES: 19,532,815 votes; No: 9,594,580 votes; abstentions: 21,666 votes

Agenda item 9 Resolution on dividend distributions

YES: 19,561,544 votes; No: 9,594,581 votes; abstentions: 20,609 votes

Investor relations and communication

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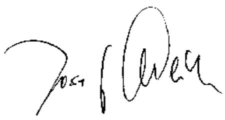
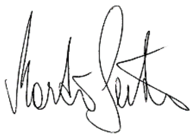
The invitation to the Annual General Meeting encourages shareholders to seek direct contact with the members of the Management Board and the Supervisory Board. Potentially price-sensitive events are disclosed through the euro ad hoc system under "Insider Information". In the financial year 2021, Oberbank published five such disclosures.

Linz, 11 March 2022

The Management Board

CEO	Management Board Member	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer	Martin Seiter
Remit	Remit	Remit	Remit
Personnel and Accounting	Personal Banking	Overall Risk Management	Corporate and Business Bankir

Directors' Dealings

Persons discharging managerial responsibilities at an issuer and persons closely related with such persons shall notify the issuer and FMA of every transaction conducted for their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto (Article 19 (1) MAR). The issuer must subsequently make the report public pursuant to Article 19 (3) Market Abuse Regulation. Oberbank AG published 38 such reports through the euro-adhoc-system in 2021.

Compliance (Banking Act)

Since 1 September 2018, banks have been under the obligation to keep written records on relevant principles and procedures for discovering and mitigating risks caused by violations of the supervisory provisions by Management Board members, Supervisory Board members and by employees.
Furthermore, since 1 January 2019 it has been mandatory and of extreme importance for banks to set up a permanent, effective and independent compliance function with direct access to the management (hereinafter: compliance function under the Banking Act). A person with the appropriate qualifications must be appointed to the position of head of compliance under the Banking Act.
The equipment and staff of the compliance function under the Banking Act is commensurate with the company's size as well as with the type, scope, complexity and risk of the business activity of Oberbank. The staff employed in this function have the corresponding knowledge, capabilities and experience in the area of compliance under the Banking Act. The qualification of employees is maintained on an ongoing basis and a strong focus is placed on continuing education for employees.
Activities in the compliance unit under the Banking Act are supported by high-quality IT tools. An information service unit is responsible for providing updates on supervisory requirements on an ongoing basis. Revision-proof workflows are used to evaluate the company-specific application of the new regulations and to facilitate processing by the competent specialised departments.
The permanent and centralized surveillance of the new supervisory rules by the compliance office under the Banking Act and the timely implementation by the relevant expert departments make it possible to develop forward-looking projections for projects, to plan resources and budgets at Oberbank, and to implement new processes and interfaces as required.
The BWG compliance unit screened 726 standards during the reporting period and processed them a total of 1770 times. 277 data sets were classified as applicable by the departments, 52 of which were presented in the monthly monitoring report based on materiality analysis to the Management Board based. The implementation of 35 of these materiality standards was completed in 2021.

Compliance (Securities Supervision Act)

Credit institutions are under the obligation to ensure that their organisation and workflows are commensurate with their structure and business activities, and must also guarantee ongoing monitoring of the proper execution of investment services and ancillary investment services.
To discover potential violations of statutory provisions, Oberbank uses an computer-aided compliance tool to help mitigate risk by quickly and specifically revealing instances of malversation in exchange trading, especially market manipulation and insider dealings as well as violations of the duty of due diligence in connection with the securities business.
It provides for proactive monitoring through ad hoc and regular evaluations and helps to avoid reputational damage and monetary loss. Furthermore, this IT tool also keeps and maintains the lists and records that must be kept by law, such as insider lists, blocking and watch lists, areas of confidentiality, and the register of conflicts of interest. This IT tool thus enables the professional management of (potential) securities compliance incidents by documenting all incidents seamlessly, centrally and without delay. Additionally, a compliance conflict of interests matrix is administrated and updated as needed. Oberbank also has an extensive internal set of rules and regulations on securities compliance in place (Compliance Manual). The Compliance Manual contains a description of general organisational aspects as well as detailed information on the compliance rules and regulations relating to investment activities and the capital market.

The Compliance Manual is published internally on the bank's intranet and is therefore available at all times to all employees. The employees of Oberbank are under the obligation to comply with the rules and regulations in this Manual and their

attention is drawn to the sanctions under criminal law and labour law in the event of violations of these rules and regulations; they also receive the training courses on a regular basis. The training courses include mandatory annual web-based training courses as well as e-learning courses and regular attendance courses. In 2021, in-person events were held as online events due to the coronavirus pandemic.
Therefore, this ensures that Oberbank meets its statutory obligations to install and maintain effective rules, systems and procedures for the discovery and reporting of suspicious securities orders and transactions.

Findings of the Securities Compliance Audits
Starting out from an evaluation of securities compliance risk within the scope of a risk analysis, Oberbank has created a risk-based monitoring programme for investment services and investments activities. The risk-based monitoring activities defined therein have been fully executed and the results reported to the responsible expert departments and to the management board.
In the year 2021, Oberbank did not report any suspicious securities orders or transactions to the Financial Market Authority (FMA) on the grounds of market abuse.

Anti-money Laundering Compliance
Oberbank is aware of its responsibility for complying with regulatory requirements in the area of prevention of money laundering and terrorism financing, and makes constant efforts to optimise measures and processes in this area. These include, among other things, conducting automatic and manual audits of the customer base and of transactions, the ascertainment and checking of the economic beneficiaries according to the relevant provisions of the Beneficial Owners Register Act (WiEReG), checking and updating of customer data, checking potential high-risk customers with respect to money laundering before opening transactions subject to approval, checking the PEP and sanctions status as well as providing service-oriented advice and training to Oberbank employees. The priorities in the year 2021 were the further optimisation of internal rules and regulations, the modernisation of training media for all employees, the sales-based design and digitization of workflows and processes as well as the optimization of cross-border collaboration between the responsible parties for the prevention of money laundering and sanctions on international markets and the central Compliance Department. Special attention was given to the current status and integrity of the customer data of existing customers, which was also the object of special monitoring and reporting.
The regular further education and training of all employees is ensured by in-person training courses and web-based training courses. All employees of Oberbank must complete these with a positive grade.

All instructions, checklists and FAQs are available to sales staff and drafted to meet the principle of “clearly understandable, compact presentation, and easy to use”. These are updated on an ongoing basis to secure high quality in the fight against money laundering and terrorism financing. In particular, topics such as money laundering authorisations, identification and verification of beneficial owners of various types of companies, obtaining and updating know-your-customer information as well as plausibility checks and proof of the origin of funds are dealt with.
The close cooperation between the international branches and subsidiaries, on the one hand, and headquarters in Linz, on the other, was intensified in 2021. The focus was on standardising reporting and control, and on the development of rules and regulations for the entire Group. This ensures uniform standards for Group-wide strategies and procedures at the highest level and according to the strictest standards.

Fraud Prevention
In accordance with the Guidelines of the European Banking Authority (EBA), Oberbank uses a dedicated IT tool for the prevention of fraud in payment services. This IT tool automatically stops suspicious transactions which are then are carefully reviewed. Only after a positive outcome of the review are the transactions released. In the financial year 2021, a number of 138,268 transactions were classified as suspicious by the IT tool. Of these, 23,170 cases required a confirmation of approval from the customers. Oberbank also has an extensive internal set of rules and regulations to fight fraud. These rules contain detailed descriptions of the different types of fraud and the corresponding preventive measures taken within Oberbank. The Fraud Prevention Policy is available to all employees on the intranet and is therefore available for viewing at any time.

Employees must complete obligatory web-based training or e-learning courses every year on the relevant topics. In 2021, no in-person attendance events took place due to the coronavirus pandemic. In the financial year 2021, Oberbank was able to prevent a potential loss to customers due to fraud in an amount of EUR 1,126,626.

Group Management Report

Global economy makes a comeback

The second year of the pandemic may be compared to a rollercoaster ride, especially with a view to 2020. Despite the shock and the associated contraction of the economy by 3.5 % in the first full year of the coronavirus, growth in the past year was robust at a gain of 5.9%[1]. While it stands to reason that there are some base effects after a severe crisis, the coronavirus crisis was not overcome in 2021, and there are quite a few important factors driving strong growth. Large parts of the global economy now know how to deal with the virus, many central banks remained expansionary for most of the year, and fiscal policy support also remained substantial. The latter is particularly true for n the US where economic growth in 2021 was 5.7%[2] and the unemployment rate has fallen back to below pre-crisis levels at 3.9%[3]. Global growth could have been higher, however, as the Corona crisis was compounded by problems in global supply chains and a sharp rise in energy prices. This rise in energy prices led to energy shortages, especially in China, and therefore to a heavy burden on the economy, including plant closures. Despite these global factors and problems in the national real estate sector, China ultimately achieved growth of 8.1%[4].

EU reports record growth and continues to expand

Within the European Union, the ground for expansion was prepared mainly in the summer. In the second quarter, annual growth was 13.8%[5], an unprecedented rate of growth. Pre-crisis levels were reached already in the third quarter and the year closed at a growth rate of 5.2%[6]. On account of supply chain problems, the negative factors weighed the heaviest in countries with a high share of manufacturing. Germany is an example that posted economic growth of +2.8%[7], compared to the big losers of the previous year such as Italy or Spain, which are now posting growth rates of +6.3 %[8] and + 5.0%[9], respectively. The countries of Central and Eastern Europe achieved dynamic growth in the current year after smaller GDP loss in 2020 compared to the core countries. Economic growth was particularly strong in Hungary, for example, at +7.1%[10], while the Czech Republic grew more modestly at +3.3%[11].

Austria with strong recovery

The economic upswing in Austria in 2021 was mixed, but overall very strong and better than expected. While the crisis seemed to be over by the end of 2020 in the manufacturing sector, for example, and it was mainly supply shortages that had a dampening effect, the contagion affected mostly the service sector. While economic recovery in the summer months was fuelled primarily by the sectors affected most by the crisis such as the hospitality industry, their contribution declined again with rising infection rates and the renewed lockdown in autumn. Nonetheless, the fourth corona wave had only a slight effect on economic growth in 2021 and grew at a rate of +4.9%[12]

Central banks face dilemma

A very expansive monetary policy to counteract the crisis dominated at the start of the year 2021, and therefore, interest rates were generally very low. This is also seen in the average three-month Euribor rate of -0.549%,[13] which was once again significantly lower than in the preceding year, and in the EUR ten-year SWAP rate, which at an average of 0.0528%[14] was historically at its second-lowest level.

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[1] International Monetary Fund
[2] Federal Reserve
[3] Bureau of Labor Statistics
[4] National Bureau of Statistics of China
[5] Eurostat
[6] Eurostat
[7] Deutsche Bundesbank / DESTATIS
[8] Istat
[9] Banco de Espana
[10] Hungarian Central Statistical Office
[11] Czech Statistical Office
[12] Oesterreichische Nationalbank
[13] European Money Market Institute
[14] Bloomberg Generic

As the year progressed, it became increasingly clear that central banks faced a dilemma. On the one hand, inflation kept rising due to the economic recovery, supply chain problems, skilled labour shortages and high commodity prices, which called for tighter monetary policy. On the other hand, central banks are faced with the political dilemma of the need to avoid endangering the economic upswing. As a result, as the year progressed the central banks were less and less able to verbally counter the expectations of interest rate increases priced in by the market, and it also turned out that the notion of temporary inflation was false. As a consequence, more and more central banks began to scale back their expansionary monetary policy and raise interest rates.

Currency trends

EUR/USD remained within a slightly lower range of around 9.0% in 2021, but the trend was a mirror image of the preceding one, and the EUR lost ground as of the spring due to the faster recovery of the US economy and the prospects of the Fed tightening monetary policy. Even though at the start of 2021[15] the previous year's high was surpassed at 1.2327, it continued to decline to the all-year low of 1.1199.[16] The EUR/USD was trading at the annual average of 1.1828[17] higher than the preceding year's exchange rate of 1.1419[18]. The euro also lost ground against the Czech koruna with an average with an annual average exchange rate of 25.642[19], but the euro gained slightly against the Hungarian forint at 358.52[20] on the annual average.

Stock markets 2021 – a good year for shares

In general, 2021 was a very good year for equities. Volatility was low over the year and corporate earnings were quite good, also thanks to government support. Corrections during the year were used again for buying, and therefore, most annual charts depicted only one path. Only when a discussion started about faster interest rate hikes by the Fed did a major correction occur in the autumn, but markets recovered from this setback by the end of the year. However, rising interest rates may pose a challenge for equities in 2022.

[15] Bloomberg Generic
[16] Bloomberg Generic
[17] Bloomberg Generic
[18] Bloomberg Generic
[19] Bloomberg Generic
[20] Bloomberg Generic

The consolidated financial statements are published in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements, prepared in accordance with internationally recognised standards, replace the consolidated financial statements under Austrian law pursuant to § 59a of the Austrian Banking Act and § 245a of the Austrian Business Code. The group management report was prepared in accordance with international accounting standards.

Oberbank group of consolidated companies

The group of consolidated companies in 2021 included, apart from Oberbank AG, 28 Austrian and 16 foreign subsidiaries. The group of companies included in consolidate changed as follows compared to 31 December 2020:

- The liquidation of Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen, led to a reduction in other assets by €k 1
- The sale of Oberbank Ennshafen Immobilienleasing GmbH, Linz led to a decrease in Other liabilities by €k 5,044 and to a reduction in Loans and advances to customers by €k 17,069.

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was included in the consolidated financial statements on a proportionate basis in accordance with IFRS 11. In addition to BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was included in the consolidated financial statements using the equity method.

18 subsidiaries and 14 associated companies were not consolidated; the influence of these companies on the net assets, financial position and result of operations of the Group is overall of minor importance.

The cut-off date for consolidated financial statement date is 31 December. A sub-group financial statement was prepared for the leasing companies included in the consolidated financial statement with reporting date 30 September to enable the timely preparation of the consolidated annual financial statement. Significant business transactions or changes in the composition of the leasing sub-group in the 4th quarter are taken into account.

Segmentation

Oberbank's customer business is grouped into the segments Corporate and Business Customers, Personal Banking, Financial Markets and Other. Regionally the Oberbank's markets break down as follows: 178 branches in Austria (96 branches), Germany (43), the Czech Republic (21), Hungary (14) and Slovakia (4).
Details on the development of business and earnings in the customer segments and regions are presented in the sections "Segment report" and "Consolidated financial statements" of this Annual Report.

Despite the coronavirus crisis, Oberbank attained excellent operating results

Demand for loans rose by 6.7% to EUR 18.4 million and primary deposits increased significantly by 13.0% to EUR 17.4 billion. Net interest income rose by 2.7% to EUR 346.1 million and net fee and commission income was up by 12.5% to EUR 192.0 million.

Net profit for the year before tax was significantly higher rising by 68.3% to EUR 281.9 million. Net profit after taxes for the year was EUR 234.6 million, an increase of 90%. Income taxes of EUR 47.2 million were 7.4% higher than in the preceding year.

IFRS consolidated income statement in €m	2021	2020	Change
Net interest income	346.1	336.9	2.7%
Income from entities accounted for by the equity method	100.1	-8.0	>-100,0 %
Charges for losses on loans and advances	-35.7	-41.8	-14.6%
Net fee and commission income	192.0	170.7	12.5%
Net trading income	7.8	1.5	> 100.0%
Administrative expenses	-313.6	-294.9	6.3%
Other operating income	-14.7	3.2	>-100,0 %
Profit for the year before tax	281.9	167.5	68.3%
Income taxes	-47.2	-44.0	7.4%
Profit for the year after tax	234.6	123.5	90.0%
of which attributable to the owners of the parent company and the owners of additional equity components	233.4	122.4	**90.7%**
of which attributable to non-controlling interests	1.2	1.1	7.1%

Net trading income

The net trading income comprises earnings from securities and derivatives in the trading book as well as earnings from dealings in foreign exchange, foreign bank notes and precious metals. In the financial year 2021, net trading income was EUR 6.3 million higher than in the preceding year.

Administrative expenses

In the 2021 financial year, administrative expenses increased by 18.6 million euros year on year. Of this amount, EUR 13.4 million were personnel expenses (incl. EUR 5.0 million for the employee foundation, EUR 4.6 million for material expenses and EUR 0.6 million for depreciation/amortisation).

Profit distribution proposal

Distributable profit is determined on the basis of the single-entity financial statements of the parent of the Group, Oberbank AG. Net profit for the 2021 financial year of Oberbank AG was EUR 122.5 million. After the allocation of EUR 87.2 million to reserves and including the profit brought forward of EUR 0.2 million, the profit available for distribution amounted to EUR 35.5 million. Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 1.00 per eligible share. This results in a distribution amount of EUR 35.3 million at 35,307,300 ordinary shares. Furthermore, the Management Board proposes to carry the remainder of EUR 214,578.02 forward to new account.

Earnings indicators

After the preceding year's results which were overshadowed by the coronavirus pandemic, the RoE before and after taxes climbed back to very high levels. Although the average equity increased by about EUR 220 million year on year, RoE before taxes was 8.88%, and RoE after taxes 7.39%. The risk/earnings ratio was 10.32%, an improvement of 2.10%-points over the preceding year. The cost/income ratio (CIR) was 49.68%. This is an improvement of 8.81% percentage points year on year.

Performance indicators	2021	2020	Change
Return on equity before tax (RoE) 1)	8.88%	5.67%	3.21% ppt
Return on equity after tax1)	7.39%	4.18%	3.21% ppt
Cost/income ratio 2)	49.68%	58.49%	-8.81% ppt
Risk/earnings ratio (credit risk/net interest) 3)	10.32%	12.42%	-2.10% ppt

1) Return-on-equity before/after tax shows the return on equity of the company within a defined period. The calculation is based on the ratio of the net profit before/after taxes versus the average equity available on the quarterly cut-off dates of the period and adjusted for planned dividend distributions.

2) The cost/income ratio is an indicator of efficiency and shows the costs the bank incurs to earn one euro. To calculate it, the administrative expenses for the respective accounting period are compared to the operating income (sum of net interest income and net commission income, trade result and other operating income).

3) The risk/earnings ratio is a risk indicator for the lending business that indicates the share of the net interest income used to cover credit risk. For the calculation, the charges for losses on loans and advances in lending operations are compared to net interest income.

Assets, Earnings and Financial Position

Total assets of the Oberbank Group amounted to EUR 27,539.7 million at the end of 2021 which was 12.7% higher than at the preceding year's balance sheet date.

Balance sheet assets

Loans and advances to credit institutions declined by 9.8% to EUR 873.6 million in 2021. Loans and advances to customers increased significantly by 6.7% to EUR 18,428.0 million. Financial assets decreased in 2021 by 6.6% to EUR 3,180.40 million.
The cash reserve increased by EUR 2,294.9 million from EUR 2,106.0 million to EUR 4,400.9 million.
Compared to year-end 2020, loans and advances to customers expanded from EUR 1,163.2 million or by 6.7% to EUR 18,427.9 million.
The decrease in financial assets by EUR 223.8 million or by -6.6% to EUR 3,180.4 million was due mainly to the declines in fixed-interest securities.

Balance sheet – equity and liabilities

Amounts owed to credit institutions rose in 2021 by 16.3% to EUR 5,893.3 million.
The development of liabilities to customers was mixed.
Savings deposit decreased compared to 31 December 2020 by 4.7% from EUR 2,660.9 million to EUR 2,534.7 million.
Demand and time deposits, on the other hand, increased from EUR 10,426.3 million to EUR 12,193.9 million or by 17.0%.
Retail customer deposits rose from EUR 6,140.9 million to EUR 6,508.4 million or 6.0%.
Primary funds incl. subordinated debt capital rose by 13% to EUR 17,431.6 million.
Amounts owed to customers rose by 12.5% to EUR 14,728.6 million.
Securitised liabilities expanded by 19% to EUR 2,206.6 million. This item includes a new senior non-preferred bond of EUR 250 million and Austria's first covered green bond – also with a volume of EUR 250 million.

Subordinated capital increased due to the issue and redemption of subordinated bonds and supplementary capital bonds by EUR 10.6 million or +2.2% to EUR 496.4 million; equity increased by 9.2% to EUR 3,317.9 million.

Provisions in €k	2021	2020
Provisions for termination benefits and pensions	179,295	201,775
Provisions for anniversary bonuses	14,908	15,778
Provisions for credit risks	135,250	117,159
Other provisions	35,349	38,129
Provisions for liabilities and charges	**364,802**	**372,841**

The remaining liabilities include provisions for liabilities and charges, and other liabilities.
At EUR 364.8 million, provisions were EUR -8.0 million lower than on 31 December 2020.
Provisions for credit operations increased from EUR 117.2 million to EUR 135.3 million or by 15.4%.
Provisions for personnel (severance payments, pensions and anniversary bonuses) decreased by EUR 23.3 million from EUR 217.5 million to EUR 194.2 million. Other provisions decreased by 7.3% from EUR 38.1 million to EUR 35.3 million.

Other liabilities increased by 0.6% to EUR 532.1 million. This item comprises the negative fair values of derivatives in the banking book, other short-term provisions, other liabilities of the leasing sub-group and deferred items.

Funding base in €m	2021	2020	Change
Amounts owed to customers	14,728.6	13,087.2	1,641.40
Securitised liabilities	2,206.6	1,854.0	352.60
Subordinated debt capital	496.4	485.8	10.60
Primary deposits incl. subordinated debt capital	**17,431.6**	**15,426.9**	**2,004.70**
Amounts owed to credit institutions	5,893.3	5,065.6	827.70
Total	**23,324.90**	**20,492.50**	**2,832.40**

Regulatory capital pursuant to Part 2 of Regulation (EU) No 575/20131[1]) – Pillar I in €m	2021	2020	Change
Common equity tier 1 capital	2,971.1	2,705.2	9.8%
Tier 1 capital	3,021.1	2,755.2	9.7%
Own funds	3,353.2	3,099.3	8.2%
Common equity tier 1 capital ratio	18.35%	17.84%	0.52% ppt
Tier 1 capital ratio	18.66%	18.17%	0.50% ppt
Total capital ratio	20.71%	20.43%	0.28% ppt

[1]) Subject to approval by the Supervisory Board on 24 March 2022.

The common equity tier 1 capital ratio increased by 0.52%-points year on year from 17.84% to 18.35%. Eligible common equity tier 1 capital increased by 9.8%.
The common equity tier 1 ratio rose year on year by 0.5%-points from 18.17% to 18.66%.
The total capital ratio increased by 0.28%-points from 20.43% to 20.71% year on year.

Use of financial instruments

The use of financial instruments is presented in detail in the Notes to the Consolidated Financial Statements of the Oberbank Group.

Research and development

Oberbank develops individual financial services in finance and investment based on the needs of its customers. Oberbank does not engage in research and development in the classic sense.

Legal dispute of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (hereinafter: "UniCredit") made a motion at the Annual General Meeting of Oberbank in May 2019 to elect a third representative from their side to the Supervisory Board of Oberbank. The motion failed to receive a consenting vote. Subsequently, UniCredit filed a lawsuit contesting the individual resolutions adopted by the Annual General Meeting. The proceedings in this matter were closed on 20 December 2019. After Landesgericht Linz (Regional Court Linz) ruled against all lawsuits filed by UniCredit, Oberlandesgericht Linz (Higher Regional Court) revised this ruling with respect to the reduction of the number of shareholder representatives from twelve to eleven adopted by resolution of the Annual General Meeting of May 2019 and declared it null and void. However, the Court did not rule in favour of UniCredit's petition for a declaratory decision on the election of the candidate that UniCredit nominated. This decision has meanwhile become legally binding and final. The decision handed down has no further legal effects apart from confirming that the candidate requested by UniCredit was not elected. These proceedings do not have any relevant effects on the financial statements.

At the end of December 2019, UniCredit demanded that an extraordinary general shareholder's meeting of Oberbank be convened which was held on 4 February 2020. The motions put forth by UniCredit (special audit of all capital increases of Oberbank since 1989, termination of arbitration proceedings with Generali-3Banken Holding) did not receive a consenting vote.

Also at the Annual General Meeting of 20 May 2020, UniCredit put forth motions requesting special audits, but these did not obtain a majority of the votes. On the one hand, UniCredit filed an action for annulment of these decisions. On the other, UniCredit filed for a special audit with the courts regarding the motion for a special audit made at the Annual General Meeting 2020 in connection with the capital increases of BKS Bank AG (hereinafter: BKS) and Bank für Tirol und Vorarlberg AG (hereinafter: BTV) in 2018, and with respect to several special audit matters rejected at the Annual General Meeting 2020. The petition for a special audit filed by UniCredit with a court of law was partially rejected by Landesgericht Linz and with respect to the rest of the matters, the proceedings were suspended until the pending civil proceedings regarding the action for annulment against the decisions adopted by the Annual General Meeting 2020 are resolved.
The proceedings regarding the action for annulment were suspended until the preliminary questions regarding takeover law are clarified.

At the end of February 2020, UniCredit filed requests with the Takeover Commission to review if the shareholders' syndicate of 3 Banken Group violated the mandatory bid requirement under the Takeover Act. Oberbank is directly affected by these proceedings as a member of the syndicate with BVT and BKS. The syndicates of BTV and BKS were approved by the Takeover Commission by official notices issued in 2003 which are still valid today. UniCredit claims that the composition and decision-making processes of the syndicates have changed since then and that the syndicates have expanded their weighting in votes since the year 2003 to an extent that is of relevance under the Takeover Act so as to trigger a mandatory bid.
From 27 September 2020 to 1 October 2020, three court hearings were held with extensive witness interviews before the Takeover Commission. The decision is still pending.
After carefully reviewing the matter jointly with external experts, the Management Board believes that such an audit under the Takeover Act will not result in the obligation to make a mandatory bid.

No challenges were raised against the resolutions of the Annual General Meeting of 11 May 2021.

At the end of June 2021, UniCredit filed new legal actions for an injunction ruling and declaratory judgment with Landesgericht Linz. The purpose of these filings was to obtain a decision with respect to the resolutions of the Management Board of Oberbank on the execution of the last four capital increases of Oberbank and with respect to the resolutions to make payments to Generali 3Banken Holding AG for the capital increases of 3Banken stating that these were null and void, and to order the Management Board to refrain in future from making such payments or allocating shares to shareholders with mutual holdings with Oberbank with the scope of capital increases.
At the time of this writing, there was no date for a first hearing at Landesgericht Linz, however, the legal actions against BTV filed simultaneously with Landesgericht Innsbruck were rejected in their entirety in the first instance. After careful review, the Management Board of Oberbank does not expect any relevant effects on the balance sheet from these proceedings, just as for all other pending proceedings.

Significant events since the end of the financial year
See Consolidated Financial Statements 2021 Note 2.10.

Outlook for earnings in financial year 2022

There are factors that heavily overshadow the positive economic outlook for 2022. One of the factors is the conflict between Russia and Ukraine. At present, it is certainly too early to make any well-founded statements on the effects of the acts of war, of the sanctions and, above all, on future economic developments. However, one thing is for certain. Commodity and energy prices will continue to rise or remain at the already very high level. These developments will have a lasting effect on inflation. Central banks will therefore adjust their interest rate and monetary policies. At the same time, credit risk will rise starting from a currently very low level.

Therefore, equity, tier 1 capital and strategic liquidity will become even more important in the future. These are the key indicators in which Oberbank already ranks among the best banks in Europe. Additionally, Oberbank's strategy of doing business only in countries with low political risk is proving very valuable. Oberbank does not have a credit exposure in Russia or Ukraine. As this conflict has only just begun, it is too early to make any reliable statements. Dependence on Russian commodities, especially Russian gas, is apparent.
This conflict will possibly result in an even steeper rise in investments in the area of sustainability. Large amounts of funds will be invested throughout Europe and also in Austria to reduce dependence, especially on Russia. Currently, demand for retail and commercial loans is still good, but future developments are uncertain.

Due to the still very volatile market environment caused by increasing geopolitical tensions, the uncertainties prevail regarding the valuation of securities and investees as well as credit risks, which makes it impossible to provide a precise outlook for overall earnings.

Risk Management and Internal Control System

Consciously taking on risks is a key feature of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term. The responsibility for defining the Group's central risk management strategy, the risk management and the risk controlling across the Oberbank Group lies with Oberbank AG. The basis for the risk strategy of Oberbank is the Bank's positioning as a regional bank. The Management Board and all of the Bank's employees consistently act in accordance with the principles laid down in the Bank's risk policy, and decisions are invariably made on the basis of these guidelines.

Organisation of risk management

At Oberbank, risk management is an integral element of the Bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for the Bank's risk management lies with the Management Board of Oberbank AG as a whole. Management competences as well as the share of available economic capital allocated to a specific risk (Limits) or predefined management and control processes are specified for every material risk within the Oberbank Group. Overall bank (risk) management is carried out by the Bank's Asset and Liability Management Committee (APM Committee), which meets monthly and for which the Strategic Risk Management Department prepares the relevant documents. The Management Board member responsible for risk management is the head of this Committee and has a veto right in risk-relevant decision-making processes.

Risk management pursuant to § 39 para 5 Banking Act

The Strategic Risk Management Department meets the function required by the Austrian Banking Act (§ 39 (5) Banking Act) of a central and independent risk management unit. This unit has the complete overview of the risk types as well as the risk situation of the credit institution; it also measures, analyses, monitors and reports all material risks within Oberbank. The reporting line is to the Supervisory Board, the Management Board, the ALM Committee as well as to the respective department heads and staff. The department is also involved in the development of the risk strategy.

Internal Control System

Oberbank's Internal Control System (ICS) complies with the internationally recognised COSO Framework. There are detailed descriptions of the ICS processes and a uniform documentation of all risk-relevant processes of the bank and of the control measures. Responsibilities and functions with respect to the ICS are clearly specified. The ICS is subject to regular, multi-level reporting on effectiveness and maturity. Control activities are documented and reviewed, and ICS-relevant risks are regularly evaluated and adjusted. This ongoing optimisation process contributes to quality assurance. In its function as an independent monitoring body, the Internal Audit department of Oberbank AG audits the internal control system. It examines the effectiveness and adequacy of the ICS and reviews compliance with work instructions.

The control mechanisms of ICS with respect to the accounting process are described in the following section (Disclosure pursuant to Section 243a (2) Austrian Business Code):

Responsibility for bookkeeping and accounting with the related processes is part of the Accounting and Controlling department. Some sub-processes are part of Strategic Risk Management. The Internal Audit department conducts the statutory audits as an independent unit. Within the ICS, all processes are checked when the financial statements are prepared and the related risks are identified, analysed and monitored. If necessary, measures are taken to mitigate the risks.

Control environment

Apart from compliance with the statutory requirements, the code of conduct and corporate governance rules defined by Oberbank are important. The staff involved in accounting have the knowledge and experience required for their area of responsibility. Ongoing continuing education measures serve to ensure that know-how is constantly being improved and are the basis for the timely implementation of any innovations to accounting processes. To comply with the extensive legal regulations, there are numerous guidelines, manuals and work aids to help with daily work; these are regularly reviewed and updated as necessary.

Control procedures

Controls comprise, on the one hand, systemic controls in IT defined by Oberbank and, on the other, manual controls and plausibility checks as well as the application of the dual control principle. The IT authorisation concept implemented at Oberbank represents an additional safeguarding mechanism.

Monitoring procedures

The monitoring of accounting processes is ensured by ICS. Furthermore, heads of department and the competent group leaders exercise surveillance and supervisory functions. This entire monitoring process is audited by Internal Audit. An additional monitoring function is performed by the auditors of the consolidated financial statements and the Audit Committee.

Overall bank risk management and risk-bearing capacity calculation

At Oberbank AG, compliance with the regulatory requirements for qualitative risk management arising from the Internal Capital Adequacy Assessment Process (ICAAP) and the ILAAP (Internal Liquidity Adequacy Assessment Process) is complied with by calculating the risk-bearing capacity and by means of a reporting system and limits for liquidity management. The basis for assessing the Bank's risk-bearing capacity is the quantification of the material banking risks and the economic capital allocated to each of them. Within the framework of the risk-bearing capacity calculation, ICAAP risk limits for material banking risks resulting from the business model of Oberbank are derived on the basis of the economic coverage capital. Within the framework of this process, ICAAP risk limits are derived for all material banking risks, specifically the credit risk (within which loss exposure, the counterparty default risk, the foreign currency loan risk, the risk of credit valuation adjustments (CVA risk) and credit risk concentrations are quantified), the market risk in the trading book, the market risk in the banking book, the liquidity risk, the operational risks as well as risks arising from the macroeconomic environment. In the risk-bearing capacity calculation, the risk appetite of Oberbank is limited to 90% of economic coverage capital. The remainder of 10% is not allocated. Apart from using economic capital management as a tool for limiting risk, Oberbank controls material risks by means of processes and individual limits applied within the context of operational risk management.

Credit risk

Credit risk is understood to mean the risk of a borrower's full or partial failure to fulfil the contractually-agreed payment obligations. Credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group.

Credit risk management is the responsibility of the Credit Management department. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process, up to Management Board level. The Bank's credit risk strategy is based on the regionality principle (i.e. domicile of lending customers are in the regions covered by the branch network). The principal focus is on lending to industry and medium-sized enterprises. Operational risk targets are defined jointly by the Management Board together with the head of the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments.

Every lending decision is based on a credit rating, which is an assessment of the respective customer's creditworthiness. In the corporate banking business, these assessments are performed using credit rating processes developed using statistical methods. The same is true for the rating of existing business in the personal banking segment as well as for application ratings in the personal banking business in Austria and Germany.

Assessments are based on quantitative (hard facts) and qualitative criteria (soft facts, warning signals), which together provide an objective and forward-looking picture of a customer's creditworthiness. The rating procedures are validated annually. The resultant findings are used as a basis for the ongoing further development and optimisation of the rating system.

Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the threat of cover shortfalls means stringent requirements with respect to the correct and up to date valuation of collateral. For this reason, the administration of credit collateral is organisationally separated from sales throughout the Oberbank Group and is done with Group Collateral Service and capitalization of the subsidiary Oberbank Service GmbH.

Equity risk

Equity risk is defined as the risk of value impairments caused by dividends not paid out, impairment and realised losses as well as a reduction of undisclosed reserves caused by the risk of negative economic development. The most important equity investments of Oberbank AG are the stakes in BKS and BTV with which it forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only when this serves the banking business, i.e. if their activities are a direct extension of banking activities or constitute services ancillary to banking. Where new equity investments are to be made, analyses are performed in order to gain as complete a picture as possible of the entity's earning power, strategic fit and legal position. The default risk associated with equity investments is quantified in the context of the credit risk within the framework of ICAAP.

Market risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in prices and interest rates on financial markets. Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries. Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them. The Treasury & Trade department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book, and the foreign currency risk of the entire Oberbank Group.

The Strategic Risk Management department is in charge of daily limit control as well as reporting on the risk and earnings situation to the Management Board and to Treasury & Trade.
The ALM Committee is responsible for managing the interest rate risk of long-term positions (rate commitments >12 months) for the currencies EUR, USD, CZK and HUF as well as for credit spread risk.

Macroeconomic risk

Macroeconomic risks are defined as potential losses resulting from changes in the macroeconomic environment (deterioration of real GDP growth rates, substantial rise in unemployment and the number of insolvencies, decline in equity prices and the real estate market, etc.).

Operational risk

Operational risks are an inseparable part of banking operations. This term refers to the risks that affect the operations of the bank. Oberbank defines operational risks as the risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or external events. A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision and adjustment of the applied methodology.

The management of operational risks is performed by the respective operating departments and the regional sales offices (risk-taking units) responsible for operational risk in connection with products and processes within their respective spheres of responsibility. The electronic logging process supports the recording of information regarding nascent operational risks.

Systematic risk analyses form the basis for the steering and further development of operational risk management. These are conducted in the form of risk assessments that comprise regular surveys and the quantification of potential operational risks, as well as by evaluating instances of loss or damage as recorded in a special database and monitoring the key risk indicators. Concrete measures have been taken to hedge against any major risks identified in the risk analyses (e.g. insurance policies, IT contingency plans, backup data centre). Based on the increasing significance of digitalisation, IT risks and cyber risks play a key role among operational risks. The strategy of the bank in this case consists of ensuring a state-of-the-art level of security. This is achieved operationally by 3 Banken IT GmbH which has been charged with the implementation.

Liquidity Risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank being unable to meet its present and future payment obligations fully and on schedule or having to raise additional capital at increased cost. The primary objective of liquidity management therefore is to ensure the availability of sufficient liquidity at all times and to optimise the Bank's refinancing structure in terms of risk and result. To limit the risk of refinancing being dependent on the volatile money markets for banks, the ratio of customer loans to total primary deposits, own issues and the deposits of the special banks handling subsidized loan schemes is restricted to a strategic limit of 110%. Furthermore, Oberbank holds appropriate reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks. A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.

Treasury & Trade is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by conducting a short-term liquidity gap analysis. Strategic Risk Management prepares a forward liquidity gap analysis daily including assumptions for new business for the next 30 days that represent the net cash inflows and outflows as well as the accumulated forward liquidity gap of the bank. Furthermore, a 30-days forward liquidity gap analysis for day-to-day liquidity management is prepared based only on the contractual cash flows of Oberbank. Oberbank's long-term and strategic liquidity is the responsibility of the Management Board and the ALM Committee. The Strategic Risk Management department is responsible for reporting. A comprehensive liquidity gap analysis is drawn up for the purpose of medium and long-term liquidity risk management. A contingency plan is in place for the eventuality of extreme market conditions.

Risk Concentration

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

A differentiation is made between two types of risk concentration:

- Inter-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories. The sensitivity of Oberbank AG for the inter-risk concentration risk is assessed by means of scenario analyses performed on a quarterly basis within the context of measuring the Bank's risk-bearing capacity.

- Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories. Owing to the specific business model of Oberbank, the intra-risk concentration risk is a crucial factor especially in credit risk. The intra-concentration risk in credit risk is taken into account within the framework of the risk-bearing capacity calculation. Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

Risk of excessive indebtedness

Oberbank measures the risk of incurring excessive debt by calculating the debt ratio (leverage ratio) pursuant to Article 429 CRR. An internal limit of 4% was defined for the debt ratio for the purpose of effectively controlling this risk.

Sustainability risk (ESG risk)

Sustainability risk comprises physical risks that result from extreme weather events and transition risks that result from the changeover to a low-carbon economy. In accordance with the recommendations of the FMA in the Guidelines on how to deal with sustainability risks, the special topics of sustainability risks in risk management are covered under primary risks.

Strategy 2025: Focus on employees

A key factor for Oberbank‘s lasting success is its committed, competent and sales-oriented staff. Therefore, employees are at the focus of attention in the Strategy 2025. After a systematic analysis, strategic fields of action were defined for the period until 2025. Values such as trust, competence, passion and cohesion create the framework for HR work and the related projects. To be well-prepared to meet the future challenges, work concentrated on a transformation process for Human Resources was implemented and key projects such as “Employer Branding”, “Employee Experience” and “Führung sichtbar und messbar machen” (management visibility and metrics).

The valid rules for HR work were summarized into ten so-called HR Standards in the year 2021. These standards address topics such as employer branding, the recruiting and onboarding process as well as development for employees with high potential and gender balance.

Coronavirus

For employees, the year 2021 was also dominated by measures to fight the coronavirus pandemic. Professional management by the crisis unit and an excellent business continuity management helped to secure operations in all of the bank’s areas and countries especially through the more intense use of mobile working options and extensive protective measures (masks, disinfection, plexiglass separators for advisory talks, rapid testing strategy, etc.). Apart from comprehensive testing offered to all employees, we also offered the option of obtaining a vaccination at work, which was used by 350 employees. The vaccination ratio is much higher than the respective figures for the countries in which Oberbank operates.

Despite restrictions to travel and contact, digital solutions made it possible to continue training activities online. Therefore, employees continued to expand their know-how even under these difficult conditions. In order to increase the sustainability of training options, we focused on introducing new learning methods and media.

Oberbank as an attractive employer

Oberbank is perceived as a very attractive employer. The excellent valuations on the internet platform “kununu” highlight this fact. Oberbank belongs to the exclusive group of 5% of companies with excellent ratings on kununu and was awarded the designation “Top company 2022”. This places Oberbank among the most popular employers in Austria and Germany. The economic success of Oberbank and its independence, the exciting challenges, internal career opportunities, excellent working climate, and work-life balance (recertified 2020 “auditberufundfamilie”) make Oberbank a strong employer brand.

Oberbank opens day care for small children

One measure implemented by Oberbank to enable a good work-life balance was the opening of the childcare facility “Kinkis Nest”. Children have the use of 600 m2 indoor and outdoor space at the Head Office in Linz. Opening hours fit to meet demand, small groups and travel time saved make the workday easier for Oberbank’s employees. In total, Oberbank invested some EUR 500,000 for renovation and new facilities. On the way to becoming the most family-friendly Bank in Austria. The childcare facility brings Oberbank one step closer to becoming the most family-friendly bank in Austria.

The range of offers covers individual maternity leave management and flexible and individual part-time work models as well as financial aid for childcare costs and childcare during the summer holidays.

Confirmed family-friendly company

For the fourth time in a row, and therefore uninterrupted since 2011, Oberbank was certified again in 2021 as a family-friendly business by "Audit berufundfamilie". Oberbank received awards especially for its programmes to promote women and a consistent family-friendly strategy. Additionally, Oberbank makes a broad range of modern social benefits available to its employees such as reduced-cost lunches, holiday facilities and allowances for public transport.

Zertifikat seit 2011
audit berufundfamilie

Recruiting and training

In order to continue to attract the best salespersons and specialists, Oberbank uses the method "recruiting through alle channels" and relies strongly on intensive recommendation management for customer business.
Not only by using the digital tool AHOI to recruit new employees, we acquired more than 60 new employees through recommendations.
The rapid dynamic and constant changes require life-long learning. Decisive is making the right content and learning offers available. Therefore, we focused on enlarging the range of web-based courses, online live training courses, web events, training videos, eBooks and eTesting. We also switched our in-house certification series for the personal and corporate banking segments into blended learning offers or pure online formats without reducing the quality. Additional training courses at branches increased the number of training days to 5.16 days per employee. In 2022, some EUR 1.38 million were invested in further education offers.

Employee Participation Foundation (Mitarbeiterbeteiligungsstiftung)

Oberbank was the first bank in Austria to let employees participate in the profits of the bank through the Employee Participation Foundation founded in 2018. This permits employees to participate directly in the profits and growth of Oberbank. For the fourth time, the Foundation transferred around EUR 5.0 million in the form of own shares to the employees in 2021. The appeal of Oberbank as an employer is highlighted by the average employment period of around 13.5 years despite the Bank's strong expansion in the past years, and therefore, shows very young employment contracts.

Succession planning and management

Consistent and respectful management practices are a key factor for the loyalty of employees and for Oberbank's lasting success. Therefore, management positions are filled mainly from within the bank. This secures our vision of independence and Oberbank's business model. The great significance of HR work for the Strategy 2025 has made the annual MbO talk even more important. The MbO talk has a clear focus on development, management and goal agreement.
Oberbank Management Academy, in cooperation with LIMAK Austrian Business School, provides training in the defined management standards and in the necessary skills. The academy successfully switched to a blended-learning concept in 2021.

"Chance 2030 – with gender balance to greater diversity"

The project started in 2019 "Chance 2030 – with gender balance to greater diversity" has the objective of achieving gender balance in management. The project provides key support for achieving the upcoming generational change on the management from within the company's own ranks. This also heightens the appeal as an employer within the company. By rigorously following our strategy in the areas of internal recruiting, development of potential and employee leave management we achieved our milestone for 2021 of a 24.05% ratio of women in management even surpassing it by 1.71%. As at 31 December 2021, the share of women in management positions was already 25.76%. Oberbank is on a solid path of achieving the long-term goal of a 30% ratio of women in management positions by 2025.

"Aktie Gesundheit" ("Health Share")

"Mens sana in corpore sano – a healthy mind in a healthy body": a well-known saying that is very important to Oberbank and has been implemented since 2010 in the project "Aktie Gesundheit". This project is based on three pillars: movement, nutrition and mental fitness and was developed under the aspect of sustainability. Many colleagues from all of Oberbank's country participate. Additionally, health ambassadors are promoting the project in all business areas and central departments:
They act as local contacts for all employees for matters relating to health and the BGF quality programme of Oberbank. This is just one of the measures initiated by Oberbank that helped it earn recertification under the "Betriebliche Gesundheitsförderung" quality seal. The traditionally very high health ratio was 97.35% in 2020. In the year 2021, a survey was conducted of psychological strain. The results will be presented in 2022 to the individual business areas, and if necessary, the relevant measures developed.

Managing person-related risks

The key human resource risks (staff availability, compliance with labour laws and employment practices, staff conflicts, unauthorized criminal acts by employees) are systematically monitored, recorded and evaluated. The key risk indicators make it possible to take measures in time to eliminate or mitigate threats and risks.

Number of employees Oberbank Group

The average headcount of the Oberbank Group (employees, full time equivalents) decreased by 16 persons to 2,152 in 2021. The decline was due to the changes at the leasing organisation, centralisation in sales, and improved productivity and efficiency. Additional staff was hired for branch expansion and at company headquarters.

Sustainability and Non-financial Performance Indicators (Directive 2014/95/EU)

Oberbank takes sustainability into account in all aspects of its business and operations. The sustainability report (Directive 2014/95/EU) is available at www.oberbank.at/Nachhaltigkeit.

Sustainable management

Oberbank's business policy is based on the principles of good corporate governance and transparency, and is geared towards sustainable and long-term objectives. The primary corporate goal of guaranteeing the Bank's independence is achieved through sustainable earnings and a prudent risk policy.

Commitment to the Austrian Code of Corporate Governance (ÖCGK)

As a listed company, the company is committed to the ÖCGK, which serves as valuable guidance for developing internal mechanisms and rules. The Supervisory Board of Oberbank issued its first declaration of conformity at its meeting of 26 November 2007. Ever since, Oberbank has complied with the respective, current version of ÖCGK.

Sustainable risk management

Knowingly assuming risks is a key element of the banking business. Oberbank AG is responsible for the definition, the implementation, the management and risk controlling throughout the Oberbank Group. The Management Board and employees act in accordance with the principles laid down in the bank's risk policy, and decisions are made on the basis of these guidelines.

Employees

The employees invest their time, knowledge and hard work in Oberbank. To make sure that employees do not reduce their investment, Oberbank must remain an attractive employer that offers meaningful work. This includes not only fair remuneration and social benefits, but also development and career opportunities, equal treatment, a good work-life balance and participation in the company's profits.

Responsibility in product design

Developing the product portfolio with a view to sustainability is part of Oberbank's profile. Already in 2001, when sustainability was hardly topical, Oberbank launched the investment fund, 3 Banken Nachhaltigkeitsfonds, which was the first Austrian investment fund to be certified as environmentally compatible.

Ecological responsibility

Using resources responsibly is part and parcel of corporate social responsibility. Oberbank strives for the highest levels of environmental compatibility in all its operations, processes and products. Especially in building and energy management, business travel planning and procurement, Oberbank's policy focuses on environmentally-compatible activities and will also lower costs over the long term.

Social responsibility

Oberbank believes that support for persons and groups from less privileged circumstances and also the promotion of cultural activities is an important aspect of its corporate social responsibility.

Share capital, share denomination and authorised capital

On 31 December 2021, the share capital of Oberbank AG was EUR 105,381,186 divided into 35,307,300 registered ordinary shares under ISIN AT0000625108.

Share buyback

The Annual General Meeting authorised the Management Board of Oberbank AG to acquire the Company's own shares in an amount of up to 5% each of the share capital for securities trading purposes and for the purpose of passing them on to employees of the Oberbank Group as well as up to 10% of the share capital for no defined purpose. We also have the corresponding approval of the supervisory authority in accordance with the provisions of the new CRR.

Syndicate agreement and shares vested with special rights of control

There is a syndicate agreement between Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. to secure the independence of Oberbank AG. In this agreement, the members of the syndicate have agreed to jointly exercise their voting rights and have granted each other mutual pre-emptive rights. Beteiligungsverwaltung Gesellschaft m.b.H (BVG) and BKS Bank AG entered into a subordinating syndicate agreement effective as of 7 November 2020.

A large part of the voting shares owned by Oberbank employees are held by the syndicate Oberbank-Mitarbeiterbildungs- und Erholungsförderung registrierte Genossenschaft mit beschränkter Haftung. Furthermore, BOB Mitarbeiterbeteiligungsgenossenschaft e.Gen. exercises voting rights for a special part of the employee shareholders by way of proxy votes in accordance with the corresponding instructions.

Shareholder structure and employee stock ownership

The largest single shareholder of Oberbank on 31 December 2021 was CABO Beteiligungsgesellschaft m.b.H. with a stake of 23.76%. Bank für Tirol und Vorarlberg Aktiengesellschaft held 16.15%, and BKS Bank AG 14.79% (including a subordinating syndicate with BVG). Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. held 4.50%, Generali 3 Banken Holding AG 1.62% and Oberbank employees 4.26%.

Appointment of boards and officers, and change of control

There are no rules and regulations with regard to the appointment and dismissal of the Management Board and the Supervisory Board or amendments to the Articles of Association above and beyond those specified by the law.

No single shareholder is in a position to control Oberbank AG directly or indirectly. The company is not aware of any agreements that could take effect in the event of any arranged change of control. In addition, no indemnity agreements are in place between the company and the members of its Management Board or Supervisory Board or its employees for the contingency of a public takeover bid.

Linz, 11 March 2022

The Management Board

CEO	Management Board Member	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer	Martin Seiter
Remit	Remit	Remit	Remit
Personnel and Accounting	Personal Banking	Overall Risk Management	Corporate and Business Bankir

Segment Report

Segmentation and Overview
Corporate and Business Banking
Personal Banking
Financial Markets
Other

Segment Report

Segmentation and Overview

The breakdown of operating activities of Oberbank defines the segments Corporate and Business Banking, Personal Banking, Financial Markets and Other (primary segments).

The Corporate and Business Banking segment serves businesses (large corporates, SMEs and micro-businesses) and self-employed persons. The Leasing sub-group is also included in this segment.

The Personal Banking segment includes business with wage and salary earners and private individuals.

The Financial Markets segment covers earnings from equity investments and trading activities as well as net interest income from spread transactions and structural earnings.

The segment "Other" includes income and expense items – notably overheads recognised as other administrative expenses, staff costs and depreciation and amortisation – which cannot be meaningfully assigned to any of the other segments.

A breakdown by secondary segments is not required, because neither profit contributions nor allocable assets reached the 10% thresholds specified by IFRS.

Segment overview 2021 in €m	**Corporate and Business Banking**	**Retail Banking**	**Financial Markets**	**Other**	**Consolidated income statement 2021**
Net interest income	275.2	64.4	6.4		346.1
Income from entities recognised using the equity method			100.1		100.1
Charges for losses on loans and	-24.4	-3.7	-7.5		-35.7
Net fee and commission income	106.9	85.1	0.0		192.0
Net trading income	-1.0	0.0	8.7		7.8
Administrative expenses	-161.0	-101.6	-10.0	-40.9	-313.6
Other operating income	-2.1	7.0	0.5	-20.2	-14.7
Extraordinary profit/loss					
Profit/loss for the year before tax	193.5	51.2	98.3	-61.1	281.9
Return on equity before tax (RoE)	10.2%	14.4%	10.6%		8.9%
Cost/income ratio	42.5%	64.9%	8.6%		49.7%

As a regional bank, Oberbank has a geographically limited catchment area. Consequently, because it would be immaterial, there is no segmentation of business by region.

The equity allocated to the segments has been measured since the financial year 2016 on the basis of the average ten-year swap rate calculated for the last 120 months and recognised in net interest income as income from equity investments. The distribution of the equity capital allocated is done in line with regulatory capital requirements for the segments.

Corporate and Business Banking

Corporate and Business Banking in €m	2021	2020	Change
Net interest income	275.2	262.5	4.8%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-24.4	-35.2	-30.6%
Net fee and commission income	106.9	89.4	19.6%
Net trading income	-1.0	1.4	
Administrative expenses	-161.0	-160.4	0.4%
Other operating income	-2.1	5.4	
Extraordinary profit/loss			
Profit/loss for the year before tax	193.5	163.1	18.7%
Contribution to profit for the year before tax	68.7%	97.4%	-28.7% ppt
Average credit and market risk equivalent (Banking Act)	10,983.3	10,602.0	3.6%
Segment assets	14,736.0	13,852.0	6.4%
Segment liabilities	10,765.7	9,276.1	16.1%
Average allocated equity	1,892.6	1,725.7	9.7%
Return on equity before tax (RoE)	10.2%	9.5%	0.7% ppt
Cost/income ratio	42.5%	44.7%	-2.2% ppt

Overview of business performance in 2021

In Corporate and Business Banking, the profit for the year rose by 18.7% to EUR 193.5 million in 2021.
Net interest income rose by 4.8% to EUR 275.2 million, and net commission income by 19.6% to EUR 106.9 million.
Charges for losses on loans and advances decreased to EUR 24.4 million after EUR 35.2 million in the preceding year.
Administrative expenses rose by 0.4% to EUR 161.0 million, while other operating income was EUR -2.1 million, after EUR 5.4 million in the preceding year.
RoE rose to 10.2%, and the cost/income ratio improved to 42.5%.

Commercial loans

The volume of commercial loans of Oberbank rose in 2021 by 6.4% to EUR 14,410.4 due to the excellent capital base and liquidity position, Oberbank was able to continue supplying its corporate customers with sufficient funding.

Government subsidies for investment activity, environment, innovation and coronavirus relief

In the year 2021, a number of 1,736 customer projects were submitted by Oberbank for subsidies relating to the coronavirus pandemic as well as for classic corporate investment activity, environmentally-relevant projects and R&D&I projects. This is again increase over the average of the past years. This resulted in a rise of 17.3% to over EUR 1.7 billion in total volume of subsidised loans granted.

Structured finance

Demand for structured finance solutions was at a record level in the past financial year 2021. The number of transactions increased by around one-fifth year on year, while the project volume of processed transactions was even almost 27% higher than in 2020. In total, 75 cases were successfully closed and the volume of loans granted was almost one billion euro. The segments behind the successful trend were mainly real estate, tourism and loans for challenging growth projects. Finance for M&A also reached the high level of the preceding year. The well-filled pipeline is supportive of excellent prospects, at least for the first quarter of the financial year 2022.

Private equity and mezzanine capital

In the year 2021, the Oberbank Opportunity Fund recorded 130 inquiries and reached the high level of the preceding year again. In these uncertain times caused by the coronavirus, the significance of mezzanine finance and private equity (shareholders' equity) as financial instruments on the balance sheets of companies is increasing. Since its inception, the Oberbank Opportunity Fund has supported 97 transactions and ten add-on investments with equity and/or mezzanine capital or high yield capital and granted approximately EUR 277 million in loans. The Fund concentrates on established companies in the later stages of development. To close the gap to early stage financing, Oberbank invested in the high-tech fund operated by the province of Upper Austria.

Payment services

Income from payment services in the corporate and business banking segment increased in a difficult environment by 11.4% in 2021. The fact that this pleasing development was possible despite several Corona-related lockdowns can be explained by a general economic catching-up effect or the companies' adjustments to the changed situation (e.g. development of alternative distribution channels: web shops, click & collect, ...) and the good sector mix of our corporate and business customers. Furthermore, we increased the number of corporate and business clients with giro accounts.
Process improvements and sustainability goals helped convince quite a large number of corporate customers of the advantages statements of account in electronic PDF format. The number of paper statements printed by corporate and business customers decreased again by around 22%. The intraday delivery of SEPA payments, which has been in operation since January 2021, further accelerated payment transactions. The most important projects in product development were the enhancements to the banking app to include some important functions for businesses and the availability of CAMT086 (electronic fee statement).

Syndicated loans and international lending

With respect to syndicated loans, special loans and promissory note loans, there was a slight increase in the total outstanding exposure compared to the balance sheet date of the preceding year, with the number of units remaining almost unchanged. In the field of promissory notes, the above-average demand from investors and the pressure on margins continues so that only very select transactions were subscribed to in the fourth quarter of 2021.

International business: documentary business, guarantee transactions and export finance

Even in these turbulent times, the documentary transactions once again proved to be one of the most secure hedging instruments for global supply chains in the international commodity trade. Therefore, Oberbank closed 4.5% more documentary products in 2021. We also saw a gratifying increase in volume of 22.4%. Generally, the trend is moving towards even more security. The demand for "more" security is reflected in the 14.7% increase confirmed of letters of credit. However, despite the turmoil, the economic outlook for 2022 remains solidly on a growth track, even if supply chain issues could slow the recovery.

Export finance

Supply chain disruptions caused by the coronavirus pandemic continued to cause distortions in manufacturing and industry in 2021. Additionally, the high demand for industrial goods, fuelled by the numerous stimulus measures taken by governments around the world, has led to an almost forgotten phenomenon: shortages in raw materials or intermediate products. Our customers have reacted to this and significantly increased their stocks of raw materials and intermediate products. Other external factors of influence such as higher energy costs and customer behaviour that is difficult or impossible to plan increased demand for working capital lines of credit among our customers in 2021. OeKB's subsidised working capital finance scheme, which is available to businesses at particularly attractive terms, has therefore been in high demand. The market share of subsidised working capital loans granted to large corporates significantly increased the Kontrollbank refinancing framework (KRR) to over 11%. The still outstandingly excellent market share of 11.5% in subsidised working capital loans for SMEs under the Export Fund procedures highlights this development.

Investment activity among exporting companies also increased in the year 2021. We increased the market share of domestic investments refinanced by OeKB from 13% to 15.3% by offering comprehensive advisory services and focusing on the general needs of our customers from the exporting sector.

Factoring – still in high demand as a finance alternative

The positive trend in new customer acquisitions and volume continued in the sixth year of operation and also produced a very pleasing result in 2021. The recent increase in factoring revenue by 32.0% and the positive feedback from clients reflected this development.

Leasing

After a still very subdued first half-year, new business picked up significantly again in the second of the year, and we achieved a gain of EUR 73.3 million (+9.6%) for the financial year 2021. A look at the regional breakdown shows that about 2/3 of new business was generated in Austria and Germany, however, at EUR 270.0 million, the CEE markets also attained considerable gains (+ 34%).

Personal Banking in €m	**2021**	**2020**	**Change**
Net interest income	64.4	62.3	3.4%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-3.7	-0.2	> 100%
Net fee and commission income	85.1	81.3	4.7%
Net trading income	0.0	0.0	
Administrative expenses	-101.6	-90.9	11.8%
Other operating income	7.0	3.9	80.7%
Extraordinary profit/loss			
Profit/loss for the year before tax	51.2	56.4	-9.3%
Contribution to profit for the year before tax	18.1%	33.7%	-15.5% ppt
Average credit and market risk equivalent (Banking Act)	2,054.6	1,948.6	5.4%
Segment assets	4,104.7	3,795.8	8.1%
Segment liabilities	6,976.5	6,558.7	6.4%
Average allocated equity	354.0	317.2	11.6%
Return on equity before tax (RoE)	14.4%	17.8%	-3.4% ppt
Cost/income ratio	64.9%	61.6%	3.3% ppt

Overview of business performance in 2021

In Corporate and Business Banking, the profit for the year declined by 9.3% to EUR 51.2 million in 2021.
Net interest income rose by 3.4% to EUR 64.4 million and net fee and commission income was up by 4.7% to EUR 85.1 million.
Charges for losses on loans and advances amounted to EUR 3.7 million after EUR 0.2 million in the preceding year.
Administrative expenses were 11.8% higher year on year at EUR 101.6 million and other operating income was EUR 7.0 million after EUR 3.9 million in the preceding year.
RoE decreased in Retail Banking to 14.4%, and the cost/income ratio deteriorated to 64.9%.

Retail customer deposits

The savings deposits, sight deposits and term deposits of Oberbank's customers amounted to EUR 6,508.3 million, which is 6.0% above the high level of the preceding year. Deposits on online savings products increased year on year by 115.5% or 12.5% to EUR 1.043.2 million. Deposits on online savings products decreased year on year by EUR 119.0 or by -4.6%. The number of savings passbooks decreased as well by around 48,500.

Personal loans: home loans drive increase

Loans to individuals developed very well at Oberbank in 2021. The volume of outstanding personal loans (excl. leasing) rose versus the preceding year by 8.3% to EUR 4,057.5 million.

Due to the unchanged high demand for private residential property, but also for investment properties, residential construction financing was again the main driver of the positive development in loans to retail customers in 2021. In the segment of home loans, which is important in the market of Austria, the increase in volume was 7.8%, but substantial gains were also made in Germany, the Czech Republic, Hungary and Slovakia.

Sustainable accounts

Since 1 June 2021, Oberbank has been offering a sustainable giro account, the be(e) green account. The be(e) green account was awarded the Austrian eco-label because sustainable projects are financed in the amount of the balance on the respective accounts that meet not only economic but also environmental and social criteria. Furthermore, with each new be(e) green account Oberbank makes a contribution to the preservation of the bee population and other pollinating insects. This initiative has helped generate 46,000 m2 in flowering areas in 2021.

Additionally, the be(e) green savings account was introduced, which was also awarded the Austrian Eco-label. In autumn, the sustainable be(e) green student account was added to the range of accounts offered. In 2021, the bank's portfolio of personal accounts increased by 1,479 to 192,588 accounts. Of these, 23,179 accounts are already sustainable be(e) green accounts.

Green payments – for the environment

Documentary transfer orders with printed confirmation slips leave a large carbon footprint. Modern online payment transactions are not only faster and easier, but also sustainable. Electronical payment transfers are therefore classified as green payments. At Oberbank, 95% of all payments made by corporate and business customers as well as retail customers are already electronic. There was a further upturn in contactless debit card payments (NFC) in 2021 after the good year 2020. Compared to 2020, contactless debit card payments at Oberbank increased by 5% to 88%.

Digitalisation

In mid-2021, an option was created for new customers to open accounts on the Oberbank website. This option permits customers to open an account including internet banking and a debit card directly online within ten minutes. Moreover, the range of mobile payments options was expanded to include SwatchPAY! Almost 8% of all payments at POS cash registers are already processed via mobile payments. The Oberbank Banking App was relaunched and extended to include push notifications for account changes. The Oberbank customer portal was enlarged by the self-service functionality "eKYC" (know-your-customer) and the option to prolong the validity of investor profiles in all Oberbank countries.

Portfolio of card products

In July 2021, Oberbank launched its own golden credit card in Austria, the "Oberbank Mastercard Gold", for retail customers. Like the "Oberbank Mastercard Klassik", the new Oberbank credit card is not only equipped with extensive mobile payment features such as Apple Pay, Oberbank Wallet, SwatchPAY! and Garmin Pay, but it is of course also eCommerce-enabled and comes with comprehensive travel insurance. Internet transactions are approved conveniently in the Oberbank Security App. By the reporting date 31 December 2021, Oberbank already had 20,543 of its own Classic and Gold credit cards in circulation. Including the credit cards referred to partners (credit card organisations), the total card portfolio of issued private and corporate credit cards was 67,690. The total number of debit cards as at 31 December 2021 was 195,467.

Savings in building and loan associations: increase in 2021 again

In financial year 2021, a total of 11,903 building society savings contracts were closed. This represents an increase of 139 contracts or plus 1.2% versus FY 2020. At this growth pace, Oberbank outperformed the declining overall market.

Building society financing: 2020 record exceeded

In the area of home loans, customers particularly appreciate the advantages of the wide choice of standard and individual finance solutions. The option of using a building society financing scheme is part of every lending advisory talk. In 2021, Oberbank again set a new record in the brokerage of building society loans with EUR 47.2 million, which is an increase by EUR 8.9 million or +23.2%.

Insurance services: output significantly higher year on year

At a record output of EUR 148.3 million, Oberbank surpassed the preceding year's solid level by 17.3%.
The output in endowment insurance in the retail and corporate customer segments increased by 22.8% in Austria and Germany versus 2020.

In this segment, mainly fund-linked and unit-linked life insurance policies were sold, but also policies for sustainable investments. Oberbank also saw an increase of 34% in risk provisioning products compared to the previous year. Output in the segment of accident insurance as well as the brokerage of retail and commercial property and car insurance with our cooperation partner Generali expanded year on year by 11.6%.

Securities business: record performance of preceding year surpassed

Just as in 2020, the year 2021 was dominated by the coronavirus pandemic. In contrast to 2020, the negative influence on the economy and on the capital market not only weakened, but a year of economic recession in 2020 was followed by a robust economic recovery in the past year and a strong uptrend with little volatility on stock markets. The rising prices on the stock markets were also driven by the higher demand for shares and securities in general. In 2021, the changing trend away from a rigid savings and investment behaviour of private individuals continued unabated.

This trend towards investments in securities was supported especially by inflation at levels unknown in previous years. In 2021, private individuals as well as companies recognised the need to find alternatives to savings passbooks or fixed-term deposits for their funds. The increased securities investment activity of customers led to a record market value of EUR 21.2 billion on customer deposits. This corresponds to a growth rate of 26.8% or EUR 4.5 billion year on year.

Throughout the year, the transaction activity of clients was also very lively in equities on the brokerage and client portal.

A further increase in demand was seen also in sustainable products. EUR 188.7 million and therefore 32.8% of the inflows into investment funds of 3 Banken-Generali Investmentfonds- Gesellschaft m.b.H. were attributable to sustainable funds.

Overall, Oberbank's securities business generated a gain in fee and commission income of 17.5% or EUR 10.2 million bringing the total net profit for the year to EUR 68.0 million, making 2021 the most successful year to date.

Private banking: record volume of EUR 12.2 billion in assets under management

Steady growth in client assets under management in Private Banking increased further in the past business year. The main driver of customer assets, apart from a positive price performance of securities on custody accounts, were the new funds entrusted to Oberbank. The principal advantages of Oberbank is its strength in asset management and, as a bank offering solutions in the commercial and private banking segments, its comprehensive support for companies, entrepreneurs and their families. Assets under management rose by 19.0% or EUR 2.0 billion to a total of EUR 12.2 billion in 2021.

Asset management distinguished for the fifth time in a row

Oberbank's asset management, which aims for a balance of opportunities and risks, has been recognised for the fifth time in a row in a German study conducted by “Focus Money” in 2021. Special mention was made again of product quality, which is also seen in all asset management products and behind the renewed steep growth in 2021. Volumes broke new records in every product category – from investment funds to asset management mandates.

Sustainability asset management mandates with the Austrian eco-label also saw growth and this underlines Oberbank's efforts to promote good corporate governance, social responsibility and environmental protection.

In total, the assets under management in the individually-managed customer portfolios (from EUR 500,000) expanded by 16.8% or EUR 113.3 million to EUR 786.9 million.

The volume invested in “Oberbank Premium Strategien” (from EUR 100,000) rose by 48.9% to EUR 401.7 million. Similarly strong growth was also seen in “Oberbank Vermögensmanagement”, which is managed as a public fund, which recorded an increase of EUR 78.4 million to EUR 530.8 million at the close of the financial year.

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

3 Banken-Generali Investment-Gesellschaft m.b.H. was once again voted the best domestic fund company in Austria by the trade magazine "Börsianer" and won second place among 50 national and international companies with operations in Austria. The volume under management increased year on year by 18.4% or EUR 2 billion to EUR 12.5 billion. The overall Austrian market increased by 14.0% to EUR 218.8 million. The market share of the company at the end of the year was thus 0.27% higher year on year at EUR 5.78 billion. Oberbank's share in the company increased again from 44.3% at year-end 2020 to 47.0% on 31 December 2021. The volume attributable to Oberbank amounted to EUR 5.9 billion.

Customers made purchases in the amount of EUR 575.6 million into investment funds. Demand was high for investments in "Oberbank Vermögensmanagement" and "Oberbank Premium Strategien". The share of sustainable investments was 32.8% of total demand and concentrated in the 3 Banken Mensch & Umwelt mixed and equity funds.

Financial Markets in €m	2021	2020	Change
Net interest income	6.4	12.1	-46.6%
Income from entities recognised using the equity method	100.1	-8.0	
Charges for losses on loans and advances	-7.5	-6.4	17.2%
Net fee and commission income	0.0	0.0	
Net trading income	8.7	0.1	> 100%
Administrative expenses	-10.0	-9.2	8.9%
Other operating income	0.5	6.7	-92.5%
Extraordinary profit/loss			
Profit/loss for the year before tax	98.3	-4.8	
Contribution to profit for the year before tax	34.9%	-2.8%	37.7% ppt
Average credit and market risk equivalent (Banking Act)	5,390.1	5,608.4	-3.9%
Segment assets	8,595.4	6,681.1	28.7%
Segment liabilities	9,285.8	8,091.7	14.8%
Average allocated equity	928.8	912.9	1.7%
Return on equity before tax (RoE)	10.6%	n.a.	
Cost/income ratio	8.6%	84.7%	-76.1% ppt

Development of business in 2021

In the Financial Markets segment, net interest income declined by 46.6% to EUR 6.4 million, and income from investments accounted for by the equity method was EUR 100.1 million after EUR -8.0 million in the preceding year.
Charges for losses on loans and advances rose by 17.2% to EUR 7.5 million.
Trade income rose to EUR 8.7 million after EUR 0.1 million in the preceding year. Other operating income dropped to EUR 0.5 million after EUR 6.7 million in the preceding year.
In Financial Markets, net profit was EUR 98.3 million after EUR -4.8 million in the preceding year.
Return on equity was 10.6%, and the cost/income ratio decreased to 8.6%.

Excess liquidity prevails in primary deposits

The trend of strongly increasing deposits continued in 2021. The already high inflows of 2020 were substantially exceeded in 2021 and these increased by almost EUR 1.7 billion in sight deposits. It was only possible to invest this unplanned liquidity with the national banks at penalty interest rates, and a considerable part of this negative interest had to be passed on to the customers. To secure long-term liquidity, the position in securitised liabilities was increased by approximately EUR 350.0 million. Therefore, primary funds increased by about EUR 2.0 billion.

Proprietary trading

In the past year, there were few surprising developments on financial and capital markets. Stock markets constantly rose, interest rates remained very stable at a low level, and as regards currencies, the euro steadily lost ground against most currencies. Developments in commodities were more turbulent, with very steep price increases overall. As Oberbank is not active in this product category, this had no impact. Overall, a good trading result comparable to the years before the pandemic was achieved in 2021.

International network of partner banks and institutions

Oberbank's global banking network of about 1,200 banking partners reliably secured the smooth processing of customers' worldwide business payment transactions and documentary business. This solid foundation ensures participation in the most important global payment services platforms and makes it possible for exporters and importers to carry out transactions in all business lines in the areas of "pay – hedge – finance".

However, keeping this network running requires the compliance with time-consuming and costly regulatory requirements, especially for bank accounts, money market activities and in the high risk area of third countries (countries ex EU, EFTA). In general, there has been an increase in customer transactions being questioned by currency clearing banks with respect to anti-money laundering, know-your-customer, and sanctions violations.

The coordination and necessary meetings on all these topics and contractual agreements had to be conducted in virtual meetings and webinars with the most important partner banks due to the coronavirus pandemic. In the medium term, however, on-person meetings will be necessary again – not only to reinforce trust with representatives of these "relationship banks", but also to meet supervisory requirements of these banks as clients.

Segment Report

Other

The segment "Other" comprises income and expense items that cannot be meaningfully assigned to any of the other segments, including overheads classified as staff costs and other administrative expenses as well as depreciation and amortisation.

The shortfall for the year before tax in 2021 in the segment Other was EUR -61.1 million after EUR -47.2 million in the preceding year.

Consolidated Financial Statements

Consolidated Financial Statements of Oberbank for 2021 Prepared in Accordance with International Financial Reporting Standards (IFRS)

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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 tables of the consolidated financial statements means that the respective provision was not applicable in the relevant financial year.

Statement of comprehensive income for the financial year 2021

Consolidated income statement in €k		2021	2020	Change in €k	Change in %
1. Interest and similar income		389,287	417,455	-28,168	-6.7
a) Interest income (effective interest rate method)		368,102	397,235	-29,133	-7.3
b) Other net interest income		21,185	20,220	965	4.8
2. Interest and similar expenses		-43,230	-80,526	37,296	-46.3
Net interest income	(3)	346,057	336,929	9,128	2.7
3. Profit from entities accounted for by the equity method	(4)	100,133	-8,015	108,148	>-100
4. Charges for losses on loans and advances	(5)	-35,713	-41,830	6,117	-14.6
5. Fee and commission income		212,828	190,860	21,968	11.5
6. Net fee and commission expenses		-20,877	-20,186	-691	3.4
Net fee and commission income	(6)	191,951	170,674	21,277	12.5
7. Net trading income	(7)	7,764	1,452	6,312	> 100.0
8. Administrative expenses	(8)	-313,568	-294,924	-18,644	6.3
9. Other operating income	(9)	-14,737	3,214	-17,951	>-100.0
a) Net income from financial assets - FV/PL		5,398	8,531	-3,133	-36.7
a) Net income from financial assets - FV/OCI		-1,195	-192	-1,003	> 100
c) Net income from financial assets - AC		21	765	-744	-97.3
d) Other operating income		-18,961	-5,890	-13,071	> 100.0
Profit for the year before tax		281,887	167,500	114,387	68.3
10. Income taxes	(10)	-47,239	-43,987	-3,252	7.4
Profit for the year after tax		234,648	123,513	111,135	90.0
of which attributable to shareholders of the parent company and to the owners of additional equity components		233,449	122,394	111,055	90.7
of which attributable to non-controlling interests		1,199	1,119	80	7.1

Other comprehensive income in €k	2021	2020
Profit for the year after tax	234,648	123,513
Items not reclassified to profit or loss for the year	**55,234**	**-4,670**
+/- Actuarial gains/losses IAS 19	17,147	-7,654
+/- Deferred taxes on actuarial gains/losses IAS 19	-4,287	1,913
+/- Share from entities recognised using the equity method	11,149	-471
+/- Value changes in own credit risk recognised in equity IFRS 9	-17,377	20,867
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	4,344	-5,217
+/- Value changes in equity instruments recognised in equity IFRS 9	58,866	625
+ / - Deferred tax on value changes in equity instruments recognised in equity IFRS 9	-14,608	-14,734
Items reclassified to profit or loss for the year	**5,981**	**-11,341**
+/- Value changes recognised in equity for debt securities IFRS 9	-107	-1,563
Amounts recognised in equity	-37	-1,457
Reclassification adjustments	-70	-106
+/- Deferred tax on value changes recognised in equity for debt instruments IFRS 9	26	390
Amounts recognised in equity	9	364
Reclassification adjustments	17	26
+/- Exchange differences	3,736	-4,298
+/- Share from entities recognised using the equity method	2,326	-5,871
Total income and expenses recognised directly in equity	61,215	-16,011
Total comprehensive income for the period from net profit and income/expenses recognised in equity	295,863	107,502
of which attributable to shareholders of the parent company and to the owners of additional equity components	294,664	106,383
of which attributable to non-controlling interests	1,199	1,119

Performance indicators	2021	2020
Cost/income ratio in %[1)]	49.68	58.49
Return on equity before tax in %[2)]	8.88	5.67
Return on equity after tax in %[3)]	7.39	4.18
Risk/earnings ratio (credit risk/net interest income) in %[4)]	10.32	12.42
Earnings per share in €[5)6)]	6.66	3.52

1) Administrative expenses in relation to net interest income, equity method, net fee and commission income and 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 (see also Note 11).

	Consolidated balance sheet at 31/12/2021 Assets in €k		31/12/2021	31/12/2020	Change in €k	Change in %
1.	Cash and balances at central banks	(12)	4,400,915	2,105,984	2,294,931	> 100.0
2.	Loans and advances to credit	(13)	873,561	968,908	-95,347	-9.8
3.	Loans and advances to customers	(14)	18,427,927	17,264,665	1,163,262	6.7
4.	Trading assets	(16)	37,380	47,434	-10,054	-21.2
5.	Financial investments	(17)	3,180,410	3,404,229	-223,819	-6.6
	a) Financial assets - FVPL		481,966	560,251	-78,285	-14.0
	b) Financial assets FVOCI		414,571	487,826	-73,255	-15.0
	c) Financial assets - AC		1,283,109	1,459,007	-175,898	-12.1
	d) Interest in entities accounted for using the equity method		1,000,764	897,145	103,619	11.5
6.	Intangible assets	(18)	3,221	2,203	1,018	46.2
7.	Property, plant and	(19) (20)	382,622	404,351	-21,729	-5.4
	a) Investment property		84,234	89,656	-5,422	-6.0
	b) Other property, plant and equipment		298,388	314,695	-16,307	-5.2
8.	Other assets	(21)	233,627	235,155	-1,528	-0.6
	a) Deferred tax assets		1,390	7,388	-5,998	-81.2
	b) Positive fair values of closed out derivatives in the banking book		102,159	153,306	-51,147	-33.4
	c) Other		130,078	74,461	55,617	74.7
	Total assets		27,539,663	24,432,929	3,106,734	12.7

	Consolidated balance sheet at 31/12/2021 Shareholders' equity and liabilities in €k		31/12/2021	31/12/2020	Change in €k	Change in %
1.	Amounts owed to credit institutions	(22)	5,893,338	5,065,644	827,694	16.3
	a) Refinance allocated for customer loans		3,042,865	2,734,835	308,030	11.3
	b) Other amounts owed to banks		2,850,473	2,330,809	519,664	22.3
2.	Amounts owed to customers	(23)	14,728,589	13,087,168	1,641,421	12.5
3.	Securitised liabilities	(24)	2,206,647	1,854,005	352,642	19.0
4.	Provisions for liabilities and charges	(25)	364,802	372,841	-8,039	-2.2
5.	Other liabilities	(26)	532,058	528,630	3,428	0.6
	a) Trading liabilities	(27)	35,539	42,799	-7,260	-17.0
	b) Tax liabilities		16,983	6,638	10,345	> 100.0
	ba) Current tax liabilities		1,738	2,932	-1,194	-40.7
	bb) Deferred tax liabilities		15,245	3,706	11,539	> 100.0
	c) Negative fair values of derivatives closed out in the banking book		34,077	39,932	-5,855	-14.7
	c) Other		445,459	439,261	6,198	1.4
6.	Subordinated debt capital	(28)	496,368	485,775	10,593	2.2
7.	Equity	(29)	3,317,861	3,038,866	278,995	9.2
	a) Equity after minorities		3,260,068	2,981,215	278,853	9.4
	b) Share of non-controlling shareholders		7,793	7,651	142	1.9
	c) Additional equity components		50,000	50,000	0	0.0
	Total shareholders' equity and liabilities		27,539,663	24,432,929	3,106,734	12.7

Consolidated statement of changes in equity as at 31/12/2021

					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	Share of non-controlling shareholders	Additional equity capital components	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			133,308	-4,298	-1,172	-14,109	15,650	-5,740	-17,256	106,383	1,119		107,502
Net profit/loss for the year			133,308						-10,914	122,394	1,119		123,513
Other comprehensive income				-4,298	-1,172	-14,109	15,650	-5,740	-6,342	-16,011			-16,011
Dividend distribution			-6,326							-6,326			-6,326
Coupon payments on additional equity capital			-2,925							-2,925			-2,925
Capital increase													
Issuance of additional equity components													
Repurchased own shares	-463		-12,221							-12,684			-12,684
Other changes not recognised in income			496						-5,567	-5,071	-2,165		-7,236
As at 31/12/2020	**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**
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			143,507	3,736	-81	44,258	-13,033	12,860	103,417	294,664	1,199		295,863
Net profit/loss for the year			143,507						89,942	233,449	1,199		234,648
Other comprehensive income				3,736	-81	44,258	-13,033	12,860	13,475	61,215			61,215
Dividend distribution			-26,409							-26,409			-26,409
Coupon payments on additional equity capital components			-2,925							-2,925			-2,925
Capital increase													
Issuance of additional equity components													
Repurchased own shares	482		12,790							13,272			13,272
Other changes not recognised in income			49						202	251	-1,057		-806
As at 31/12/2021	**105,863**	**505,523**	**1,844,816**	**-1,927**	**161**	**156,878**	**-6,905**	**-41,432**	**697,093**	**3,260,068**	**7,793**	**50,000**	**3,317,861**

Consolidated statement of cash flows in €k		**2021**	**2020**
Consolidated profit for the year		234,648	123,513
Non-cash positions in profit for the year and reconciliation of net cash from operating activities contained in net profit for the year			
Write-offs, impairment losses, write-ups		-23,114	79,022
Change in provisions for staff benefits and other provisions for liabilities and charges		4,821	-14,261
Change in other non-cash items		9,819	22,794
Gains and losses on financial investments, property, plant and equipment and intangible assets		-591	-5,380
Subtotal		225,583	205,689
Change in assets and liabilities arising from operating activities after corrections for non-cash positions			
Loans and advances to credit institutions		112,982	573,065
Loans and advances to customers		-1,182,418	-731,925
Trading assets		11,888	-9,598
Financial assets for operating activities[1)]		120,422	13,502
Other assets from operating activities		38,623	73,680
Amounts owed to credit institutions		845,173	268,209
Amounts owed to customers		1,649,870	1,103,828
Securitised liabilities		361,905	167,779
Other liabilities from operating activities		-98,405	-63,406
Cash flow from operating activities		2,085,623	1,600,823
Proceeds from the sale of			
Financial assets used for investment activities[2)]		537,279	605,585
Property, plant and equipment, and intangible assets		13,730	6,350
Outlay on purchases of			
Financial investments		-295,481	-377,240
Property, plant and equipment, and intangible assets		-32,768	-35,734
Cash flow from investing activities		222,760	198,961
Capital increase		0	0
Dividend distributions		-26,409	-6,326
Coupon payments on additional equity components		-2,925	-2,925
Cash from subordinated liabilities and other financing activities			
Issues	(28)	43,079	55,801
Other		16,196	2,925
Fund outflows from subordinated debt capital and other financing activities			
Redemptions	(28)	-26,251	-84,337
Other		-17,142	-30,449
Cash flow from financing activities		-13,452	-65,311
Cash and cash equivalents at the end of previous period		2,105,984	371,510
Cash flow from operating activities		2,085,623	1,600,823
Cash flow from investing activities		222,760	198,961
Cash flow from financing activities		-13,452	-65,311
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		4,400,915	2,105,984
Interest received		386,208	421,910
Dividends received		21,285	19,343
Interest paid		-68,778	-102,884
Coupon payments on additional equity components		-2,925	-2,925
Income tax paid		-37,315	-40,260

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

Breakdown of interest, dividends and income tax payments

in €k		Cash flow from operating activities	Cash flow from investing activities	Cash flow from finance activities	Total
Interest received	2021	361,627	24,581	0	386,208
	2020	387,150	34,760	0	421,910
Dividends received	2021	1,266	20,019	0	21,285
	2020	1,365	17,978	0	19,343
Interest paid	2021	-55,189	0	-13,589	-68,778
	2020	-87,716	0	-15,168	-102,884
Dividends paid	2021	0	0	-26,409	-26,409
	2020	0	0	-6,326	-6,326
Coupon payments on	2021	0	0	-2,925	-2,925
additional equity capital components	2020	0	0	-2,925	-2,925
Income tax paid	2021	-27,773	-6,145	-3,397	-37,315
	2020	-27,778	-8,690	-3,792	-40,260

Notes to the Consolidated Financial Statements

Introduction

Oberbank AG is Austria's oldest remaining independent listed *Aktienbank* (joint stock bank). It is fully privately owned (no state shareholders) and is listed on the Vienna Stock Exchange. Oberbank’s registered office is at Untere Donaulände 28, 4020 Linz. Oberbank AG's positioning is characterised by its regional ties, its independence, its strong customer relations and its widespread presence in the regions of its markets. Oberbank offers all of the main classical banking services of a universal bank. Oberbank does not engage in any proprietary foreign business unrelated to its customer business, but rather assists and supports customers with their international transactions.
The Management Board of BKS Bank AG signed the consolidated financial statements on 11 March 2022 and approved them for presentation to the Supervisory Board.
The financial statements for the financial year 2021 were approved and released for publication on 24 March 2022.

1) Group of consolidated companies of Oberbank

The group of consolidated companies in 2021 included, apart from Oberbank AG, 28 Austrian and 16 foreign subsidiaries.
The group of companies included in consolidate changed as follows compared to 31 December 2020:

- The liquidation of Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen, resulted in a reduction in other assets by €k 1
- The sale of Oberbank Ennshafen Immobilienleasing GmbH, Linz led to a decrease in Other liabilities by €k 5,044 and to a reduction in Loans and advances to customers by €k 17,069.

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was included in the consolidated financial statements on a proportionate basis in accordance with IFRS 11. In addition to BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was included in the consolidated financial statements using the equity method.
18 subsidiaries and 13 associated companies were not consolidated; the influence of these companies on the net assets, financial position and result of operations of the Group is of minor importance.
The cut-off date for consolidated financial statement date is 31 December. Sub-group financial statements for the leasing companies accounted for in the consolidated financial statements were prepared for the period ended on 30 September to facilitate the timely preparation of the annual financial statements. Material transactions and changes to the composition of the Leasing sub-group in the fourth quarter were taken into account.

2) Summary of accounting policies

2.1) Application of IAS and IFRS

The consolidated financial statements of Oberbank AG for the financial year 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as in force and as adopted by the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC). They also satisfy the requirements of § 59a of the Banking Act and § 245a of the Business Code regarding exempting consolidated financial statements that comply with internationally accepted accounting principles. The going concern assumption was applied.

The following table lists newly published and amended standards and interpretations as at the balance sheet date, which were applied for the first time in the reporting period.

Standard/Interpretation	Designation	Applicable to FY from	Already adopted by the EU
Amendment to IFRS 4	Extension of the temporary exemption from applying IFRS 9 for insurance companies	1/1/2021	Yes
Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 und IFRS 16	Interest Rate Benchmark Reform (IBOR Reform) Phase 2	1/1/2021	Yes
Amendment to IFRS 16	Covid-19 related rent concessions	1/4/2021	Yes

The table below shows standards and interpretations published and amended on the balance sheet date that have fully entered into effect under the IASB or partly under the EU endorsement procedure, but are not yet mandatory. These were not applied in these consolidated financial statements. Premature application is not planned at present.

Standard/Interpretation	Designation	Applicable for FY from	Already adopted by the EU
Annual improvements to IFRS	Cycle 2018 - 2020	1/1/2022	Yes
Amendment to IAS 16	Proceeds before intended use	1/1/2022	Yes
Amendment to IAS 37	Onerous contracts - cost of fulfilling a contract	1/1/2022	Yes
Amend. to IFRS 3	Reference to Conceptual Framework	1/1/2022	Yes
Amendment to IAS 1	Classification of liabilities as current or non-current	1/1/2023	No
Amendment to IAS 1	Information on accounting methods	1/1/2023	No
Amendment to IAS 8	Definition of accounting estimates	1/1/2023	No
Amendment to IAS 12	Recognition of deferred tax assets on initial recognition	1/172023	No
	of an asset or debt		
IFRS 17	Insurance contracts	1/1/2023	Yes

Changes to accounting policies 2021

IFRS 4 "Insurance contracts" states that insurance companies are exempt from the application of IFRS 9 "Financial instruments". This temporary exemption was prolonged by two years and is now valid until 31/12/2022. This prolongation takes the fact into account that IFRS 17 "Insurance contracts" applies only as of 1/1/2023 and replaces IFRS 4 "Insurance contracts". This provision did not result in any material effects on the consolidated financial statements of Oberbank.

The amendments to **IFRS 9, IAS 39, IFRS 7, IFRS 4** and **IFRS 16** (Phase 2 IBOR Reform) published in August 2020 are intended to ameliorate the effects on financial reporting that occur when an existing reference interest rate is replaced by an alternative interest rate. The effects of minor significance that result for Oberbank AG are presented here: the replacement of the Interbank Offered Rates (IBOR) by a new risk-free interest rate caused a switch in FY 2021 in the market valuation of derivatives in an amount of around €1,150 million to EONIA to €STR.

The closing out costs incurred in this context resulted in income of €k 52 and in expenses of €k 71 which were immediately recognized in profit/loss.
The volume affected by the LIBOR changeover to new reference values for Oberbank AG was a follows (changeover mostly in January 2022, the current USD reference values will probably continue to be used until mid 2023):

In €k	CHF-LIBOR	USD-LIBOR	JPY-LIBOR	GBP-LIBOR
Loans and advances to customers	22,252	9,989	323	0
Payables to customers	669	3,350	106	1

The amendment published in May 2020 to **IFRS 16 “Leases”** with respect to rent concessions granted as a direct result of the Covid-19 pandemic was prolonged by one year. Lessees will continue to be permitted to waive the assessment of a rent concession granted due to the COVID-19 pandemic as to whether it constitutes a contractual amendment. This right of waiver is limited to rent concessions for which a reduction of the lease payments only affect payments that were originally due on or before 30 June 2022. Lessees that apply this right of waiver must account for every change to leasing payments resulting from the COVID-19-related rent concessions the same as any changes under IFRS 16 must be accounted for as if there were no change to the leasing contract. This does not result in any material effects on the consolidated financial statements of Oberbank, because no rent concessions were granted as a consequence of the Covid-19 pandemic.

Future amendments to accounting policies

The **annual improvements** cycle for IFRS refer to amendments to IFRS 1, IFRS 9, IAS 16 and IAS 41. No material effects are expected from these amendments, which take effect as of 1 January 2022, on future consolidated financial statements.

The amendments to **IAS 16 "Property, Plant and Equipment"** now explicitly prohibit the deduction of possible net income from the acquisition cost of an item of property, plant and equipment. If goods are produced and sold in the time an item of property, plant and equipment is being transported to its intended location or being set up for its intended operation, the income resulting from the sale of these goods and their cost of acquisition must be recognised in profit or loss in accordance with applicable standards. The changes must applied for the first time in the financial years starting on or after 1 January 2022, with early application being permitted. As the Group does not have any property, plant and equipment for which goods are produced as part of test runs, no effects from these changes to the consolidated financial statements are expected.

The amendments to **IAS 37 "Provisions and Contingent Liabilities"** specify the scope of the costs of fulfilling onerous contracts. All directly attributable costs are recognized as fulfilment costs. This includes the incremental costs of fulfilling the contract (e.g. directly attributable labour and material costs) as well as allocation of other costs directly attributable to fulfilling the contract (e.g. proportionate depreciation of property, plant and equipment used to fulfil several contracts). The amendments to IAS 37 are applicable to all contracts for which not all obligations have been fulfilled by the time the amendment comes into force on 1 January 2022. No material effects are expected on future consolidated statements.

IFRS 3 "Business Combinations" is updated so that references are now to the current 2018 financial reporting framework rather than to the 1989 reporting framework. The amendments to IFRS 3 enter into force on 1 January 2022.
No material effects on future consolidated statements are expected.

The amendments to **IAS 1 "Presentation of Financial Statements"** refer to the presentation of liabilities as current or non-current in the statement of financial position and not to the amount or timing of the recognition of assets, liabilities, income or expenses or the information to be disclosed for these items. In addition, the amendments to **IAS 1** and **IAS 8** ("Accounting and Measurement Policies, Changes in Accounting Estimates and Errors") specify the extent to which accounting and measurement policies must be explained in the IFRS notes. This amendment creates a uniform and precise definition of materiality of information in financial statements that aims to harmonise the conceptual framework for financial reporting, IAS 1 and IAS 8 as well as the IFRS Practice Statement ‘Making Materiality Judgements’. The amendments enter into force on 1 January 2023. These amendments do not result in any material effects on the consolidated financial statements of Oberbank.

The amendments to **IAS 12 "Deferred Taxes"** restrict the scope of application of the exemption for the initial recognition of deferred taxes (initial recognition exemption). The exemption is not intended to apply to business transactions that simultaneously lead to taxable and deductible temporary differences of the same amount. No material effects on future consolidated statements are expected.

IFRS 17 “**Insurance Contracts”** establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts as well as the information in the Notes for insurance contracts and replaces IFRS 4 Insurance Contracts as of 1 January 2023. This amendment is not relevant for Oberbank as a credit institution.

2.2) Impact of the coronavirus pandemic on the Group

a) Background

The coronavirus pandemic created enormous uncertainty in the global economy and markets. The rules enacted by the states, with restrictions to freedom of movement, the closing of restaurants and shops, and production shutdowns led to an economic contraction in Austria and worldwide. In many countries, different measures and financial assistance schemes (e.g. state guarantees, bridge finance, hardship funds for self-employed) were created and loan moratoria set up to provide the best possible support for the economy and private households during this life-threatening crisis. The following explanations provide updated information and the material aspects of the current impact of the coronavirus pandemic on the consolidated financial statements of Oberbank AG.

b) Discretionary Decisions, Assumptions and Estimates

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

These estimates and discretionary decisions are subject to increased uncertainty due to the still prevailing insecurity over the development of the coronavirus pandemic. The actual amounts may differ from the estimates and discretionary decisions and may have a material impact on the Group's financial position and results of operations. When updating the estimates and discretionary decisions, available information on the expected economic development was taken into account.

Updated discretionary decisions, assumptions and estimates in these consolidated financial statements relate essentially to the following items:

Risk provisions

The calculation of risk provisions depends, above all, on expectations regarding future loan losses and the structure and quality of the loan portfolio. In addition, the calculation of any future impairment loss requires estimates of the amounts and dates of future cash flows. Further details are presented in c) Risks from financial instruments.

Fair value of financial instruments

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

Impairment losses on investments accounted for using the equity method

If there are objective indications of an impairment of an investment accounted for using the equity method, an individual value in use is determined for this investment. For more details on the effects of the coronavirus pandemic, see c) Risks from financial instruments.

Provisions for liabilities and charges

The Supreme Court decision of 22 December 2021 on interest claims during the government-imposed coronavirus deferral period did not result in the requirement to set up provisions, as the circumstances assessed therein do not apply to Oberbank in this form; we have a legal expert opinion to confirm this view.

c) Risks from financial instruments

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

Economic growth in Austria recovered in 2021, but slowed as a result of persistent supply shortages and the fourth wave of the coronavirus pandemic. Economic growth is expected to move towards the long-term average by 2023 after the fourth wave of the coronavirus pandemic abates and global supply chain bottlenecks are resolved.

The government subsidy and financial assistance programmes were prolonged in some cases until March 2022 (coronavirus short-time work scheme, revenue replacement scheme III, hardship fund, etc) which is still helping ward off insolvencies. Key insolvency trigger events among businesses such as default on payments to tax authorities and social security organisations were suspended. Therefore, the true extent of the impact of the coronavirus pandemic on potential business failures is still highly uncertain.

Massive government support measures and the still prevailing uncertainty about the further development of the pandemic, are delaying the presentation of default rates for retail and corporate customers in the macroeconomic metrics. It is generally expected that this will delay the "wave" of defaults and also support companies that would have defaulted even without the coronavirus pandemic, so-called "zombie companies”. These circumstances cannot be adequately captured by rating models.

Oberbank's impairment model includes, among other things, an adjustment of the probability of default (PD) to take account of forward-looking macroeconomic information. The government support measures are mitigating the negative economic effects on our customers, thereby making it more difficult to detect a potential deterioration in credit quality at an early stage. The FLI model was developed with a time series that does not take into account such economic distortions, including those caused by government support measures or extreme macroeconomic situations.

The following table shows the country-weighted macroeconomic factors used in the ECL calculation for the segments Corporate and Business Banking, Retail and SME as at 31 December 2021:

Normal scenario	Year 1 (average of 4 quarters)	Year 2 (average of 4 quarters)	Year 3 (average of 4 quarters)
Real GDP growth	7.2%	3.1%	2.6%
Harmonised Index of Consumer Prices	3.9%	1.6%	1.7%

Pessimistic scenario	Year 1 (average of 4 quarters)	Year 2 (average of 4 quarters)	Year 3 (average of 4 quarters)
Real GDP growth	5.68%	1.97%	1.90%
Harmonised Index of Consumer Prices	4.22%	2.52%	2.64%

Optimistic scenario	Year 1 (average of 4 quarters)	Year 2 (average of 4 quarters)	Year 3 (average of 4 quarters)
Real GDP growth	9.29%	3.80%	3.40%
Harmonised Index of Consumer Prices	3.36%	1.34%	1.50%

In order to meet the expected rise in default risks, a collective stage transfer was carried out for certain portions of the portfolio. 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 sector concerned (accommodations, gastronomy, travel, aviation, etc.).
- Receivables from customers that are still in a status of payment deferral as at the date of record. As at 31 December 2021, no collective staging was carried out for still valid moratoria. The few businesses that are still in the status of payment deferral are either defaulted and have been transferred to stage 3 or were already in stage 2 due to a severe deterioration of creditworthiness.
- Receivables from borrowers in 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 have an effect on creditworthiness due to the coronavirus crisis. The current focus is especially on the market for commercial real estate where demand is being negatively influenced by the pandemic.
- Receivables from borrowers with high credit risk who were classified as severely affected by the coronavirus pandemic after the individual reviews conducted in the first quarter of 2021: impairment charges in an amount of the lifetime expected loss were allocated for these customers as a management overlay measure.

Collective staging portfolio as at 31/12/2021 by stage transfer reasons in €k

Balance sheet item	Reason for transfer	Volume of receivables	Stage transfer effects
Financial assets on the balance sheet	Collective stage transfer, real estate projects	1,441,900	4,941
	Collective stage transfer, severely affected customers	219,997	3,529
	Collective stage transfer, sectors	389,125	2,900
	Total	**2,051,023**	**11,370**
Off-balance sheet financial assets	Collective stage transfer, real estate projects	135,495	2,281
	Collective stage transfer, severely affected customers	48,683	283
	Collective stage transfer, sectors	95,954	1,435
	Total	**280,131**	**3,999**
Total		**2,331,154**	**15,369**

- Compared to the start of the year, the amount of the impairment charges for performing loans (stage 1 and stage 2) increased by EUR 10.6 million. The effect of the collective staging amounted to EUR 15.4 million as at 31 December 2021.

Fair value measurement

The measurement models, measurement procedures and the determination of the fair values and the effects of the coronavirus pandemic are presented in Note 31) Fair value of financial instruments and other reconciliation items as at 31/12/2021.

Impairment testing for investments accounted for using the equity method

Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. 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 from the market price and value-in-use constitute the recoverable amount pursuant to IAS 36.6 and this is the value used for measurement.
A trigger for an impairment test is given if either the fair value drops by at least 20% below the carrying amount of investments recognized using the equity method or if the fair value remains persistently below its carrying amount for a period of at least nine months.
These requirements were not met as at 31 December 2021 for investments accounted for using the equity method. In the case of voestalpine, the stock market price of 32.00 per share was only 6.7% below the carrying amount of EUR 34.29 per share; neither was the 9-month period exceeded.

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

Oberbank has non-financial assets in intangible assets; property, plant and equipment; investment property; and right-of-use assets on leased objects. Assets are accounted for at amortised costs. There were no indications for impairment losses such as branch closures, declining demand for banking products, significant changes to right-of-use assets or the reassessment of usable life. The fair value of investment property was €k 97,640 (31/12/2020: €k 105,150). 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 €k 457 (31/12/2020: €k 647). The coronavirus pandemic has not changed the earnings situation of the Group companies from which the loss carryforwards result. The tax loss carryforwards remain recoverable.

The relief measures issued by IASB in May 2020 and 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 the lessee has not made use of the options of lease payment deferrals or rent concessions.
The final adoption of the concession measures regarding the application of IFRS 16 in EU law has meanwhile been finalized.

e) Presentation of the effects effectively due to the coronavirus pandemic

The main effect of the coronavirus pandemic on the income statement concerns, as described above, the item loan loss provisions (additions to loan loss provisions stage 1 and stage 2). However, the additions in the amount of €k 10,736 cannot be easily and unambiguously identified as having been caused by the coronavirus pandemic. Furthermore, the item Other administrative expenses includes expenses of €k 334 that are directly attributable to the coronavirus pandemic (expenses for special cleaning, purchase of hygiene and safety items, IT infrastructure, branch equipment, etc). Additionally, the coronavirus caused reduced or suspended distributions on profits from equity investments. However, the effect caused by the coronavirus cannot be precisely quantified.

2.3) Consolidation policies

All material subsidiaries under the control of Oberbank AG were accounted for in the consolidated financial statements.

- Material equity investments up to a participating interest of 50% were accounted for using the equity method (BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG). For an entity to be accounted for using the equity method, Oberbank must be able to exert a significant influence on its business policies. On account of significant influence, the investor has a share in the earnings of the associate, and consequently, also a share in the return on investment and in net assets. Similarly, profit distributions are no yardstick for the Group's interest in an associate's performance. Income from an equity investment over which a significant influence is exercised is more accurately captured by taking into account the Group's share in its profit for the year. A further elimination of income due to consolidation or own shares in the profit for the year is not done for investments accounted for using the equity method.
- Joint ventures (ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.) were accounted for by proportionate consolidation.

- Subsidiaries whose effect on the assets and financial position of the Group and the results of its operations were generally of minor significance were not consolidated.
- Other equity investments were recognised at their fair values.

Capital consolidation took place in accordance with the provisions of IFRS 3 using the purchase method. Positive differences attributable to separately identifiable intangible assets acquired during a business combination were recognised separately from goodwill. The differences are disclosed on a prorated basis also for minority interests. If a useful life can be ascertained for an asset, ordinary amortisation is applied over the assets' expected useful lives. Insofar as they were not immaterial, intra-Group receivables and payables, expenses and income were eliminated. An elimination of intercompany profits was not required because there were no material intercompany profits.

2.4) Corporate acquisitions

In the financial year 2021, Oberbank did not make any corporate acquisitions in the meaning of IFRS 3. Oberbank Frank Immobilienleasing GmbH was acquired with effect from 1 January 2022. This is a real estate leasing company that will be included in the consolidated financial statements in the financial year 2022.

2.5) Discretionary decisions, assumptions and estimates

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

Discretionary decisions, assumptions and estimates contained in these consolidated financial statements basically relate to the following items:

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. More details are given in 2.7) Financial Assets and Obligations as well as Hedging Contracts and in the risk report in Note 43 et seq (credit risk).

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).

Impairment losses on investments accounted for using the equity method

If there is objective evidence for impairment of an investment accounted for using the equity method, a value in use is calculated on the basis of the estimated future cash flows (also see Note 2.9). Cause for an impairment test is given when the fair value drops by at least 20% below the amortised cost or if this decline persists over a period of more than nine months at a level below amortised cost. For details regarding the carrying values of interests held in companies recognised at equity, see Note 17 (Financial investments).

Impairment losses on debt securities

Debt instruments have to be tested for impairment if their fair value has dropped by at least 20% below their amortised cost and this decline persists over a period of more than nine months.

An assessment is made at each reporting date as to whether any event has occurred that may have an effect on future payment flows and that can be reliably determined. If it is found that an instrument cannot be expected to recover its cost during the planned holding period, impairment has to be recognised.

Useful life of fixed assets

The plant, property, plant and equipment and intangible assets are amortised over their expected useful lives. For details regarding carrying values, please refer to Note 18 (Intangible fixed assets) and Note 19 (Property, plant and equipment).

Deferred taxes

The calculation for each taxed entity is carried out applying the tax rates that, under the applicable legislation, must be applied in the tax period in which a temporary difference is going to reverse. Deferred tax assets are recognised with respect to tax loss carry-forwards insofar as taxable profits in the equivalent amount are to be expected within the same entity in the future.

For details on deferred taxes, please refer to Note 21 (Other assets).

Provisions for staff benefits

Provisions for staff benefits are calculated on the basis of expert actuarial valuations. In addition to post-employment benefits and acquired benefit rights known on the balance sheet date, expected future increases in salaries and pensions are also taken into account. Note 25 (Provisions for liabilities and charges) provides an overview of material actuarial assumptions as well as a sensitivity analysis of the effects of changes in important actuarial assumptions.

Provisions for liabilities and charges

Measuring the necessity to set aside provisions for liabilities and charges requires estimates regarding the size and due dates of future payment flows. Details are given in Note 25 (Provisions for liabilities and charges).

Legal disputes of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (hereinafter: "UniCredit") made a motion at the Annual General Meeting of Oberbank in May 2019 to elect a third representative from their side to the Supervisory Board of Oberbank. The motion failed to receive a consenting vote. Subsequently, UniCredit filed a lawsuit contesting the individual resolutions adopted by the Annual General Meeting. The proceedings in this matter were closed on 20 December 2019.
After Landesgericht Linz (Regional Court Linz) ruled against all lawsuits filed by UniCredit, Oberlandesgericht Linz (Higher Regional Court) revised this ruling with respect to the reduction of the number of shareholder representatives from twelve to eleven adopted by resolution of the Annual General Meeting of May 2019 and declared it null and void. However, the Court did not rule in favour of UniCredit's petition for a declaratory decision on the election of the candidate that UniCredit nominated. This decision has meanwhile become legally binding and final. The decision has no further legal effects apart from confirming that the candidate requested by UniCredit has not been elected. These proceedings do not have any relevant effects on the financial statements.

At the end of December 2019, UniCredit demanded that an extraordinary general shareholder's meeting of Oberbank be convened which was held on 4 February 2020. The motions put forth by UniCredit (special audit of all capital increases of Oberbank since 1989, termination of arbitration proceedings with Generali-3Banken Holding) did not receive a consenting vote.
Also at the Annual General Meeting of 20 May 2020, UniCredit put forth motions requesting special audits, but these did not obtain a majority of the votes. On the one hand, UniCredit filed an action for annulment of these decisions. On the other, UniCredit filed for a special audit with the courts regarding the motion for a special audit made at the Annual General Meeting 2020 in connection with the capital increases of BKS Bank AG (hereinafter: BKS) and Bank für Tirol und Vorarlberg AG (hereinafter: BTV) in 2018, and with respect to several special audit matters rejected at the Annual General Meeting 2020. The petition for a special audit filed by UniCredit with a court of law was partially rejected by Landesgericht Linz and with respect to the rest of the matters, the proceedings were suspended until the pending civil proceedings regarding the action for annulment against the decisions adopted by the Annual General Meeting 2020 are resolved.
The proceedings regarding the action for annulment were suspended until the preliminary questions regarding takeover law are clarified.
At the end of February 2020, UniCredit filed requests with the Takeover Commission to review if the shareholders' syndicate of 3 Banken Group violated the mandatory bid requirement under the Takeover Act. Oberbank is directly affected by these proceedings as a member of the syndicate with BVT and BKS. The syndicates of BTV and BKS were approved by the Takeover Commission by official notices issued in 2003 which are still valid today. UniCredit claims that the composition and decision-making processes of the syndicates have changed since then and that the syndicates have expanded their weighting in votes since the year 2003 to an extent that is of relevance under the Takeover Act so as to trigger a mandatory bid.
From 27 September 2020 to 1 October 2020, three court hearings were held with extensive witness interviews before the Takeover Commission. The decision is still pending.
After carefully reviewing the matter jointly with external experts, the Management Board believes that such an audit under the Takeover Act will not result in the obligation to make a mandatory bid.

No challenges were raised against the resolutions of the Annual General Meeting of 11 May 2021.
At the end of June 2021, UniCredit filed new legal actions for an injunction ruling and declaratory judgment with Landesgericht Linz. The purpose of these filings was to obtain a decision with respect to the resolutions of the Management Board of Oberbank on the execution of the last 4 capital increases of Oberbank and with respect to the resolutions to make payments to Generali 3Banken Holding AG for the capital increases of 3Banken stating that these were null and void, and to order the Management Board to refrain in future from making such payments or allocating shares to shareholders with mutual holdings with Oberbank within the scope of capital increases.
At the time of this writing, there was no date for a first hearing at Landesgericht Linz, however, the legal actions against BTV filed simultaneously with Landesgericht Innsbruck were rejected in their entirety in the first instance. After careful

review, the Management Board of Oberbank does not expect any relevant effects on the balance sheet from these proceedings, just as for all other pending proceedings.

Leasing

In this field, the lessor needs to make discretionary decisions, particularly with regard to differentiating between a finance lease and an operating lease contract. The decisive criterion pursuant to IFRS 16.62 is that a finance lease essentially transfers all the risks and rewards from the lessor to the lessee. For further details, see Note 14 (Receivables from customers) and Note 19 (Property, plant and equipment).

2.6) Foreign currency translation and Group currency

Foreign-currency translation took place in conformity with the provisions of IAS 21. Subsequently, monetary assets and liabilities not denominated in euro were translated into euro at the market exchange rates valid on the balance sheet date. Outstanding forward transactions were translated applying the forward rates valid on the balance sheet date. The annual financial statements of foreign subsidiaries prepared in foreign currencies were translated applying the mean foreign exchange rates valid on the balance sheet date for the purposes of the balance sheet and applying average rates of exchange over the year for the purposes of the income statement. The consolidated financial statements are prepared in euro.

2.7) Financial assets and obligations as well as hedging contracts

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are held as well as the characteristics of its cash flows (cash flow conditions).

Business model

The classes of financial assets were analysed with respect to the business strategy as well as potential divestments from which the business models were derived. The securities portfolio contains securities which are intended to be held, and therefore, this portfolio was allocated to the business model 'hold-to-collect'.

Securities measured at fair value not recognised in income are allocated to the business model 'hold and sell'. Securities held in the trading book were allocated to the business model 'sell'. Lending operations, on the other hand, were all allocated to the category 'hold-to-collect'. The clear intention to hold the assets is derived from the corporate strategy. The divestments made in the past were all insignificant.

Cash flow conditions

The analysis of the cash flow conditions (SPPI test) examines the contractual provisions regarding interest that stipulate fixed payments of principal and interest solely on the outstanding principal.

Within the course of the implementation project, mainly loans with negative SPPI interest clauses were identified that feature asymmetric interest components or represent mixed interest rates. However, the cash flow analysis did not reveal any significant difference to standard loan contracts, and therefore, these loans will be measured at amortised cost in the future as well. Therefore, the majority of the loan portfolio does not contain any contractual clauses with negative effects from SPPI.

The implementation of a cash flow test depends primarily on the interest rate terms of the transactions. If there is a negative SPPI interest clause, a quantitative benchmark test was conducted. The outcome of the quantitative benchmark test results in the final classification of the asset. If the benchmark test is failed, the asset is recognised at fair value through profit or loss.

A benchmark product is created within the scope of the quantitative benchmark test based on an asset with a negative SPPI interest clause whose maturity conforms to the interest period. In this context, the undiscounted cash flows of both products are compared within different interest rate scenarios both cumulatively and also periodically in order to determine if the deviations exceed a critical threshold.

An exception is made for negative SPPI interest clauses required by law due to loan subsidy rules.
In the case of transactions for which there is sufficient reason to believe that the modification of the component 'time value of money' may be only of minor importance, a simplified supplementary qualitative benchmark test is conducted.
This is done primarily in the following cases:

- The transaction does not feature a binding term for the capital;
- The fixing is done a few days before the start of the interest rate period.

Measurement categories
IFRS 9 defines three important classification categories for financial assets recognition at amortised cost (AC), recognition at fair value through profit or loss (FVTPL) and recognition at fair value through other comprehensive income (FVOCI).
If financial instruments are held in a business model with the goal of retaining the assets, and if these financial instruments represent claims to interest and principal payments on agreed dates (SPPI test), these are to be measured at amortised costs. Under certain conditions, a designation at fair value is possible. This occurs at Oberbank AG when collateral is deposited for an underlying transaction in derivatives, because otherwise asymmetric valuations would result for the two financial instruments in the financial reporting.

All other financial instruments are measured at fair value. Changes in the value of these assets must be recognised in the income statement or in Other comprehensive income (depending on the business model). For certain equity instruments, it is optional to recognize changes in value under Other comprehensive income. Only dividend claims on these assets must be recognised in the income statement. Under IFRS 9, derivatives that are embedded in contracts for which the underlying is a financial asset to which the standard applies are never accounted for separately. Instead, the hybrid financial instrument is assessed in its entirety for the classification.
Loans and advances to credit institutions are recognised at amortised cost. Loans and receivables will probably also be measured at amortised costs, because these financial instruments largely meet the SPPI test that applies to this type of measurement. The measurement of equity instruments is done mainly at fair value through other comprehensive income (FVOCI).

Impairment – financial assets and contract assets
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 AG'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 use of 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. The following applies for financial instruments recognised at amortised cost on every reporting date:

- 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;
- 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 net 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. ESG risks are also taken into account when preparing the rating. 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 principal 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 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. If, on the other hand, the conditions for a significant deterioration in creditworthiness no longer exist, the credit rating is transferred back to Stage 1.

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

<u>Qualitative criteria for a stage transfer</u>
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.

A financial instruments with the attribute forbearance is always assigned to stage 2 provided the receivable is not already in default anyway. 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 9.5.5.11). This means that instruments are assigned to stage 2 when the default on payment of capital and/or interest exceeds 30 days. As soon as the debt is 90 days past due, the borrower is assigned a default rating and the financial instrument is transferred to stage 3.
In the case of leases, use is made of an IFRS 9 option and impairment is always recognised in the amount of the lifetime expected credit loss. Therefore, these transactions are automatically assigned to stage 2.

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

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

Apart from qualitative factors inherent to the model for a stage transfer, as at 31/12/2021 Oberbank applied 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 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. As at 31 December 2021, no collective staging was carried out for still valid moratoria. The few businesses that are still in the status of payment deferral are either defaulted and have been transferred to stage 3 or were already in stage 2 due to a severe deterioration of creditworthiness.
- Receivables from borrowers in the area of real estate projects with commercial mortgage-backed collateral
- Receivables from borrowers assessed as severely affected by the coronavirus pandemic in individual analysis

The point in time when collective staging ceases or is 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 external rating,
- Status of development and vaccination rate with vaccines that can break the pandemic
- Infection figures and severity of countermeasures by governments.

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

- Customer segment;

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

In order to assess the significance of an increase in credit risk, a comparison is made of the default probability on initial recognition and the default probability on the measurement date (IFRS 9.5.5.9). In this context, the lifetime PD of the current rating grade over the remaining time to maturity is 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 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.

A 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 upon 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 at fair value through profit or loss;
- Leasing receivables from customers;
- Irrevocable letters of credit and guarantees.

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

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

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

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

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

In the case of an asset assigned to stage 2 and the related calculation of the lifetime expected credit loss, this 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 in this case. 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. These 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.

Logistic regression is used as the statistical model, whereby the probability of default is predicted. The regression parameters are estimated by maximising the likelihood function. The harmonised consumer price index (CPI) and the growth of the gross domestic product (GDP) are the main macroeconomic variables used in the model. The CPI and GDP factors are weighted by country. The countries taken into account are Austria, Germany, the Czech Republic, Hungary and Slovakia, in which Oberbank is active. Whereby the factors for Austria are weighted at 65%, for Germany at 15%, for the Czech Republic at 10%, for Hungary and Slovakia at 5% each.

The Akaike information criterion (AIC) is used for model selection, whereby the variables are selected using "stepwise selection".

Based on these estimated factors, PD is adjusted in the Corporate, Retail and SME segments using scalar approaches. In the Sovereign and Banks segments, no plausible correlations with macroeconomic factors were derived.

Oberbank uses three different scenarios in this case (normal, upward and downward scenario), with the final adjustment of a linear combination being equivalent to the three different scenarios. The scenario weighting is based on the current practice that the normal scenario is weighted with 50% percent and the other two scenarios with 25% each. For the scenarios, Oberbank makes use of macroeconomic data provided by the information service provider Bloomberg. It should be noted that economically viable forecasts are only available for 3 years. The forecast values for the calculation can be found in the special section "Impact of the Covid 19 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 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 in a secure 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 first calculated 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 main factor of influence for the amount of the expected credit loss is the determination of the stage for the individual items. The stages result from the qualitative and quantitative staging criteria already described. The effects on the expected credit loss are shown below, assuming that all positions are allocated to Stage 1 (12-month ECL) and Stage 2 (lifetime ECL).

Impairment by segment

in €k	100% Stage 1: 12M-ECL	ECL calculation as at 31/12/2021	100% Stage 2: LT-ECL
Banks	-1,108	-1,109	-1,414
Corporate	-39,769	-68,564	-138,431
Retail	-4,171	-6,025	-14,761
SME	-3,090	-4,382	-5,775
Sovereign	-425	-703	-1,544
TOTAL	-48,563	-80,782	-161,925

Classification – Financial liabilities
Financial liabilities are usually measured at amortised costs unless these are allocated to instruments held for trading or a designation is made. Such financial liabilities are allocated to the category 'designated at fair value through profit or loss'. Changes to the fair value are recognised as follows:

- The change in the fair value due to changes in the credit risk of the liability is reported under other comprehensive income.
- The remaining change to fair value is reported through profit or loss.

The designation of financial liabilities as at fair value through profit or loss is always done when these financial instruments are secured by interest rate derivatives in order to avoid a measurement incongruence between the underlying transaction and the derivative (fair value option).

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.

In order to determine the amount of the change in fair value caused by the change to the credit rating risk, the financial liabilities are measured two times: first, on the basis of the rating premiums at the initial recognition date of the financial instrument, and second, on the basis of the rating premiums at the reporting date, in each case measured by the current contractual cash flows and the current basis interest rate curve. The differential represents the value change caused by the change in the bank's assessment of creditworthiness.
This amount is recognised in Other comprehensive income. The remaining changes to the fair value are due to the changes in the interest rate curve as well as to the shorter remaining times to maturity and is reported directly in the income statement.

Hedge accounting
Oberbank does not engage in hedge accounting at present.

2.8) Material accounting principles for the statement of comprehensive income

Net interest income
Interest income and interest expenses are accounted for on an accrual basis. Net interest income includes income and expenses paid for the provision of capital. In addition, this line item also includes income from equities, other rights and other variable-yield securities insofar as these do not constitute income from securities requiring designation as trading assets. Income from equity investments and investments in subsidiaries (those which were not consolidated because they were immaterial) are also reported in this line item. Both interest income and interest expenses contain negative interest.

Income from entities accounted for by the equity method
This item includes net amounts from proportionately recognised income from entities accounted for using the equity method and, if applicable, expenses from impairments and income from additions.

Charges for losses on loans and advances
The line item loan loss provisions includes transfers to impairment allowances and provisions, and income from reversals of allowances and provisions as well as direct write-offs and subsequent write-backs of receivables already written off in connection with credit operations as well as the result of immaterial modifications and POCI financial instruments.

Net commission income
Net commission income comprises income from the service business net of expenses relating to the rendering of services.

Net trading income
This line item includes realised gains and losses from the sale of securities and other financial instruments held for trading, unrealised gains and losses arising from the measurement at fair value of securities and other financial instruments held for trading, accrued interest arising from fixed-interest securities held for trading and dividend income on equities held for trading as well as the refinance costs associated with such securities.

Administrative expenses

General administrative expenses includes staff costs, other administrative costs and depreciation and amortization on property, plant and equipment. Staff costs include expenses for wages and salaries, statutory and company benefits as well as changes to provisions for severance pay, pension and anniversary bonuses.

Other operating income

Other operating income includes the results from the measurement categories financial assets recognised at amortised cost (AC), financial assets recognised at fair value through the profit or loss (FVPL) and financial assets recognised at fair value with plus or minus through other comprehensive income (FVOCI). Furthermore, this item includes earnings und expenses from operational risks, operate leasing and expenses from other taxes and charges.

2.9) Material accounting principles for the consolidated balance sheet

Cash and balances at central banks

These items consist of cash and balances with the central bank.

Loans and advances to credit institutions

Loans and advances to credit institutions are recognised at amortised cost less impairments pursuant to IFRS 9.

Loans and advances to customers

In accordance with IFRS 9 the classification categories are recognition at amortised cost, designated or mandatory, recognition at fair value through profit or loss (FVPL) and recognition at fair value through other comprehensive income (FVOCI). Impairment charges pursuant to IFRS 9 are offset against the corresponding receivable.

Risk provisions

The measurement of risk provisions depends mainly on expectations regarding future loan losses and the structure and quality of the loan portfolio.

Please refer to 2.7) Financial Assets and obligations as well as hedging contracts for the impairment model pursuant to IFRS 9. 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 rather deducted from the corresponding balance sheet item pursuant to IAS 1. The risk provisions associated with off-balance-sheet transactions (in particular, guarantees and other loan commitments) are reported in the line item Provisions for liabilities and charges.

Trading assets

All trading assets, comprising securities held for trading, the positive fair values of derivative financial instruments in the trading book, and open derivative financial instruments in the banking book were recognised at their fair values. In addition to stock exchange prices, market reference prices were also applied when measuring trading assets. If such prices were not available, generally accepted valuation models were used.

Financial investments

The following financial instruments are reported under financial investments: Bonds and other fixed-interest securities, shares and other variable-yield securities, investments in subsidiaries, shares in entities accounted for using the equity method, other equity investments.

Financial investments comprise the measurement categories recognition at amortised cost (AC), recognition at fair value through the profit or loss (FVPL) and recognition at fair value plus or minus through other comprehensive income (FVOCI) as well as shares in entities accounted for using the equity method.

Debt instruments and other fixed-income securities are assigned to the categories recognition at amortised cost (AC), recognition at fair value plus or minus through other comprehensive income (FVOCI) or recognition at fair value through the profit or loss (FVTPL).

Shares and other variable-yield securities are assigned to the categories: recognition at fair value through the profit or loss (FVTPL) and recognition at fair value plus or minus through other comprehensive income (FVOCI).
Shares in associated entities and equity investments that are neither fully consolidated nor recognised using the equity method are assigned to the measurement category recognition at fair value plus or minus through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). The measurement category at fair value through profit or loss only includes those share in associated entities and equity investments that are driven by market prices. This refers mainly to shares in private equity funds. For all other shares in associated entities and equity investments, the option was selected and these were assigned to the measurement category recognition at fair value plus or minus through other comprehensive income (FVOCI).

There were no reclassifications in the measurement categories in the financial year 2021.

Debt instruments have to be tested for impairment if their fair value has fallen by at least 20% below the acquisition cost of the debt instruments and this decline persists over a period of nine months. The instrument is then reviewed to determine whether an event has occurred that has an impact on future cash flows of the debt instrument that can be reliably estimated. If it is found that the debt instrument cannot be expected to recover its initial value during the planned holding period (exclusion of market fluctuations), impairment must be recognised.

Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. If there is objective evidence for impairment of an investment accounted for using the equity method, a value in use is calculated on the basis of the estimated future cash flows that are to be expected from the associate. Cause for an impairment test is given when the fair value drops by at least 20% below the amortised cost or if this decline persists over a period of more than nine months at a level below amortised cost. The present value is calculated on the basis of the discounted cash flow model.

Intangible assets and property, plant and equipment

The item Intangible assets consist mainly of patents, licenses, software, the customer base and rights as well as acquired goodwill. These assets were valued at cost of purchase and/or conversion less amortisation and write-offs. The assets are amortised on straight-line basis over their expected useful lives. The useful life of intangible assets held by Oberbank is from three to 20 years.

Property, plant and equipment (including investment property) was measured at cost of acquisition and/or conversion less depreciation. If impairment is expected to be permanent, a write-off is recognised. The assets are amortised on a straight-line basis over their expected useful lives. The following average useful lives are applied at Oberbank: buildings used for banking operations: ten to 40 years; business equipment and furnishings: four to 20 years; standard software: four years.

Furthermore, these items are tested for impairment at each balance sheet date. During this test, Oberbank determines the recoverable value for the asset. This value corresponds to the higher of the utility value or the net sales value. If the fair market value is below the carrying value of the asset, impairment losses in the amount of the difference are recognised in income.
Property, plant and equipment has also included the capitalised right-of-use assets pursuant to IFRS 16 since 1 January 2019.

Lease contracts in which Oberbank is lessee

A lease contract under IFRS 16 is a contract or part of a contract that entitles the lessee to use an asset for a certain period of time for payment of a fee. Right of use assets for leased objects are measured at the time of recognition at amortised cost. Amortised cost corresponds as a rule to the present value of the corresponding lease liabilities. No use is made of the elective option under IFRS 16.5 to refrain from capitalising leased objects under short-term lease contracts and under low-value lease contracts. The amortisation/depreciation of the right of use to the leased objects is done linearly over the estimated useful life or over the shorter contract period. If there are indications that the right of use to the leased objects might be impaired, a review pursuant to IAS 36 is conducted. Future lease payments are discounted applying SWAP interest rates differentiated by maturity and currency and measured by the effective interest rate method at amortised cost.

There are contracts for limited periods (with and without prolongation options) and contracts for indefinite periods at the Oberbank Group. Defining the duration of leasing contracts is generally done at the beginning of the right of use or initial application of IFRS 16. Contracts established for a limited time period without a prolongation option are defined with an end date in accordance with the contractual termination date. The term of a lease contract in the case of contracts for a limited period with a prolongation option and contracts for indefinite periods are recognised to the extent that the entire contractual term of the right of use generally does not exceed the average investment cycle of Oberbank of 20 years.

Leasing (as lessor) and investment property
Oberbank offers customers both finance leases and operating leases. Pursuant to IAS 16, a finance lease is a lease that essentially transfers all the risks and rewards incidental to ownership of an asset. The ownership title may eventually also be transferred. In the case of a finance lease, Oberbank as lessor recognises an amount receivable from the lessee equal to the present value of the contractually agreed payments. Income from leases is shown in the item Interest and similar income. An operating lease is a lease other than a finance lease. In the case of operating leases, leased assets reduced by depreciation and amortisation are shown in the item Property, plant and equipment. Real estate held as financial investments are carried at amortised cost. Leasing income is shown in the item Other operating income.

Derivatives
Financial derivatives were recognised in the balance sheet at their fair values, changes in value in the course of the financial year are generally recognised immediately through profit or loss. Insofar as use was made of the fair value option under IFRS 9, it serves to eliminate or reduce inconsistencies in the recognition and measurement of assets and liabilities. Therefore, in such cases assets and liabilities are measured at fair value through profit or loss. The Management Board has elected to pursue an investment strategy in which mismatches are avoided by the use of the fair value option.

Deferred tax
The reporting and calculation of income tax is done in accordance with IAS 12. The calculation for each taxed entity is carried out applying the tax rates that, under the applicable legislation, are to be applied in the tax period in which a temporary difference is going to reverse. Deferred tax assets were recognised with respect to tax loss carry-forwards insofar as taxable profits in the equivalent amount were to be expected within the same entity in the future. Income tax assets and income tax liabilities are reported in the line items Other assets or Tax liabilities.

Trading liabilities
This line item consists mainly of negative fair values of derivative financial instruments in the trading book and open derivative financial instruments in the banking book. Trading liabilities were recognised on the balance sheet in the line item Other liabilities.

Amounts owed to credit institutions and customers
These were recognised at amortised cost with the exception of hedged items for which the fair value option was used.

Securitised liabilities
Securitised liabilities were generally recognised at their amortised cost. Insofar as use was made of the fair value option, securitised liabilities were recognised at fair value. Long maturity bonds issued at a discount (zero coupon bonds) were recognised at their present values. The line item Securitised liabilities was reduced by the cost of securities held in the bank's own portfolio.

Provisions for liabilities and charges
a) Provisions for staff benefits

Provisions were created if there was a reliable and determinable legal or actual obligation to third parties. All social capital provisions (for severance, pensions and anniversary bonuses) were calculated in accordance with IAS 19 on the basis of expert actuarial valuations. In addition to post-employment benefits and acquired benefit rights known on the balance sheet date, expected future increases in salaries and pensions were also taken into account.

The actuarial calculation of all provisions for benefits was based on the following parameters:

- An interest rate (long-term capital market interest rate) of 1.25% (pr. yr.: 0.75%)
- Annual salary increases of 2.63% (pr. yr.: 2.83%) and increases in post-employment benefits of 1.67% (pr. yr.: 1.68%);
- In accordance with the transitional provisions of the Austrian pension reform, the individually determined retirement age for men is between 65 years and for women between 59 and 65 years.

Actuarial gains/losses from termination benefits and post-employment benefits were recognised in equity in other comprehensive income in the reporting year.

b) Other provisions for liabilities and charges

Other provisions were created if there was a reliable and determinable legal or actual obligation to a third party and if it appeared probable that this liability would give rise to an outflow of funds in the future. Provisions were set up in the amount of the best possible estimate of the expense required to settle the respective liability.

Other liabilities

The line item Other liabilities includes deferred income items, liabilities whose amounts and due dates were much more certain than in the case of liabilities for which provisions were created, negative fair values of closed out derivatives in the banking book, other obligations not allocable to other line items on the balance sheet, as well as lease liabilities pursuant to IFRS 16.

Equity

In accordance with a resolution of the Annual General Meeting held on 28 April 1999, Oberbank's share capital was converted from Austrian schillings to euro and from par-value shares to no-par shares. On the occasion of the capital increase in 2000, carried out pursuant to a resolution of the Annual General Meeting held on 27 April 2000, Oberbank's share capital was increased from EUR 58,160,000.00 to EUR 60,486,400.00 by the issuance of 320,000 ordinary shares. Pursuant to a resolution of the Annual General Meeting held on 22 April 2002, Oberbank's share capital was increased to EUR 70 million from company funds. In the 2006 financial year, Oberbank's share capital was increased to EUR 75,384,615.38 by the issuance of 640,000 ordinary shares pursuant to a resolution of the Annual General Meeting held on 9 May 2006. With the resolution of the Annual General Meeting held on 14 May 2007, Oberbank's share capital was increased to EUR 75,721,153.84 by the issuance of 40,000 ordinary shares (conditional capital increase). A further conditional capital increase through the issuance of 30,000 ordinary shares was carried out in the 2008 financial year. The share capital of Oberbank thus increased to EUR 75,973,557.69. Pursuant to the resolution of 27 May 2008, the Company carried out a three-for-one stock split and a capital increase out of Company funds, raising the share capital to EUR 81,270,000.00. By resolution of the Management Board of 30 September 2009, a capital increase at the ratio of 1:16 was carried out in October 2009, raising the share capital to EUR 86,349,375.00.

The 132nd Annual General Meeting of Oberbank AG held on 8 May 2012 passed a resolution authorising the management board to increase the share capital by up to EUR 750,000.00 by issuing up to 250,000 new ordinary no-par bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. This capital increase through the issuance of shares excluding existing shareholders' subscription rights has the purpose to issue shares to be offered to the staff, top executives, the 'Belegschaftsbeteiligungsprivatstiftung der Oberbank AG' (the private foundation managing the non-cash stock compensation programme of Oberbank AG) and members of the management boards of Oberbank or associated companies. Furthermore, the said Annual General Meeting authorised the Management Board to increase the share capital of the Company through the issuance of up to 3,125,000 ordinary no-par bearer shares against contributions in cash of up to EUR 9,375,000.00 - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. The Management Board made use of this authorisation by resolution of 23 May 2015 to issue 1,918,875 Oberbank ordinary no-par-value shares (capital increase 2015, No. 1). The offer price was EUR 47.43 per share. The capital increase carried out through cash contributions and without excluding subscription rights raised the share capital to EUR 92,106,000.00 and the appropriated capital reserves to EUR 280,001,715.06.

The 135th Annual General Meeting of Oberbank AG held on 19 May 2015, retracted the resolution passed at the 132nd Annual General Meeting of 8 May 2012 to the extent not yet used and authorised the management board to increase the share capital by up to EUR 10,500,000.00 by issuing up to 3,500,000 ordinary no-par value bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. The management board made use of this authorisation by resolution of 8 September 2015 to issue 1,535,100 Oberbank ordinary no-par-value shares (capital increase 2015, No. 2).

The offer price was EUR 48.03 per share. The capital increase raised the share capital to EUR 96,711,300.00 and the appropriated capital reserves to EUR 349,127,268.06.

The 136th Annual General Meeting of Oberbank AG held on 18 May 2016 retracted the resolution passed at the 135th Annual General Meeting of 19 May 2015 to the extent not yet used and authorised the management board to increase the share capital by up to EUR 10,500,000.00 by issuing up to 3,500,000 ordinary no-par value bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. The Management Board made use of this authorisation by resolution of 26 September 2016 to issue 3,070,200 Oberbank ordinary no-par-value shares. The offer price was EUR 53.94 per share. The capital increase carried out through cash contributions and without excluding subscription rights raised the share capital by EUR 9,210,600.00 to EUR 105,921,900.00 and the appropriated capital reserves by EUR 156,395,988.00 to EUR 505,523,256.06.

The 137th Annual General Meeting of Oberbank AG held on 16 May 2017 retracted the resolution passed at the 136th Annual General Meeting of 18 May 2016 to the extent not yet used and authorised the management board to increase the share capital by contribution in kind by up to EUR 10,500,000.00 by issuing up to 3,500,000 ordinary no-par value bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. The resolution of the 132nd Annual General Meeting of Oberbank AG held on 8 May 2012 authorising the management board to increase the share capital was retracted and the management board authorised to increase the share capital by up to EUR 750,000.00 by issuing up to 250,000 new ordinary no-par bearer shares - if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. This capital increase through the issuance of shares excluding existing shareholders' subscription rights has the purpose to issue shares to be offered to the staff, top executives, 'Belegschaftsbeteiligungsprivatstiftung der Oberbank AG' (the private foundation managing the non-cash stock compensation programme of Oberbank AG) and members of the management board of Oberbank or of associated companies. To date, no use has been made of this authorisation.

The share capital is divided into 35,307,300 ordinary no-par bearer shares. The general meeting of preference shareholders of Oberbank AG of 9 June 2020 adopted a special resolution pursuant to § 129 (3) Stock Corporation Act giving its consent to the resolution adopted by the Annual General Meeting of 20 May 2020 to convert all existing preference shares of Oberbank AG into ordinary shares by repealing the preferential treatment pursuant to § 129 (1) Stock Corporation Act and the relevant amendment to the Articles of Association in § 4. The conversion of the preference shares into ordinary shares became effective upon registration of the amendment to the Articles of Association of Oberbank AG in the Company Register on 7 November 2020.

On the reporting date, 11,605,984 Oberbank shares were held directly by the company itself or by associated entities. Additional proceeds (premiums) from the issuance of own shares were recognised in capital reserves. Retained earnings include the Group's reinvested profits as well as all consolidation entries recognised in the income statement. The revaluation reserves take into account the value changes arising from debt securities with reclassification, equity instruments without reclassification and own credit risk. The reserves attributable to associated companies are equivalent to the difference between historic acquisition costs and the carrying amount of associated companies accounted for using the equity method.

Additional equity capital components

To date, Oberbank AG has carried out two issues of Additional Tier 1 bonds with a total volume of EUR 50 million. These issues are subordinate to Tier 2 instruments (supplementary capital, subordinate capital) and senior bonds. These are all equivalent to each other and to Additional Tier 1 instruments as well as to liabilities from existing hybrid capital instruments. They have preference status over shares and other CET1 capital instruments. Interest payments are based on the nominal amount and are fixed until the first possible premature repayment date.

Subsequently, it is switched to variable interest rates. Interest is only permitted to be paid from eligible items. The issuer has the right to waive interest payments at its discretion. It is not permitted for interest previously waived to be paid out.
The bonds have unlimited maturities, but can be called by Oberbank AG at the fixed first premature repayment date, and afterwards, every five years on the coupon dates. The issuer has special call rights if the regulatory classification or the tax treatment of the concerned bonds changes. Every premature call requires the prior consent of the competent supervisory authority. The bond holder does not have the right to call the bond. If the tier 1 capital ratio of the issuer or of Oberbank Group of 5.125%, the nominal value of the bond is impaired to the amount necessary. Under certain conditions, the nominal value can be written up again.

2.10) Significant events since the close of the financial year

The Ukraine/Russia conflict is an event that has no direct impact in the financial year 2021. For the year 2022, this conflict will have as yet unforeseeable consequences for the overall economy. The current conflict hardly has any direct consequences for Oberbank at present. No Russian, Ukrainian or Belarusian government bonds are held. Furthermore, no financing is provided to Russian, Ukrainian or Belarusian companies. Export finance, such as receivables purchases, is only carried out with OeKB cover. The support services and the letters of credit provided to Austrian exporters are of secondary importance. The direct impact on credit risk is low in the current situations. Currently, there are no open major foreign exchange transactions of customers in rouble (forward exchange transactions).

There are no immediate effects of the war on the investment portfolio at present, but this cannot be completely ruled out in the further course of 2022.

Oberbank, as a member of the Austrian deposit guarantee scheme, is also affected by the deposit guarantee case of Sberbank Europe AG, although the amount of the payment to be paid by Oberbank is still open.

At present, we cannot ascertain any further direct or indirect effects of the conflict on Oberbank, although this matter is being monitored and assessed on an ongoing basis.

The Parliament passed the “Ecological Social Tax Reform Act 2022” on 20 January 2022. The changes to corporate income tax rate in this Act will be taken into account for the first time in the consolidated financial statements prepared after 31 December 2021. No material effects on the consolidated financial statements of Oberbank are expected.

There were no further material events after the close of the 2021 financial year.

Details of the income statement in €k

3) Net interest income	2021	2020
Net interest income from		
Credit and money market operations	346,872	366,217
Shares and other variable-yield securities	1,415	1,701
Other equity investments	7,580	7,284
Subsidiaries	1,943	927
Fixed-interest securities and bonds	31,477	41,326
Interest and similar income	389,287	417,455
Interest expenses for		
deposits	-10,509	-46,316
Securitised liabilities	-17,909	-18,211
Subordinated liabilities	-13,590	-15,167
Result of non-significant modifications	-1,222	-832
Interest and similar expenses	-43,230	-80,526
Net interest income	346,057	336,929

Net interest income from financial assets in the measurement category AC and FVOCI was €k 368,102 (pr.yr.: €k 397,235).
The corresponding interest expenses on financial liabilities amounted to €k 38,631 (pr.yr.: €k 61,356). Net interest income includes income in the amount of €k 14,341 (pr.yr.: €k 4,755) and the interest expenses include negative interest of €k 34,849 (previous year €k 16,032).

4) Income from entities recognised using the equity method	2021	2020
Net amounts from proportionately recognised income	93,674	-6,475
Expenses from impairments and income from additions	6,459	-6,459
Income from additions due to purchases	0	4,919
Profit from entities accounted for by the equity method	100,133	-8,015

5) Charges for losses on loans and advances	2021	2020
Additions to charges for losses on loans and advances	-101,325	-99,098
Direct write-offs	-1,437	-1,628
Reversals of loan loss provisions	66,241	57,756
Recoveries of written-off receivables	2,422	2,680
Result of non-significant modifications	70	7
Result of POCI financial instruments	-1,684	-1,547
Charges for losses on loans and advances	-35,713	-41,830

Income from nonsignificant modifications to contractual payment flows from financial assets, which did not result in derecognition, is presented in the table below:

	Stage 1	Stage 2	Stage 3		
Modified financial assets in 2021	**12-M ECL**	**LT-ECL**		**POCI**	**Total**
At amortized cost before modification	36,486	56,206	18,124	0	110,816
Result of non-significant modifications	-995	-189	-57	0	-1.2011)

1) Balance of market and credit rating-induced modifications

	Stage 1	Stage 2	Stage 3		
Modified financial assets in 2020	**12-M ECL**	**LT-ECL**		**POCI**	**Total**
At amortized cost before modification	50,609	8,131	0	0	58,740
Result of non-significant modifications	-823	-2	0	0	-8251)

1) Balance of market and credit rating-induced modifications

6) Net commission income	2021	2020
Net commission income		
Payment services	65,423	60,725
Securities business	76,559	65,863
Foreign exchange, foreign bank notes and precious metals business	19,943	16,623
Credit operations	44,627	41,633
Other service and advisory business	6,276	6,016
Total net fee and commission income	212,828	190,860

Net fee and commission expenses	2021	2020
Payment services	4,523	4,223
Securities business	8,564	7,967
Foreign exchange, foreign bank notes and precious metals business	605	584
Credit operations	5,990	5,678
Other service and advisory business	1,195	1,734
Total fee and commission expenses	20,877	20,186
Net fee and commission income	191,951	170,674

This item includes income in the amount of €k 5,115 (pr. yr.: €k 4,595) from asset management for the account of third parties.

7) Net trading income	2021	2020
Gains/losses on interest rate contracts	2,303	-301
Gains/losses on foreign exchange, foreign bank notes and numismatic business	1,945	4,230
Gains/losses on derivatives	3,516	-2,477
Net trading income	7,764	1,452

8) Administrative expenses	2021	2020
Staff costs	192,518	179,083
Other administrative expenses	91,573	86,920
Write-offs and impairment allowances	29,477	28,921
Administrative expenses	313,568	294,924

Pension fund contributions were €k 3,888 (previous year: €k 3,739).

9) Other operating income	2021	2020
a) Net income from financial assets - FVTPL	5,398	8,531
thereof from designated financial instruments	-6,301	7,167
thereof financial instruments with mandatory measurement at FVPL	11,699	1,364
b) Net income from financial assets - FVOCI	-1,195	-192
thereof from the measurement of debt instruments	-716	-344
thereof from the sale and derecognition of debt instruments	-479	152
c) Net income from financial assets - AC	21	765
d) Other operating income	-18,961	-5,890
Other operating income	**37,419**	**45,033**
thereof income from operational risks	5,027	11,016
Gains from the sale of land and buildings	0	760
Income from private equity investments	136	2,653
Income from operating leases	13,788	15,347
Other income from the leasing sub-group	8,445	6,931
Brokerage fees from third parties	4,134	3,635
Other	5,889	4,691
Other operating expenses:	**-56,380**	**-50,923**
thereof expenses from operational risks	-5,680	-5,493
Stability tax	-4,881	-4,954
Contributions to the resolution fund	-9,960	-9,216
Allocation to the deposit protection fund	-12,440	-6,421
Expenses from operating leases	-14,046	-13,840

Other income from the leasing sub-group	-5,840	-6,282
Other	-3,533	-4,717
Other operating income net of other operating expenses	-14,737	3,214

In the financial year, Oberbank sold a financial asset that was recognised at amortised cost. The asset was sold because it no longer matched the portfolio of the Oberbank Group due to the credit rating. The sale yielded a profit of €k 20.50. See Note 47 for more on operational risks.

10) Income taxes

The income taxes include current income taxes of the individual consolidated companies, adjustments for current income taxes relating to other periods as well as the changes in deferred taxes.

	2021	2020
Current income tax expense	44,421	43,629
Deferred income tax expenses/income	2,818	358
Income taxes	**47,239**	**43,987**

Reconciliation: relation between computed and effective reported income taxes

	2021	2020
Current income tax expense	44,421	43,629
Deferred income tax expenses /income	2,818	358
Income taxes	47,239	43,987
Profit for the year before tax	281,887	167,500
Computed tax expense 25%	70,472	41,875
Income and expenses taken directly to equity	-737	-706
Tax savings arising due to tax-exempt income from equity investments	-2,319	-2,064
Tax savings arising due to profits accounted for using the equity method	-25,033	2,004
Tax expenses / income prev. years	2,781	2,953
Tax savings arising from other tax-exempt income	-144	-282
Tax incurred as a result of non-deductible expenses	2,035	114
Tax savings arising due to used loss carry-forwards	551	540
Tax effects from differing tax rates	-367	-447
Deferred income tax expenses /income	47,239	43,987
Effective tax rate	16.76%	26.26%

Taxes on income relating to individual components of other comprehensive income and/or equity

	2021			2020		
	Income before tax	Income taxes	Income after tax	Income before tax	Income taxes	Income after tax
Actuarial gains/losses IAS 19	17,147	-4,287	12,860	-7,654	1,913	-5,740
Value changes in debt securities IFRS 9 recognised in equity with reclassification	-107	26	-81	-1,563	391	-1,172
Value changes in equity instruments IFRS 9 recognised in equity without reclassification	58,866	-14,608	44,258	625	-14,734	-14,109
Value changes in own credit risk IFRS 9 recognised in equity without reclassification	-17,377	4,344	-13,033	20,867	-5,217	15,650
Currency exchange differences	3,736	0	3,736	-4,298	0	-4,298
Share from entities recognised using the equity method	13,475	0	13,475	-6,342	0	-6,342
Total	**75,740**	**-14,525**	**61,216**	**1,635**	**-17,646**	**-16,011**

11) Earnings per share in €	**2021**	**2020**
Number of shares as at 31/12	35,307,300	35,307,300
Average number of shares in issue	35,236,428	35,133,622
Profit for the year after tax	234,648	123,513
Earnings per share in €	6.66	3.52

Since no financial instruments with diluting effect were issued, diluted earnings per share were identical with undiluted earnings per share.

Details of the balance sheet in €k

12) Cash and balances at central banks	**2021**	**2020**
Credit balances with central banks of issue	4,193,765	1,943,836
Cash and balances at central banks	207,150	162,148
Cash and balances at central banks	4,400,915	2,105,984

13) Loans and advances to credit institutions	**2021**	**2020**
Loans and advances to domestic credit institutions	120,338	79,498
Loans and advances to foreign credit institutions	753,223	889,410
Loans and advances to credit institutions	873,561	968,908
Loans and advances to credit institutions, by maturity		
On demand	155,585	157,187
Up to 3 months	635,439	752,139
3 months to 1 year	25,275	1,257
1 to 5 years	41,094	42,219
Over 5 years	16,168	16,106
Loans and advances to credit institutions	873,561	968,908

14) Loans and advances to customers	**2021**	**2020**
Loans and advances to domestic customers	10,620,908	10,210,754
Loans and advances to foreign customers	7,807,019	7,053,911
Loans and advances to customers	18,427,927	17,264,665
Loans and advances to customers, by maturity		
On demand	2,888,947	2,643,819
Up to 3 months	1,074,448	1,128,435
3 months to 1 year	2,179,340	1,817,531
1 to 5 years	6,917,480	6,763,041
Over 5 years	5,367,712	4,911,839
Loans and advances to customers	18,427,927	17,264,665
Leasing business (finance leasing), gross investment value		
Up to 3 months	65,061	101,957
3 months to 1 year	208,669	303,502
1 to 5 years	986,036	925,019
Over 5 years	209,234	240,453
Total	1,469,000	1,570,931
Unrealised finance income		
Up to 3 months	6,010	7,805
3 months to 1 year	15,496	16,226
1 to 5 years	36,431	36,107
Over 5 years	8,700	9,974
Total	66,637	70,112
Net investment value		
Up to 3 months	59,051	94,152
3 months to 1 year	193,173	287,276
1 to 5 years	949,605	888,912
Over 5 years	200,534	230,479
Total	1,402,363	1,500,819
Cumulated impairment allowances	20,093	12,900

15) Impairment provisions	see Note 43, "Credit risk"

16) Trading assets	2021	2020
Bonds and other fixed-interest securities		
Listed	0	206
Shares and other variable-yield securities		
Listed	1,617	551
Positive fair values of derivative financial instruments		
Currency contracts	5,768	5,239
Interest rate contracts	29,995	41,438
Other contracts	0	0
Trading assets	37,380	47,434

17) Financial investments	2021	2020
Bonds and other fixed-interest securities		
Listed	1,503,759	1,877,632
Unlisted	59,949	60,568
Shares and other variable-yield securities		
Listed	131,319	91,656
Unlisted	220,311	214,284
Equity investments/shares		
in subsidiaries	84,003	94,468
Entities accounted for using the equity method		
Banks	508,392	476,421
Non-banks	492,372	420,724
Other equity investments		
Banks	49,695	46,441
Non-banks	130,610	122,035
Financial investments	3,180,410	3,404,229
a) Financial assets - FVPL	481,966	560,251
b) Financial assets FVOCI	414,571	487,826
thereof equity instruments	373,483	329,186
thereof debt instruments	41,088	158,640
c) Financial assets - AC	1,283,109	1,459,007
d) Interest in entities accounted for using the equity method	1,000,764	897,145
Financial investments	3,180,410	3,404,229

Financial investments in equity instruments recognised directly in equity at fair value through other comprehensive income include all securities, investments and shares in associated companies for which a fair value cannot be determined.

Financial assets		Dividends from instruments	
Equity capital instruments FVOCI 31/12/2021	Fair value	derecognised in the reporting year	held on the reporting date
Securities	131,550	0	153
Equity investments	161,267	0	4,448
Investments in subsidiaries	80,666	0	1,943
	373,483	0	6,544

Financial assets in equity instruments refer especially to non-consolidated investments and shares in subsidiaries, see Note 41), as well as investments in Lenzing AG, Energie AG Oberösterreich, Oesterreichische Kontrollbank AG and Linz Textil AG. In the financial year 2021, one equity instrument was liquidated which at the time of derecognition had a fair value of €k 16.3 and one equity instrument with a fair value of €k 2,336.1 was partially sold. The cumulated profit from the liquidation was €k 0.0. There was no reclassification within equity in the reporting year.

In the preceding year, one equity instrument was liquidated which at the time of derecognition had a fair value of €k 867.2. The cumulated profit from the sale was €k 0.0.

Financial assets		Dividends from instruments	
Equity capital instruments FVOCI 31/12/2020	fair value	derecognised in the reporting year	held on the reporting date
Securities	91,887	0	342
Equity investments	145,869	0	7,284
Investments in subsidiaries	91,430	0	927
	329,186	0	8,553

18) Intangible assets	**2021**	**2020**
Other intangible assets	2,912	1,861
Customer base	309	342
Intangible assets	3,221	2,203

19) Property, plant and equipment	**2021**	**2020**
Investment property	84,234	89,656
Land and buildings	87,800	89,314
Business equipment and furnishings	46,022	58,124
Other property, plant and equipment	22,299	24,039
Right of use for leased objects	142,267	143,218
Property, plant and equipment	382,622	404,351

The Group owned land and buildings used by others with a carrying value of €k 84,234 (pr. yr.: €k 89,656); these properties had a fair value of €k 97,640 (pr. yr.: €k 105,150). The fair value is assignable to level 3 and is calculated using internal models. Rental income during the reporting year came to €k 4,365 (pr. yr.: €k 4,486); the associated expenses (including depreciation) amounted to €k 3,107 (pr. yr.: €k 3,099). The disposability of these properties is restricted by purchase option rights contractually granted to the lessees. The non-guaranteed residual values attributable to the leasing business amount to €k 58,181 (pr.yr.: €k 51,688).

Leasing (operating leases) as lessor: future minimum lease instalments	**2021**	**2020**
Up to 3 months	3,153	3,959
3 months to 1 year	8,446	10,355
1 to 5 years	28,573	32,738
Over 5 years	10,431	10,854
Total	50,603	57,906

20) 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 financial year 2021:

Leasing in the consolidated balance sheet	**2021**	**2020**
Property, plant and equipment	142,832	143,218
Right of use for land and buildings	139,545	140,339
Right of use for business equipment and furnishings	850	590
Right of use for other property, plant and equipment	1,872	1,566
Right of use for investment property	565	723
Other liabilities		
Leasing liabilities	143,833	143,934

Additions to right of use in the financial year 2021 after initial capitalisation amounted to €k 18,774. Cash outflows for leasing liabilities amounted to €k 16,085. When measuring leasing liabilities, future cash outflows from uncertain prolongation options of €k 12,467 were not considered.

Leasing liabilities (gross) by maturity	2021	2020
Up to 3 months	3,734	3,686
3 months to 1 year	10,867	10,678
1 to 5 years	50,332	49,420
Over 5 years	78,900	80,151
Total	143,833	143,934

Leasing in the consolidated income statement	2021	2020
Interest expenses for leasing liabilities	760	786
Administrative expenses	15,609	15,123
Depreciation/amortisation for right of use for land and buildings	14,153	13,915
Depreciation/amortisation for right of use for business equipment and furnishings	316	267
Depreciation/amortisation for right of use for other property, plant and equipment	982	784
Depreciation for right of use for investment property	157	157
Other expenses from lease contracts	1,410	1,447
Other operating income		
Income from subleasing of rights of use	846	851

Leasing in the consolidated statement of cash flows	2021	2020
Repayment of leasing liabilities from finance activities	-16,085	-15,599
Interest expenses for leasing liabilities from operating activities	760	786

21) Other assets	2021	2020
Deferred tax assets	1,390	7,388
Other assets	127,011	70,751
Positive fair values of closed out derivatives in the banking book	102,159	153,306
Deferred items	3,067	3,710
Other assets	233,627	235,155

Deferred tax assets/deferred tax liabilities

	Deferred taxes 2021		Deferred taxes 2020	
	Assets	Equity and liabilities	Assets	Equity and liabilities
Cash and balances at central banks	192	0	122	0
Loans and advances to credit institutions	0	-866	0	-52
Loans and advances to customers	9,027	-5,233	10,317	-6,063
Trading assets	0	-8,793	0	-11,535
Financial investments	385	-50,674	370	-41,284
Financial assets - FVPL	0	-15,450	0	-19,647
Financial assets FVOCI (with recycling)	0	-5,581	0	-6,182
Financial assets FVOCI (without recycling)	0	-29,643	0	-15,455
Financial assets - AC	368	0	347	0
Entities accounted for using the equity method	17	0	23	0
Intangible assets	0	-73	0	-83
Property, plant and equipment	316	-35,625	269	-35,625
Other assets	0	-15,577	0	-23,994
	9,920	-116,513	11,079	-118,636
Amounts owed to credit institutions	846	-15	320	0
Amounts owed to customers	11,550	0	15,018	0
Securitised liabilities	3,193	0	7,931	0
Provisions for staff benefits	24,026	0	29,498	0
Other provisions	6,277	0	10,562	0
Other liabilities	43,195	-269	42,481	-235
Subordinated debt capital	3,712	0	5,264	0
Untaxed reserves/valuation reserves	0	-233	0	-247

	92,799	-517	111,075	-482
Capitalized tax loss carry-forwards	457	0	647	0
Deferred tax assets/liabilities	103,175	-117,030	122,800	-119,118
Balance of deferred tax assets/liabilities attributable to the same tax authority	-101,785	101,785	-115,412	115,412
Balance of deferred tax assets/liabilities	1,390	-15,245	7,388	-3,706

No deferred tax assets were recognised for loss carry-forwards from the Leasing subgroup in the amount of €k 1,602 as at 31 Dec. 2021 (pr.yr.: €k 1,780), because consumption within the foreseeable future does not seem feasible from today's standpoint.

No deferred tax liabilities were recognised on the temporary differences from interests in subsidiaries, joint ventures and associated companies held by Group companies of €k 759,310 (pr. yr.: €k 662,214) in accordance with IAS 12.39, because the temporary differences are not expected to reverse in the foreseeable future. The temporary differences concern reinvested profit shares which were not intended for distribution and will remain tax-free in the foreseeable future. Therefore – excluding tax-free profit distribution by subsidiaries – the hypothetical tax debt of €k 189,828 (pr. yr.: €k 165,553) was not recognized as at 31 December 2021.

22) Amounts owed to credit institutions	**2021**	**2020**
Amounts owed to domestic banks	3,980,517	3,336,015
Amounts owed to foreign banks	1,912,821	1,729,629
Amounts owed to credit institutions	5,893,338	5,065,644
Amounts owed to credit institutions, by maturity		
On demand	749,160	1,006,563
Up to 3 months	247,719	343,457
3 months to 1 year	33	57,452
1 to 5 years	2,475,286	2,274,624
Over 5 years	2,421,140	1,383,548
Amounts owed to credit institutions	5,893,338	5,065,644

The item amounts owed to credit institutions contains an amount of EUR 2,300 million from the TLTRO III refinancing programme of the ECB. These loans were taken out between June 2020 and September 2021 and carry an interest of -0.5%. This interest rate is in conformity with market rates when compared to deposits of our customers and other similar, collateralized loans. Therefore, we recognized the finance liability as a financial instrument pursuant to IFRS 9.

For the first period of observation, which lasted until March 2021, we achieved the required credit growth to be eligible for the bonus and the negative refinancing interest rate decreased by a further -0.5%. The bonus of -0.5% resulted in interest income of EUR 8.15 million in the year 2021. We will receive another bonus of -0.5% when we reach positive credit growth in specific industries from October 2020 to the end of 2021. As it is not yet sufficiently certain that this requirement will also have been met in the past period, we did not account for a potential bonus in the income statement for the proportionate time period in FY 2021. Should the required growth rate have been achieved after checking and confirming the data, we will recognize the bonus in the financial year 2022 in income as an estimate change pursuant to IFRS 9B5.4.6.

23) Amounts owed to customers	**2021**	**2020**
Savings deposits	2,534,685	2,660,875
Other	12,193,904	10,426,293
Amounts owed to customers	14,728,589	13,087,168
Amounts owed to customers, by maturity		
On demand	13,183,297	11,304,481
Up to 3 months	357,721	404,018
3 months to 1 year	554,958	556,124
1 to 5 years	393,095	447,346
Over 5 years	239,518	375,199
Amounts owed to customers	14,728,589	13,087,168

24) Securitised liabilities	**2021**	**2020**
Bonds issued	2,192,883	1,839,717
Other securitised liabilities	13,764	14,288
Securitised liabilities	2,206,647	1,854,005
Securitised liabilities, by maturity		
Up to 3 months	107,039	31,497
3 months to 1 year	27,123	147,836
1 to 5 years	742,253	495,032
Over 5 years	1,330,232	1,179,640
Securitised liabilities	2,206,647	1,854,005

25) Provisions for liabilities and charges	2021	2020
Provisions for termination benefits and pensions	179,295	201,775
Provisions for anniversary bonuses	14,908	15,778
Provisions for credit risks	135,250	117,159
Other provisions	35,349	38,129
Provisions for liabilities and charges	364,802	372,841

Movements in provisions for termination benefits and pensions	2021	2020
Provisions as at 01/01	201,775	199,541
Allocated to/reversed from provisions for termination benefits	-5,174	753
Allocated to/reversed from provisions for pensions	-17,306	1,481
Provisions as at 31/12	179,295	201,775

Presentation of obligations under defined benefit plans pursuant to IAS 19	2021	2020
Plan assets	0	0
Provisions for termination benefits	45,126	50,301
Provisions for pensions	134,169	151,474
Provisions for anniversary bonuses	14,908	15,778
Total obligations under defined benefit plans	194,203	217,553

The defined benefit plans of the Oberbank Group comprise obligations in terms of termination benefits, pensions and anniversary bonuses.

The legal basis for the provisions for termination benefits is the Austrian Salaried Employees Act (AngG, § 23) as well as the valid collective agreement for the banking sector (§ 32). Pursuant to §32 of the collective agreement, employees with a minimum service period of five years are entitled to termination benefits in the amount of two monthly salaries in addition to their claims in accordance with the Salaried Employees Act (Severance Pay OLD) and BMSVG (Corporate Employee and Self-Employed Pension Act; Severance Pay NEW). As at 31 December 2021, 712 employees were included in the "Severance Pay OLD” system (93.5% of the entire volume of provisions) and 1,140 employees were carried in the "Severance Pay NEW" system.

The legal basis for the provisions for pensions is the collective bargaining agreement on the reform of pension entitlements (pension reform of 1997) as well as pension commitments based on individual contracts. As at 31 December 2021, provisions for pensions within the Oberbank Group included 494 pension beneficiaries (74.7% of the total volume of provisions) and 289 employees in active service (25.3% of total provisions). Most of the 287 active staff members are entitled to a pension based on acquired vested rights as calculated for the cut-off date of 1 January 1997 and value-adjusted for salary increases in accordance with the collective agreement on an annual basis. This group of employees account for almost 14.0% of total provisions.

Risks that need to be stated in connection with provisions for pensions

Disability: If an employee is granted a disability pension, the Austrian pension law in force before 1 January 1997 is applicable, meaning that the bank's contribution is a transitional pension (total pension) calculated on the basis of the last salary and taking into account pension fund contributions financed by the Bank. No disability pension was granted in 2021.

Administrative pension: Upon termination of an employment contract by the Bank, active employees entitled to a pension based on acquired vested rights are entitled to an administrative pension calculated on the basis of the last salary, which is paid until such person becomes entitled to a statutory pension pursuant to the provisions laid down in the Austrian General Social Insurance Act (ASVG). As of this date a transitional pension is disbursed (calculated on the basis of a fictitious ASVG pension). There were no such cases in 2021.

The legal basis for the provisions for anniversary bonuses is the company agreement with the Works Council. Entitlements are staggered as follows: three monthly salaries after 25 years’ service; four monthly salaries after 40 years’ service. As at 31

December 2019, provisions for anniversary bonuses covered the entitlements of 1,445 persons. No provisions have been set up for 399 persons (44 have already received their anniversary bonuses; 290 persons will reach retirement age prior to the entitlement date for the anniversary bonus, 65 persons joined the bank in HY2 2021 and no provisions are set aside for this group of persons).

Movements in provisions for termination benefits, pensions and similar obligations	**2021**	**2020**
Present value of defined benefit provisions as at 01/01	**217,553**	**214,503**
Recognised in the income statement		
+ Service cost	4,392	4,289
+ Interest cost	1,619	2,120
Subtotal	**223,564**	**220,912**
Revaluation effects		
Recognised directly in Other comprehensive income		
-/+ Actuarial gain/loss	-16,538	7,436
- Financial assumptions	2,774	29,499
- Demographic assumptions	0	0
- Experience-based assumptions	-19,312	-22,063
-/+ Gains / losses on plan assets	0	0
-/+ Gains / losses from exchange rate movements	0	0
Recognised in the income statement	-1,710	272
Subtotal	**-18,248**	**7,708**
Other		
Payments for plan settlements	0	0
- Payments during the reporting year	-11,113	-11,067
- Other changes	0	0
Subtotal	**-11,113**	**-11,067**
Provisions recognised as at 31/12	**194,203**	**217,553**

Actuarial gains / losses attributable to pension and severance obligations were recognised in the reporting year directly in Other comprehensive income (OCI). The amounts will not be reclassified subsequently; a transfer within equity, however, is permitted. Actuarial gains / losses attributable to provisions for anniversary bonuses are shown in the item Staff expenses in the income statement.

Important actuarial assumptions for calculating the present values of defined benefit obligations	**2021**	**2020**
Interest rate applied	1.25%	0.75%
Increase under collective agreements	2.63%	2.83%
Pension increase	1.67%	1.68%
Fluctuation	None	None
Retirement age women	59–65 years	59–65 years
Retirement age men	65 years	65 years
Mortality tables	AVÖ 2018	AVÖ 2018

Assuming that the computational parameters remain unchanged, we anticipate a reversal of provisions for termination benefits, pensions and similar obligations of about EUR 3.7 million in the financial year 2022.

The present value of post-retirement benefit obligations was €k 246,475 for the financial year 2014, €k 190,317 for the financial year 2015, €k 185,058 for the financial year 2016, €k 184,732 for the financial year 2017, €k 196,750 for the financial year 2018, and €k 214,503 for the financial year 2019.

Sensitivity analysis

The sensitivity analysis shows the effects that significant changes in actuarial assumptions might reasonably be expected to have had on defined-benefit obligations by the end of the reporting period.

in €k	Termination benefits	Pensions	Anniversary bonuses
Interest rate applied + 0.5%	42,846	125,870	-
Interest rate applied - 0.5%	47,571	143,427	-
Collective agreement increase + 0.5%	47,524	135,022	-
Collective agreement increase - 0.5%	42,865	133,344	-
Pension increase + 0.5%	-	142,053	-
Pension increase - 0.5%	-	126,932	-

Although the sensitivity analysis does not purport to deliver a final presentation of expected future payment flows, the results allow an assessment of the possible effects of significant changes to actuarial assumptions.

Maturity profile

The following table shows anticipated payments of benefits in each of the upcoming periods:

in €k	Termination benefits	Pensions	Anniversary bonuses
2022	2,020	7,114	-
2023	1,697	6,788	-
2024	4,153	7,007	-
2025	2,236	6,745	-
2026	3,195	6,516	-
Total of anticipated disbursements of benefits in the next five years	13,301	34,170	-

Maturity

The following table shows the weighted average term to maturity of defined benefit obligations as at 31 December 2021:

in years	Termination benefits	Pensions	Anniversary bonuses
Maturity	10.62	13.35	-

Movements in other provisions for liabilities and charges	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
At 01/01	15,778	117,159	38,129
Allocated	0	31,563	5,118
Used / exchange differences / effect of proportionate consolidation / reclassification	0	10,840	-330
Reversed	-870	-24,312	-7,568
Balance as at 31/12	14,908	135,250	35,349

These are primarily short-term provisions

26) Other assets	2021	2020
Trading liabilities	35,539	42,799
Tax liabilities	16,983	6,638
Current tax liabilities	1,738	2,932
Deferred tax liabilities[1)]	15,245	3,706
Leasing liabilities	143,833	143,934
Other liabilities	244,459	237,262
Negative fair values of closed out derivatives in the banking book	34,077	39,932

Deferred items	57,167	58,065
Other liabilities	532,058	528,630

1) For details regarding deferred tax liabilities, see Note 21) on Other assets.

27) Other liabilities (trading liabilities)	2021	2020
Currency contracts	7,122	1,875
Interest rate contracts	28,417	40,924
Other contracts	0	0
Trading liabilities	35,539	42,799

28) Subordinated debt capital	2021	2020
Subordinated bonds issued incl. tier 2 capital	496,368	485,775
Hybrid capital	0	0
Subordinated debt capital	496,368	485,775

Subordinated debt capital, by maturity		
Up to 3 months	37,227	26,220
3 months to 1 year	2	6,674
1 to 5 years	291,052	222,367
Over 5 years	168,087	230,514
Subordinated debt capital	496,368	485,775

Development of subordinated debt capital		
As at 01/01	485,775	522,515
Changes in cash items	16,828	-28,536
thereof payments from issues	43,079	55,801
thereof repurchase/repayment	-26,251	-84,337
Changes in non-cash items	-6,235	-8,205
thereof changes in the fair value	-6,207	-5,557
thereof other changes	-28	-2,648
As at 31/12	496,368	485,775

29) Shareholders' equity	2021	2020
Subscribed capital	105,863	105,381
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,646,810	2,368,439
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Share of non-controlling shareholders	7,793	7,651
Equity	3,317,861	3,038,866

Development of shares in issue (units)		
Shares in issue as at 01/01	35,127,062	35,281,583
New shares issued	0	0
Treasury shares purchased	-216,585	-558,314
Treasury shares sold	377,120	403,793
Shares in issue as at 31/12	35,287,597	35,127,062
Plus own shares held by the Group	19,703	180,238
Shares in issue as at 31/12	35,307,300	35,307,300

The carrying value of own shares held was EUR 1.8 million (pr. yr.: EUR 15.1 million) on the balance sheet date.

30) Non-current assets statement

Movements in intangible assets and property, plant and equipment	Intangible assets	Property, plant and equipment	thereof investment property
Cost of acquisition/conversion as at 01/01/2021	21,315	702,595	121,224
Currency exchange differences	-7	684	0
Transfers	0	0	723
Additions	1,561	33,889	0
Disposals	0	35,424	3,632
Cumulated depreciation	19,648	319,122	34,081
Carrying value 31/12/2021	3,221	382,622	84,234
Carrying value 31/12/2020	2,203	404,351	89,656
Depreciation during the reporting year	550	38,916	3,240

Of total depreciation of property, plant and equipment in the reporting year, €k 9,989 assignable to operating leases are shown in the line item Other operating income. The portion of the COVID-19 investment bonus not yet recognized is €k 2,185.

31) Fair value of financial instruments and other items regarding reconciliation as at 31/12/2021 (upper line: respective carrying amount, lower line: amount as fair value)

	AC	**FVTPL**	thereof designated	**HFT**	**FVOCI**	thereof equity instruments FVOCI	thereof debt instruments FVOCI	**AC/ liabilities**	**Other**	**Total**
Cash and balances at central banks								4,400,915		**4,400,915**
								4,400,915		**4,400,915**
Loans and advances to credit institutions								873,561		**873,561**
								874,216		**874,216**
Loans and advances to customers	37,127	36,972	10,625		35,775		35,775	18,318,053		**18,427,927**
	38,781	36,972	10,625		35,775		35,775	18,573,754		**18,685,283**
Trading assets				37,380						**37,380**
				37,380						**37,380**
Financial investments	1,283,109	481,966	233,985		414,571	373,483	41,088		1,000,764	**3,180,410**
	1,307,671	481,966	233,985		414,571	373,483	41,088			
Intangible assets									3,221	**3,221**
Property, plant and equipment									382,622	**382,622**
Other assets				102,159					131,467	**233,626**
				102,159						
of which closed out derivatives positions in the banking book				102,159						**102,159**
				102,159						**102,159**
Total assets	**1,320,236**	**518,938**	244,610	**139,539**	**450,346**	373,483	76,863	**23,592,529**	**1,518,075**	**27,539,663**
	1,346,453	**518,938**	244,610	**139,539**	**450,346**	373,483	76,863	**23,848,885**		
Amounts owed banks		25,618	25,618					5,867,720		**5,893,338**
		25,618	25,618					5,803,859		**5,829,476**
Amounts owed to customers		394,972	394,972					14,333,618		**14,728,589**
		394,972	394,972					14,345,396		**14,740,368**
Securitised liabilities		768,809	768,809					1,437,838		**2,206,647**
		768,809	768,809					1,459,075		**2,227,883**
Provisions for liabilities and charges									364,803	**364,803**
Other liabilities				69,617					462,441	**532,058**
				69,617						
of which closed out derivatives positions in the banking book				34,077						**34,077**
				34,077						**34,077**
Subordinated debt capital		346,572	346,572					149,797		**496,368**
		346,572	346,572					158,704		**505,276**
Capital									3,317,861	**3,317,861**
Total equity and liabilities		**1,535,970**	1,535,970	**69,617**				**21,788,972**	**4,145,105**	**27,539,663**
		1,535,970	1,535,970	**69,617**				**21,767,033**		

31) Fair value of financial instruments and other items regarding reconciliation as at 31/12/2020 (upper line: respective carrying amount, lower line: amount as fair value)

	AC	**FVTPL**	thereof designated	**HFT**	**FVOCI**	thereof equity instruments FVOCI	thereof debt instruments FVOCI	**AC/ liabilities**	**Other**	**Total**
Cash and balances at central banks								2,105,984		**2,105,984**
								2,105,984		**2,105,984**
Loans and advances to credit institutions								968,908		**968,908**
								971,177		**971,177**
Loans and advances to customers	8,032	74,678	36,223		37,769		37,769	17,144,186		**17,264,665**
	8,482	74,678	36,223		37,769		37,769	17,449,968		**17,570,897**
Trading assets				47,434						**47,434**
				47,434						**47,434**
Financial investments	1,459,008	560,251	304,514		487,826	329,186	158,640		897,145	**3,404,229**
	1,515,682	560,251	304,514		487,826	329,186	158,640			
Intangible assets									2,203	**2,203**
Property, plant and equipment									404,351	**404,351**
Other assets				153,306					81,849	**235,155**
				153,306						
of which closed out derivatives positions in the banking book				153,306						**153,306**
				153,306						**153,306**
Total assets	**1,467,040**	**634,929**	340,737	**200,740**	**525,595**	329,186	196,408	**20,219,078**	**1,385,548**	**24,432,929**
	1,524,163	**634,929**	340,737	**200,740**	**525,595**	329,186	196,408	**20,527,129**		
Amounts owed to banks		29,243	29,243					5,036,401		**5,065,644**
		29,243	29,243					5,013,317		**5,042,560**
Amounts owed to customers		414,034	414,034					12,673,133		**13,087,168**
		414,034	414,034					12,690,061		**13,104,096**
Securitised liabilities		891,803	891,803					962,202		**1,854,005**
		891,803	891,803					1,016,510		**1,908,314**
Provisions for liabilities and charges									372,841	**372,841**
Other liabilities				82,731					445,899	**528,630**
				82,731						
of which closed out derivatives positions in the banking book				39,932						**39,932**
				39,932						**39,932**
Subordinated debt capital		372,365	372,365					113,410		**485,775**
		372,365	372,365					128,845		**501,210**
Capital									3,038,866	**3,038,866**
Total equity and liabilities		**1,707,446**	1,707,446	**82,731**				**18,785,146**	**3,857,606**	**24,432,929**
		1,707,446	1,707,446	**82,731**				**18,848,734**		

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

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to a change to the own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	at 31/12/2021	in financial year 2021	cumulated	at 31/12/2021
Amounts owed to banks	-48	587	468	468
Amounts owed to customers	-3,082	21,888	44,346	44,346
Securitised liabilities	-3,062	25,466	12,774	12,774
Subordinated debt capital	-3,015	9,084	16,057	16,057

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

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to a change to the own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	at 31/12/2020	in financial year 2020	cumulated	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

Assets designated at fair value through profit or loss as at 31/12/2021			Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
	maximum default risk	Reduction due to related credit derivatives or similar instruments	in the reporting year	cumulated	in the reporting year	cumulated
Loans and advances to customers	10,625	-	-	-	-	-
Financial investments	233,985	-	-	281	-	-

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

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

	31/12/2021	**31/12/2020**
Loans and advances to customers FVTPL	36,972	74,678
Financial investments FVTPL	481,966	560,251
Financial investments FVOCI	373,483	329,186
Trading assets	37,380	47,434
Derivatives positions in the banking book	102,159	153,306
Total	**1,031,960**	**1,164,855**

Fair value hierarchy of financial instruments			**Carrying value**						**Fair value**	
as at 31/12/2021 in €k	AC	FV/PL	HFT	FVOCI	AC / Liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial instruments carried at fair value										
Loans and advances to customers		36,972		35,775			**72,747**		56,234	16,513
Trading assets			37,380				**37,380**	1,614	35,766	
Financial assets - FVPL		481,966					**481,966**	239,512	242,454	
B) Financial assets FVOCI				414,571			**414,571**	168,541	4,096	241,933 [1)]
Other assets			102,159				**102,159**		102,159	
of which closed out derivatives positions in the banking book			102,159				**102,159**		102,159	
Financial assets not carried at fair value										
Loans and advances to credit					873,561		**873,561**		874,216	
Loans and advances to customers	37,127				18,318,053		**18,355,180**		38,781	18,573,754
Financial assets - AC	1,283,109						**1,283,109**	1,251,320	56,351	
Financial liabilities carried at fair value										
Amounts owed to banks		25,618					**25,618**		25,618	
Amounts owed to customers		394,972					**394,972**		394,972	
Securitised liabilities		768,809					**768,809**		768,809	
Other liabilities			69,616				**69,616**		69,616	
of which closed out derivatives positions in the banking book			34,077				**34,077**		34,077	
Subordinated debt capital		346,572					**346,572**		346,572	
Financial liabilities not carried at fair value										
Amounts owed to banks					5,867,720		**5,867,720**		5,803,859	
Amounts owed to customers					14,333,618		**14,333,618**		14,345,396	
Securitised liabilities					1,437,838		**1,437,838**		1,459,075	
Other liabilities										
Subordinated debt capital					149,797		**149,797**		158,704	

[1)] This item is made up 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 to measure company valuation.

Fair value hierarchy of financial instruments				**Carrying value**				**Fair value**		
as at 31/12/2020 in €k	AC	FV/PL	HFT	FVOCI	AC / Liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial instruments carried at fair value										
Loans and advances to customers		74,678		37,769			**112,447**		62,146	50,301
Trading assets			47,434				**47,434**	505	46,929	
Financial assets - FVPL		560,251					**560,251**	320,553	239,698	
B) Financial assets FVOCI				487,826			**487,826**	246,608	3,919	237.299[1]
Other assets			153,306				**153,306**		153,306	
of which closed out derivatives positions in the banking book			153,306				**153,306**		153,306	
Financial assets not carried at fair value										
Loans and advances to credit					968,908		**968,908**		971,177	
Loans and advances to customers	8,032				17,144,186		**17,152,218**		8,482	17,449,968
Financial assets - AC	1,459,008						**1,459,008**	1,458,314	57,367	
Financial liabilities carried at fair value										
Amounts owed to banks		29,243					**29,243**		29,243	
Amounts owed to customers		414,034					**414,034**		414,034	
Securitised liabilities		891,803					**891,803**		891,803	
Other liabilities			82,730				**82,730**		82,730	
of which closed out derivatives positions in the banking book			39,932				**39,932**		39,932	
Subordinated debt capital		372,365					**372,365**		372,365	
Financial liabilities not carried at fair value										
Amounts owed to banks					5,036,401		**5,036,401**		5,013,317	
Amounts owed to customers					12,673,133		**12,673,133**		12,690,061	
Securitised liabilities					962,202		**962,202**		1,016,510	
Other liabilities										
Subordinated debt capital					113,410		**113,410**		128,845	

[1] This item is made up 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 to measure company valuation.

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 year.

Measurement process

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

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

Measurement methods for determining fair values

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

Input factors for the fair value measurement

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

The Covid-19 pandemic no longer has a material effect on the current valuation of financial instruments.
A possible deterioration of the creditworthiness of customers has an effect on the determination of the fair value for Level 3 financial instruments.

If risk premiums were to increase by 50 bp, the loans and advances to customers measured at fair value would decrease by EUR 0.4 million (31/12/2020: EUR 0.6 million); if risk premiums were to rise by 100 bp, the fair values of these loans and advances to customers would decrease by EUR 0.7 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 any change in the quality of the input parameters used in the valuation method. Classification adjustments are made at the end of the reporting period.

The following table shows the development of equity investments FVOCI measured at fair value and assigned to level 3. The fair value of theses assets is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation.

Movements in €k	**2021**	**2020**
Carrying value as at 01/01	237,299	238,761
Additions (purchases)	511	162
Disposals (sales)	-12,744	-859
Initial recognition due to IFRS 9	0	0
Value changes recognised in equity	16,867	-765
Value changes recognised in income	0	0
Carrying value as at 31/12	**241,933**	**237,299**

The item Other comprehensive income from this type of instrument increased by €k 12,768 (pr.yr.: decreased by €k 15,145).

The determination of the fair values of equity investments measured at FVOCI in Stage 3 is based on the following significant, non-observable input factors:

	Significant, non-observable input factors	Relationship between significant, non-observable input factors and measurement at fair value
Equity investments FVOCI	Discounting rate 4.59% to 8.62% (pr.yr. 4.17% - 8.67%), weighted average 5.08% (pr.yr. 5.00%).	The estimated fair value would increase (drop) if the discounting rate were lower (higher).

As regards the fair values of equity investments at FVOCI, a change that may reasonably be expected in one of the key non-observable input factors – with all other input factors being left unchanged – would have the following effects on other comprehensive income after tax:

	31/12/2021		31/12/2020	
in €k	**Increase**	**Reduction**	**Increase**	**Reduction**
Discounting rate (0.25% change)	-4,794	5,044	-4,753	5,088

A sensitivity analysis for further input factors (e.g. projected values) was not considered indicative.
The remaining level 3 financial instruments valued at fair value comprise loans and advances to customers for which the fair value option was used.

Movements in 2021 in €k	Loans and advances to customers
Carrying value as at 01/01	50,301
Transfer to level 2	0
Additions	0
Disposals (repayments)	-31,172
Changes in fair value	-2,616
of which disposals	-182
of which portfolio instruments	-2,434
Carrying value as at 31/12	**16,513**

There were no transfers between Level 1 and Level 2.

Movements in 2020 in €k	Loans and advances to customers
Carrying value as at 01/01	52,253
Transfer to level 2	0
Additions	3,822
Disposals (repayments)	-4,557
Changes in fair value	-1,217
of which disposals	-219
of which portfolio instruments	-998
Carrying value as at 31/12	**50,301**

There were no transfers between Level 1 and Level 2.

Offsetting of financial assets and financial liabilities (in €k) as required by IAS 32 and IFRS 7

				Amounts not recognised		
	Financial assets, gross	Gross amounts offset	Recognised financial assets Net	Effects of netting arrangements	Financial instruments pledged	Net amount
Assets as at 31/12/2021						
Receivables from other banks	873,561		873,561			873,561
Loans and advances to customers	18,796,932	-369,005	18,427,927			18,427,927
Derivatives	137,331		137,331	-44,603	-52,844	39,884
Total	**19,807,824**	**-369,005**	**19,438,819**	**-44,603**	**-52,844**	**19,341,372**
Liabilities as at 31/12/2021						
Amounts owed to credit institutions	5,893,338		5,893,338			5,893,338
Amounts owed to customers	15,097,594	-369,005	14,728,589			14,728,589
Liabilities from central bank deposits transferred and securities repurchase agreements	2,392,523		2,392,523		-2,392,523	0
Derivatives	69,086		69,086	-44,603	-9,340	15,143
Total	**23,452,541**	**-369,005**	**23,083,536**	**-44,603**	**-2,401,863**	**20,637,070**
Assets as at 31/12/2020						
Receivables from other banks	968,908		968,908			968,908
Loans and advances to customers	17,643,536	-378,871	17,264,665			17,264,665
Derivatives	199,446		199,446	-52,646	-90,226	56,574
Total	**18,811,890**	**-378,871**	**18,433,019**	**-52,646**	**-90,226**	**18,290,147**
Liabilities as at 31/12/2020						
Amounts owed to credit institutions	5,065,644		5,065,644			5,065,644
Amounts owed to customers	13,466,039	-378,871	13,087,168			13,087,168
Liabilities from central bank deposits transferred and securities repurchase agreements	1,593,846		1,593,846		-1,593,846	0
Derivatives	82,127		82,127	-52,646	-11,487	17,994
Total	**20,207,656**	**-378,871**	**19,828,785**	**-52,646**	**-1,605,333**	**18,170,806**

The column "Gross amounts offset" shows amounts for which offsetting is permitted pursuant to IAS 32. The column "Effects of netting arrangement" presents amounts subject to a master netting arrangement. These master netting arrangements with customers are standardised derivatives framework agreements. Furthermore, standardised agreements such as ISDA contracts are entered into with banks. ISDA contracts are master netting arrangements (framework contracts) with the International Swaps and Derivatives Association (ISDA). Oberbank AG employs these netting arrangements to reduce risks from derivatives in the event of a counterparty default. On the basis of these agreements, all transactions involving derivatives are settled net, with assets being offset against liabilities. If the net position is additionally hedged by means of cash collateral given or received (e.g. margin accounts), the hedges are reported in the column "Financial instruments pledged". These hedges are based on CSA agreements (Credit Support Annex) with banks, which define the basic provisions governing the acceptance of collateral. The column "Financial instruments pledged" comprises the total amounts of collateral received or furnished in the form of financial instruments in relation to the total amount of assets and liabilities.

32) Information on related parties

Total remuneration of the Management Board recognised in the consolidated financial statements was €k 2,667.5 (pr.yr.: € 2,466.9). The variable component therein was €k 453.7 (pr. yr. €k 511.0).
Payments to former members of the management board and their surviving dependents amounted to €k 1,260.1 (pr.yr.: € 1,241.0). There were no additional compensation payments for pension entitlements to former members of the Management Board (including surviving dependents). Expenses / income for termination benefits and pensions for members of the management board (including former members of the management board and their surviving dependents) came to €k -1,382.2 (pr.yr.: €k 2,119.4). These amounts include changes recognised in equity (actuarial gains or losses from changes in the parameters used for the actuarial calculation of provisions for termination benefits and pensions). The remuneration guidelines of Oberbank adopted by the Annual General Meeting 2021 with the corresponding majority provide for a balanced relationship between fixed and variable components, with the variable remuneration being limited to 40% of the fixed remuneration component. The fixed basic salaries depend on the specific remits of the Management Board members. Joint and personal performance elements as well as the overall performance of Oberbank are taken into account in the variable component. The key parameters used by the Remuneration Committee for the calculation of the variable components of the management board are as follows:

1 The decision takes into account up to 35% the sustained attainment of the strategic financial objectives based on the defined strategy and multi-year projections of the bank as measured by three earnings ratios: net profit before tax, return on equity before tax, and cost/income ratio in percentage.
2 Sustained compliance with risk allocation in accordance with the overall bank management strategy as measured by three risk indicators: common equity tier 1 capital ratio in percentage, NSFR, and risk/earnings ratio also flow up to 35% into the decision.
3 Sustained attainment of strategic (incl. non-financial) goals, which are generally measured by the rating, ICAAP, sustainability rating, fluctuation ratio, customer and employee satisfaction defined by the Remuneration Committee may raise the result of the calculation of 1 and 2 by a maximum of 20%-points.
4 The outcome is completed for every member of the management board separately due to the development of the specific areas of responsibility assigned to the member in accordance with the distribution of the remits, with the result from 1 to 3 being increased by a maximum of 10%-points.

Should the overall goal attainment reach 100%, the respective member of the management board would be entitled to a variable remuneration component of 30% of the fixed remuneration; however, it is capped at 40% in the event the goal is surpassed. For every percentage shortfall below the goal of 100%, one percentage point less variable remuneration is granted so that if goal attainment is 70% or less, no variable remuneration component is paid.
The assessment of Oberbank as a highly complex institution within the meaning of the circular issued by the Austrian Financial Market Authority (FMA) in December 2012 regarding remuneration policy implies that the variable remuneration component of Management Board members, the amount of which is determined by the Remuneration Committee on the basis of the "Parameters for the assessment of variable remuneration components for Management Board members" in its annual meeting in March, is to be paid 50% in equity instruments and 50% in cash; the respective shares are subject to a holding period of three years and the remuneration portion to be deferred for a period of five years in accordance with the EBA Guidelines on Sound Remuneration Policies must consist of equal parts of shares and cash. Since variable remuneration components are always determined and granted retroactively, the corresponding provisions must be set up in the balance sheet. However, given the very moderate policy course pursued by the Remuneration Committee, these are easy to budget. For the remuneration paid out in 2020 for the year 2019, the amount was €k 465, and for the remuneration paid out in 2021 for the year 2020, the amount was €k 240. The remuneration to be paid out in 2022 for 2021 is €k 467.5 and is recognised in the balance sheet as at 31/12/2021. Variable components, like payments made to staff members, are paid out in May together with the monthly salaries; the amount assignable to the portion to be paid in equity instruments is booked to a blocked securities account in the name of the respective Management Board member and used to pay for the shares to be acquired, which are then subject to a holding period of three years. The provisions created for the portions which are not disbursed in accordance with legal requirements (50% in cash and 50% in equity instruments) remain intact. These provisions amounted to €k 254 in 2020 and to €k 180 for 2021. These amounts are distributed across the subsequent five years to be paid out following approval by the Remuneration Committee.

In terms of accounting treatment, the provisions to be created for the variable remuneration components of the Management Board are additional personnel expenses.

Framework conditions of the 2021 employee stock option plan

- Offer period: 25 May to 15 June 2021
- Number of shares limited to 70,000 ordinary non-par value shares available for purchase and up to 28,000 ordinary non-par value shares allocated free of charge ("bonus shares").
- Subscription price: Exchange price on 16 June 2021; maximum number of shares available for purchase: 85 shares
- Bonus share: one ordinary share was allotted free of charge as a bonus share per four ordinary shares purchased (model 5 + 2).

Within the predefined timeframe, the employees of Oberbank AG were offered shares in the company at preferential conditions (bonus shares). The purchase of shares is subject to restrictions on the amount employees are permitted to invest in purchasing shares. In the reporting year, the number of shares obtained by employees within this offering was 64,085 ordinary non-par value shares for purchase and 25,634 ordinary non-par value ordinary shares free of charge ("bonus shares"). The 25,634 preference shares acquired through the 2021 buyback programme for the purpose of issuing these to the eligible group of persons at no cost entailed expenses in an amount of €k 2,220.

2021 buyback programme

The share buyback programme for ordinary and preference shares was closed on 17 June 2021.
Within the share buyback programme for ordinary shares, Oberbank repurchased a total of 87,832 ordinary non-par value shares between 7 June 2021 and 17 June 2021 on the stock exchange and over the counter which corresponds to around 0.25% of the share capital. The weighted average price per ordinary share amounted to EUR 86.60; the highest price paid per ordinary share was EUR 86.60; the lowest price paid per ordinary share was EUR 86.60. The value of repurchased ordinary shares amounted to EUR 7,606,251.20.
After conversion of the preference shares into ordinary shares from the buyback programme 2020 between 20 March 2020 and 12 June 2020, a further 3,408 ordinary shares were available. The value of the shares repurchased in 2020 was EUR 259,966.
On 18 June 2020, the Management Board of the Company decided to sell or assign the 87,832 Oberbank ordinary shares, and the 3,408 ordinary shares from the buyback programme, which is therefore, specifically 87,719 shares to employees (incl. Management Board) within the scope of the employee stock option plan of 2021 of which 64,085 shares were purchased by employees and 25,634 shares were bonus shares free of charge (model 5 + 2) and 1,521 shares went to the Management Board as the share-based remuneration of the Management Board pursuant to Article 39b Banking Act in compliance with the proposal submitted by the meeting of the Remuneration Committee of the Supervisory Board of Oberbank AG on 16 March 2021.
This decision as well as the sale of own shares are herewith published pursuant to § 65 para 1a Stock Corporation Act in conjunction with § 119 paras 7 and 9 Stock Exchange Act and pursuant to §§ 2, 4 and 5 of the Disclosure Regulation 2018 and are available on the website of Oberbank AG at:
http://www.oberbank.at/OBK_webp/OBK/oberbank_at/Investor_Relations/Oberbank_Aktien/Aktienrueckkaufprogramm/index.jsp

Shares held by employees and the Management Board

As at 31 December 2021, employees (including retirees) and the Management Board held the following shares:

	Ordinary shares
Employees (directly and via the "Stiftung") 1,495,488	
thereof Management Board	29,862
Gasselsberger	15,140
Weißl	9,173
Hagenauer	4,103
Seiter	1,446

In the course of ordinary business activities, business with companies and individuals considered to be related parties was transacted on arm's length terms. Business transactions between related companies included in the scope of consolidation were eliminated in the context of consolidation and are not explained in these Notes.

As at 31 December 2021, business transactions with related parties were as follows:

in €k	Associates	Subsidiaries	Other related parties[1)]
Business transactions			
Loans	0	12,000	518
Guarantees/collateral	236	0	4,894
Outstanding balances			
Receivables	218,181	29,455	48,200
Loans and advances to customers pr. yr.	86,078	17,781	31,763
Securities	0	0	0
Securities pr. year	19,678	0	0
Payables	14,859	40,818	90,054
Payables in pr. yr.	46,035	37,579	90,008
Guarantees/collateral	177,510	0	29,791
Guarantees/collateral in preceding year	178,168	0	25,143
Provisions for doubtful receivables	90	0	0
Provisions for doubtful receivables in preceding year	250	0	0
Income items			
Interest	1,828	0	469
Commissions	240	1	542
Expenses			
Interest	-92	0	-54
Commissions	0	0	0
Allowances for doubtful receivables	0	0	0
Administrative expenses	0	0	0

1) The members of the Management Board and the Supervisory Board of Oberbank AG including their immediate families as well as companies that are controlled, jointly controlled or significantly influenced by these parties.

The following group of persons as members of the management in key positions pursuant to IAS 24 have been defined with respect to Oberbank AG:

- Management Board
- Supervisory Board members (incl. employee representatives)
- Heads of units
- Main party responsible for internal control functions provided they do not head their own department
  - (Regulatory) compliance functions pursuant to § 39 para 6 Banking Act
  - Risk management pursuant to § 39 para 5 Banking Ac
  - Internal Audit pursuant to § 42 Banking Act
  - Money laundering pursuant to § 23 para 3 Financial Market Anti-Money Laundering Act (FM-GwG)
  - Compliance function pursuant to Del RE (EU) 2017/565 and Austrian Securities Supervision Act 2018
  - local functionaries in the foreign markets

33) Segment Reporting

The basis for segment reporting is the Bank's internal segment accounting system, which is represented by the separation implemented in 2003 between Personal Banking and Corporate and Business Banking and in the corresponding management remits. The segments are presented as if they were autonomous enterprises with their own equity and with responsibility for their results. Customer servicing competence was the primary criterion for defining the segments.

The segment information is based on the so-called "management approach", which requires that the segment information be presented on the basis of the internal reporting approach was regularly applied with respect to decisions relating to the allocation of resources to the individual segments and the assessment of their performance.

In the Oberbank Group, the segments 'Personal Banking', 'Corporate and Business Banking' (incl. the results of leasing subgroup), 'Financial Markets' (trading activities; Treasury positions; the bank's market maker positions; term structure income; income from associates; results of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.); 'Other' (items not directly related to business segments; balance sheet items not allocated to the other segments; units that contribute to profit but cannot be allocated to any individual segment).

The equity allocated to the segments has been measured since the financial year 2016 on the basis of the average 10-year Swap rate calculated for the last 120 months and recognised in net interest income as income from equity investments. The distribution of the equity capital allocated is done in line with regulatory capital requirements for the segments.

Segment reporting as at 31/12/2021 Core business segments in €k	**Personal Banking**	**Corporate and Business Banking**	**Financial Markets**	**Other**	**Total**
Net interest income	64,431	275,189	6,437	0	346,057
Income from entities (equity method)	0	0	100,134	0	100,134
Charges for losses on loans and advances	-3,740	-24,446	-7,527	0	-35,713
Net fee and commission expenses	-15,060	-5,817	0	0	-20,877
Fee and commission income	100,138	112,690	0	0	212,828
Net trading income	0	-982	8,746	0	7,764
Administrative expenses	-101,647	-161,039	-9,997	-40,886	-313,568
Other operating income	7,035	-2,066	503	-20,210	-14,737
Extraordinary profit/loss	0	0	0	0	0
Profit for the year before tax	51,158	193,529	98,297	-61,096	281,887
Average risk-weighted assets	2,054,573	10,983,346	5,390,131	0	18,428,050
Average allocated equity	354,040	1,892,631	928,818	0	3,175,489
RoE (return on equity before tax)	14.4%	10.2%	10.6%		8.9%
Cost/income ratio	64.9%	42.5%	8.6%		49.7%
Cash and balances at central banks			4,400,915		4,400,915
Loans and advances to credit institutions			873,561		873,561
Loans and advances to customers	4,017,509	14,410,418			18,427,927
Trading assets			37,380		37,380
Financial investments			3,180,410		3,180,410
Interest in entities (equity method)			*1,000,764*		*1,000,764*
Other assets	87,197	325,628	103,154	103,492	619,470
Segment assets	4,104,706	14,736,046	8,595,420	103,492	27,539,663
Amounts owed to banks			5,893,338		5,893,338
Amounts owed to customers	6,508,346	8,220,243			14,728,589
Securitised liabilities			2,206,647		2,206,647
Trading liabilities			35,539		35,539
Equity and subordinated debt capital	425,255	2,273,328	1,115,647		3,814,229
Other liabilities	42,873	272,081	34,582	511,785	861,322
Segment liabilities	6,976,474	10,765,651	9,285,752	511,785	27,539,663
Depreciation/amortisation	7,952	15,170	262	6,093	29,477

Segment reporting as at 31/12/2020 Core business segments in €k	Personal Banking	Corporate and Business Banking	Financial Markets	Other	Total
Net interest income	62,334	262,543	12,052		336,929
Income from entities (equity method)			-8,015		-8,015
Charges for losses on loans and advances	-184	-35,225	-6,422		-41,830
Net fee and commission expenses	-14,837	-5,349			-20,186
Fee and commission income	96,120	94,740			190,861
Net trading income	0	1,357	95		1,452
Administrative expenses	-90,900	-160,350	-9,179	-34,495	-294,924
Other operating income	3,894	5,368	6,705	-12,753	3,214
Extraordinary profit/loss					
Profit for the year before tax	56,428	163,084	-4,764	-47,247	167,500
Average risk-weighted assets	1,948,627	10,601,989	5,608,445		18,159,061
Average allocated equity	317,174	1,725,662	912,874		2,955,709
RoE (return on equity before tax)	17.8%	9.5%	n.a.		5.7%
Cost/income ratio	61.6%	44.7%	84.7%		58.5%
Cash and balances at central banks			2,105,985		2,105,985
Loans and advances to credit institutions			968,908		968,908
Loans and advances to customers	3,708,067	13,556,597			17,264,665
Trading assets			47,434		47,434
Financial investments			3,404,229		3,404,229
Interest in entities (equity method)			897,145		897,145
Other assets	87,762	295,430	154,587	103,931	641,709
Segment assets	3,795,829	13,852,027	6,681,142	103,931	24,432,929
Amounts owed to banks			5,065,644		5,065,644
Amounts owed to customers	6,140,868	6,946,300			13,087,168
Securitised liabilities			1,854,005		1,854,005
Trading liabilities			42,799		42,799
Equity and subordinated debt capital	378,225	2,057,827	1,088,589		3,524,641
Other liabilities	39,617	271,971	40,674	506,410	858,672
Segment liabilities	6,558,709	9,276,099	8,091,711	506,410	24,432,929
Depreciation/amortisation	7,444	15,340	263	5,874	28,921

34) Non-performing loans see Note 43, "Credit risk"

35) Assets pledged as collateral	2021	2020
Cover pool for trust money in savings deposits	23,152	23,161
Cover pool for covered bank bonds	30,766	30,766
Cover pool for mortgage-backed covered bank bonds	2,606,570	2,138,009
Margin cover and collateral deposits for securities transactions and derivatives	78,319	84,556
Collateral for credit line with Euroclear	0	0
Collateral for EIB global loan facility	93,856	93,454
Securities and receivables for refinancing operations with OeNB	2,392,523	1,593,846
Securities held as collateral for the refinancing programme with the Hungarian National Bank	115,123	59,159
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	1,425,392	1,415,318
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Germany	1,424,743	1,220,611
Accounts receivable assigned to the Hungarian National Bank and to special banks	77,884	58,145
Securities as cover for pension provisions	17,085	35,784
Other assets furnished as collateral to CCP Austria GmbH as the clearing agent for stock market transactions	467	401
Assets pledged as collateral	8,285,880	6,753,210

Collateral was furnished in accordance with standard commercial practices or legal provisions.

36) Subordinated assets in €k	2021	2020
Loans and advances to credit institutions	0	0
Loans and advances to customers	55,479	59,611
Bonds and other fixed-interest securities	5,287	15,440
Other variable-yield securities	15,276	18,085
Subordinated assets	76,042	93,136

37) Foreign currency balances in €k	2021	2020
Assets	3,206,787	2,936,731
Equity and liabilities	2,335,636	2,002,874

We would like to point out the Risk Report under Note 42 et seq.

38) Fiduciary assets in €k	2021	2020
Fiduciary loans	385,693	365,604
Fiduciary investments	0	0
Fiduciary assets	385,693	365,604

39) Genuine repurchase agreements in €k	2021	2020
Carrying value of securities underlying genuine repo agreements	0	0

40) Contingent liabilities and commitments in €k	2021	2020
Other contingent liabilities (guarantees and letters of credit)	1,404,392	1,290,784
Contingent liabilities	1,404,392	1,290,784
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,551,763	4,402,862
Credit risks	4,551,763	4,402,862

41) Group of consolidated companies

The following list presents the group of consolidated companies within the Oberbank Group as at 31 December 2021.

GROUP PARENT

Oberbank AG, Linz

Consolidated entities	Share in %
3-Banken Wohnbaubank AG, Linz	80.00
3-Banken Kfz-Leasing GmbH, Linz	80.00
Donaulände Garagen GmbH, Linz	100.00
Donaulände Holding GmbH, Linz	100.00
Donaulände Invest GmbH, Linz	100.00
Ober Finanz Leasing gAG, Budapest	100.00
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	100.00
Oberbank airplane 2 Leasing GmbH, Linz	100.00
Oberbank Reder Immobilienleasing GmbH, Linz	100.00
Oberbank Bergbahnen Leasing GmbH, Linz100.00	100.00
Oberbank Eugendorf Immobilienleasing GmbH, Linz	100.00
Oberbank FSS Immobilienleasing GmbH, Linz	100.00
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	100.00
Oberbank Leobendorf Immobilienleasing GmbH, Linz	100.00

Oberbank Abwicklung 01 GmbH (formerly Oberbank Idstein Immobilien-Leasing GmbH), Neuötting	100.00
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	95.00
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	100.00
Oberbank KB Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Kfz-Leasing GmbH, Linz	100.00
OBERBANK LEASING GESELLSCHAFT MBH., Linz	100.00
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	general partner
Oberbank Leasing GmbH Bayern, Neuötting	100.00
Oberbank Leasing JAF HOLZ, s.r.o., Prague	95.00
Oberbank Leasing Palamon s.r.o., Prague	100.00
Oberbank Leasing Prievidza s.r.o., Bratislava	100.00
BKS-Leasing s.r.o., Bratislava	100.00
Oberbank Leasing spol. s.r.o., Prague	100.00
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	99.80
Oberbank Operating Mobilienleasing GmbH, Linz	100.00
Oberbank Operating OPR Immobilienleasing GmbH, Linz	100.00
Oberbank Pernau Immobilienleasing GmbH, Linz	100.00
Oberbank Riesenhof Immobilienleasing GmbH, Linz	100.00
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	100.00
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100.00
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	100.00
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	100.00
Oberbank NGL Immobilienleasing GmbH (formerly Oberbank Wien Süd Immobilienleasing GmbH), Linz	100.00
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	100.00
OBK Ahlten Immobilien Leasing GmbH, Neuötting	94.00
OBK München 1 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 2 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 3 Immobilien Leasing GmbH, Neuötting	100.00
POWER TOWER GmbH, Linz	99.00

Proportionately consolidated entities	Share in %
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	50.00

Associated companies accounted for using the equity method	Share in %
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	13.85
BKS Bank AG, Klagenfurt	18.52
voestalpine AG, Linz	8.04

Non-consolidated entities	Share in %

A. SUBSIDIARIES

"AM" Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
Oberbank Service GmbH, Linz (formerly Banken DL Servicegesellschaft m.b.H.)	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	58.69
"LA" Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz	100.00
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	100.00
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	100.00
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz	100.00
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	100.00
Oberbank PE Beteiligungen GmbH, Linz	100.00
Oberbank PE Holding GmbH, Linz	100.00
Oberbank Unternehmensbeteiligung GmbH, Linz	100.00
Samson České Budějovice spol. s r.o., Budweis	100.00
"SG" Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
"SP" Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
"ST" BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	100.00
TZ-Vermögensverwaltungs GmbH, Linz	100.00

B. ASSOCIATES

3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	20.57
3-Banken Beteiligung Gesellschaft m.b.H., Linz	40.00
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	40.00
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	40.00
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	49.00
3 Banken IT GmbH, Linz (formerly DREI-BANKEN-EDV Gesellschaft m.b.H.)	40.00
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	33.11
Gain Capital Private Equity III SCSp	36.97
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	25.85
Herold NZ Verwaltung GmbH, Mödling	24.90
OÖ HightechFonds GmbH, Linz	24.70
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50

Information on subsidiaries

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Consolidation policies. The table below presents a list of the key subsidiaries of the Oberbank Group in 2021 and 2020.

Name	**Country of main activity**	**Equity interest in %**	
		2021	**2020**
Oberbank Leasing GmbH	Austria	100.00	100.00
Oberbank Immobilien-Leasing GmbH	Austria	100.00	100.00
Oberbank Operating Mobilienleasing GmbH	Austria	100.00	100.00
Oberbank Operating OPR Immobilienleasing GmbH	Austria	100.00	100.00
Power Tower GmbH	Austria	99.00	99.00

Oberbank KB Leasing GmbH	Austria	100.00	100.00
Oberbank Leobendorf Immobilien Leasing GmbH	Austria	100.00	100.00
3 Banken Kfz-Leasing GmbH	Austria	80.00	80.00
Oberbank Kfz Leasing GmbH	Österreich	100.00	100.00
Oberbank Leasing GmbH Bayern	Germany	100.00	100.00
Oberbank Leasing spol.s.r.o.	Czech Rep.	100.00	100.00
Ober Finanz Leasing gAG	Hungary	100.00	100.00
Oberbank Leasing s.r.o.	Slovakia	100.00	100.00
Donaulände Invest GmbH	Austria	100.00	100.00

As at 31 December 2021, there were no substantial non-controlling interests in any of the subsidiary companies.

Information regarding associates

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Consolidation policies. The Oberbank Group had three associated companies accounted for by the equity method as at 31 December 2021.

	BKS Bank AG	**Bank für Tirol und Vorarlberg Aktiengesellschaft**	**voestalpine AG**
Nature of relationship	Strategic banking partner	Strategic banking partner	Strategic partner
Type of activity	Credit institution	Credit institution	Steel-based technology and industrial goods company
Headquarters of business activity	Austria	Austria	Austria
Share in capital	18.52% (2020: 18.52%)	13.85% (2020: 13.85%)	8.04% (2020: 8.04%)
Voting share	18.52% (2020: 18.52%)	14.27% (2020: 14.27%)	8.04% (2020: 8.04%)
Fair value of ownership share (if listed)	€k 121,674 (2020: €k 99,407)	€k 148,952 (2020: €k 141,708)	€k 459,494 (2020: €k 420,724)

The following table presents summarised financial information on the associated companies BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft (credit institutions) and the voestalpine Group (Others). The information is based on the respective group financial statements prepared in accordance with IFRS.

	Credit institutions				**Other**	
	BKS		**BTV**		**voestalpine**	
in €k	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenues	257,266	219,397	278,905	302,987	13,199,400	11,285,700
Profit/loss from continuing operations	102,887	64,178	78,415	75,148	793,200	-591,700
Profit/loss after taxes from discontinued operations	0	0	0	0	0	0
Other comprehensive income	14,886	-9,504	9,510	-10,843	116,900	-38,300
Consolidated net profit	117,773	54,674	87,925	64,305	910,100	-630,000
Short-term assets	1,606,152	1,226,404	3,117,000	2,817,999	7,216,900	5,972,400
Long-term assets	8,828,805	8,345,776	10,836,848	10,817,536	8,219,400	8,438,300
Short-term debts	758,665	913,577	2,608,245	2,153,996	5,253,600	3,799,800
Long-term debts	8,233,310	7,332,818	9,474,025	9,695,648	4,105,200	5,340,300

Group's share in the net assets of associated companies at the beginning of the year	235,677	227,582	240,745	222,350	420,724	464,144
Profit/loss attributable to parent	21,764	8,097	13,219	12,529	78,828	-40,549
Dividends received in the reporting year	1,907	2	1,105	26	7,180	2,872
Additions in the reporting year	0	0	0	5,891	0	0
Group's share in the net assets of associated companies at the end of the year	255,534	235,677	252,858	240,745	492,372	420,724

There is a syndicate agreement in place between Oberbank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft and Generali 3 Banken Holding AG regarding the investment held in BKS Bank AG, and there is a syndicate agreement in place between Oberbank AG, BKS Bank AG, Generali 3 Banken Holding AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. regarding the investment held in Bank für Tirol und Vorarlberg Aktiengesellschaft. The purpose of these syndicate agreements is to preserve the independence of BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, respectively. BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft were accounted for in the consolidated financial statements based on these syndicate agreements.

The voestalpine Group was included mainly because of the sustained strategic substance of its shareholder structure and the associated possibility of exerting a material influence. Moreover, as a strategic investor, Oberbank AG also has a representative on the Supervisory Board of voestalpine AG. To permit the timely preparation of annual financial statements, the cut-off date 30 September was applied when recognising associates.
Any effects of significant transactions or other events between the reporting date and the reporting date of the consolidated financial statements were taken into account.
The associates not included in the consolidated financial statements reported the following figures as at the balance sheet date (Austrian Business Code):

in €k	2021	2020
Assets	263,384	276,435
Liabilities	164,717	170,072
Revenues	180,098	166,999
Profit/loss for the period	5,089	8,432

Since these figures were compiled in accordance with the Austrian Business Code, it was impossible to provide a breakdown by result from continuing and discontinued operations as required pursuant to IFRS 12 and other comprehensive income/total income.

Disclosures regarding jointly controlled operations

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Consolidation policies.
The Oberbank Group holds a 50% interest in ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H, a joint arrangement entered into together with its partner banks BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft. The purpose of this company lies in providing a guarantee for large loan exposures of the partner banks. The company has its headquarters in Austria. ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H is classified as a joint arrangement by the Oberbank Group and its partner banks, although it is legally independent of these parties. The reason for this lies in the fact that the guarantee fund created for covering large loan exposures is available exclusively to the partner banks and was endowed from payments made by the latter.

Disclosures regarding non-consolidated structured entities

Nature, purpose and extent of the Group's interest in non-consolidated structured entities

The Oberbank Group engages in various business activities with so-called structured entities which are designed to achieve a defined business purpose.
A structured entity is one that has been set up in such a way that any voting rights or similar rights are not the dominant factor in deciding who controls the entity. A structured company has some or all of the following features or attributes: limited activities, a clearly and precisely defined objective, insufficient equity to permit it to finance its activities without subordinated financial support. Structured entities generally finance the purchase of assets by issuing debt or equity securities. Some are collateralised by and/or indexed to the assets held by the structured entity.

The Oberbank Group's interest in unconsolidated structured entities consist of contractual relationships with attached entitlement to variable proceeds from the performance of the unconsolidated structured entities. These relate to business activities with investment fund units in which the Oberbank Group has invested. They serve the purpose of earning investment income.

The entities covered by this disclosure note are not consolidated because the Oberbank Group does not control them through voting rights, contracts, funding agreements or other means. Material consolidated structured entities identified within the Oberbank Group are generally carried at fair value in the IFRS financial statements as their performance is assessed and monitored in terms of their fair value development on the basis of a documented investment strategy.

Income

The Oberbank Group earns income from such transactions, firstly in the form of dividends and secondly from changes in the value of the securities held. Dividends are reported in the item Other operating income. Changes in value are shown under net income from financial assets FVPL in the item Other operating income.

Maximum exposure to loss

The maximum exposure to loss resulting from these interests corresponds to the carrying value at which the assets are reported on the balance sheet. Collateral deposited is not taken into account as deduction items.

Size

The Oberbank Group has defined the fair value of managed assets as the appropriate indicator for evaluating the size of non-consolidated structured entities. The decision to use the fair value was taken, because the performance of these investments is assessed and monitored by their fair value development on the basis of a documented investment strategy.

Finance support

During the financial year, the Oberbank Group provided no support to non-consolidated structured entities other than as required under contractual obligations. No such support is planned for the future either. The table below shows the carrying value of the interests held by the Group and the respective maximum exposure to loss resulting from these interests. It also provides an indication of the size of structured entities.

in €k	2021	2020
Financial assets		
Financial assets - FVPL	22,374	25,645
Consolidated net profit		
Other operating income	-1,149	4,010
Net income from financial assets - FVPL	-1,145	1,572
Other operating income	-4	2,438
Maximum exposure to loss	**22,374**	**25,645**

42) Risk management

Risk strategy

Consciously taking on risks is a key feature of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group over the long term.

The responsibility for defining the Group's central risk management strategy, risk management and risk controlling throughout the Oberbank Group lies with Oberbank AG.
The basis for the risk strategy of Oberbank is the Bank's positioning as a regional bank.

The Management Board and all of the bank's employees consistently act in accordance with the principles laid down in the bank's risk policy, and decisions are invariably made on the basis of these guidelines. Before new business lines are taken up or new products introduced, business-specific risks are always adequately analysed.

Organisation of risk management

Risk management encompasses all activities involved in systematically addressing potential risks within the Group.
At Oberbank, risk management is an integral element of the bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for the Bank's risk management lies with the Management Board of Oberbank AG as a whole.

The risk targets for the respective financial year are derived from the Bank's risk strategy, and the available risk coverage capital is distributed across the individual risks by assigning commensurate limits within the framework of the annual planning and budget cycle. These limits create the basis for ongoing strict compliance control throughout the respective year. Responsibility for managing the planning cycle lies with the Controlling department in cooperation with the full Management Board.

Efficient risk management within Oberbank is based on a differentiated management system that actively addresses the individual risk components. The Strategic Risk Management unit of the Bank is responsible for integrating the individual risk types into the overall bank risk as the management basis for the Asset/Liability Management (ALM) Committee. The Management Board member responsible for risk management is the head of this Committee and has a veto right in risk-relevant decision-making processes. The ALM Committee is responsible for allocating the available capital, taking into account the individual opportunity/risk profiles of the bank's lines of business.

The central and independent risk controlling function stipulated by the Banking Act (§ 39 (5)) is the responsibility of the Strategic Risk Management department. This department has a complete overview of the existing risk types and their magnitude as well as of the risk situation of the Bank; it measures, analyses and monitors and reports on all material risks of Oberbank. The reporting line is to the Supervisory Board, the Management Board, the ALM Committee as well as to the relevant department heads and employees. The department is also involved in the development of the risk strategy.

The responsibility for the risk management of all subsidiaries as well as the bank's operating units in Austria and abroad rests centrally with Oberbank AG in the departments and bodies in charge of the individual risk components.

Risk report to the Supervisory Board

A report describing the risk strategy and the risk measurement methods used by the bank are reported annually, while the current risk situation, and the existing control and surveillance systems are presented to the Supervisory Board at every meeting.

Internal Control System

Oberbank's Internal Control System (ICS) complies with the internationally recognised COSO Framework. A detailed description of ICS processes and procedures is available; all risk-relevant processes of the bank and the pertinent control measures are uniformly documented. Responsibilities and functions with respect to the ICS are clearly specified. The ICS is subject to regular, multi-level reporting on effectiveness and maturity. Control activities are documented and reviewed, and ICS-relevant risks are regularly evaluated and adjusted. This ongoing optimisation process contributes to quality assurance. The Internal Audit department of Oberbank AG serves as an independent monitoring body and in this capacity performs audits of the internal control system. It examines the effectiveness and adequacy of the ICS and reviews compliance with work instructions.

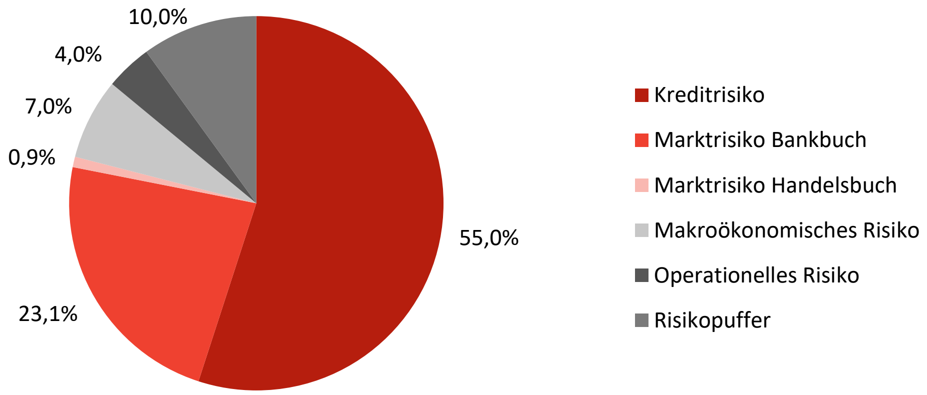
Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

Oberbank has chosen the Internet as the publicly accessible medium for disclosures required pursuant to CRR Part 8. Disclosures are available at the Oberbank website www.oberbank.at (under "Investor Relations").

Overall risk management process

At Oberbank AG, compliance with the regulatory requirements for qualitative risk management arising from the Internal Capital Adequacy Assessment Process (ICAAP) and the ILAAP (Internal Liquidity Adequacy Assessment Process) is complied with by calculating the risk-bearing capacity and by means of a reporting system and limits for liquidity management. The basis for assessing the Bank's risk-bearing capacity is the quantification of the material banking risks and the economic capital allocated to each of them. Within the framework of the risk-bearing capacity calculation, ICAAP risk limits for material banking risks resulting from the business model of Oberbank are derived on the basis of the economic coverage capital. Within the framework of this process, risk limits are derived for all material banking risks, specifically the credit risk (within which loss exposure, the counterparty default risk, the foreign currency loan risk, the risk of credit valuation adjustments (CVA risk), transfer risk and credit risk concentrations are quantified), the market risk in the trading book, the market risk in the banking book, the liquidity risk, the operational risks as well as risks arising from the macroeconomic environment. In the risk-bearing capacity calculation, the risk appetite of Oberbank is limited to 90% of economic coverage capital. The remainder of 10% is not allocated. Apart from using economic capital management as a tool for limiting risk, Oberbank controls material risks by means of processes and individual limits applied within the context of operational risk management.

Share of assigned risk limits in total available economic capital



On 31 December 2021, limit utilisation stood at 52.0% (31/12/2020: 55.6%). The limit in credit risk was utilised to 63.4% (31/12/2020: 63.9%), in market risk - banking book to 26.7% (31/12/2020: 37.8%), in market risk - trading book to 16.0% (31/12/2020: 21.2%), in macroeconomic risks to 44.3% (31/12/2020: 49.0%) and in operational risk to 62.9% (31/12/2020: 65.1%).

Effects of stress scenarios

Oberbank complements the risk-bearing capacity calculation by performing crisis stress tests on a quarterly basis. In these tests, Oberbank takes into account the effects of a deterioration of the macroeconomic environment (slowing GDP growth, increase in unemployment rate and business failures, price drops on stock markets, declines on the real estate markets and higher interest rates, etc.). This is simulated, for example, by higher default probabilities for loans, declines in stock prices and declines in the value of real estate.

The overall bank limit was not exceeded in any of the scenarios as at 31 December 2021. In the scenario with the highest quantitative effects, total limit utilisation was 63.40% (31/12/2020: 67.7%).

Responsibility for the Group's risk management by risk category

Credit risk

Credit risk management is the responsibility of the Credit Management department. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process up to the management board level.

Equity risk

The Management Board of Oberbank AG as a whole is accountable for investment decisions as well for as the proper organisation and monitoring of the bank's management of equity investments. Operational equity investment management is the responsibility of the Secretariat and Communications department. Equity investments representing direct credit substitutes are subject to the rules of the credit process.

Market risk

Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them. Treasury & Trade is responsible for the foreign currency risk of the entire Oberbank Group, the market risk in the trading book and the interest rate risk within the scope of money market trading. The market risk in the banking book is the responsibility of the ALM Committee.

Operational risk

A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision and adjustment of the applied methodology. The management of operational risks is performed by the respective operating departments and the regional sales units (risk-taking units) responsible for operational risk in connection with products and processes within their respective spheres of responsibility.

Liquidity risk

The long-term, strategic liquidity is managed by the Management Board and the ALM Committee. Short-term liquidity control is the responsibility of Treasury & Trade.

Risk concentration

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

- Inter-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures across different risk categories.

  The sensitivity of Oberbank to inter-risk concentrations is tested on a quarterly basis within the framework of the calculation of the risk-bearing capacity.

- Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category. Concentrations may occur in all types of risks. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories.
- Owing to the specific business model of Oberbank, the intra-risk concentration risk is a crucial factor especially in credit risk. It arises due to the fact that individual exposures may account for a high percentage of total exposure, or exposures exhibit an above-average degree of correlation (concentrations within exposure groups, business segments, sectors, countries, customer groups, etc.). The intra-concentration risk in credit risk is taken into account within the framework of the risk-bearing capacity calculation. Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

The individual country limits are determined on the basis of the country rating and the economic strength of the respective country as well as Oberbank's expert opinion based on information accumulated in the context of customer transactions with the respective country. Operative business limits are broken down into individual product categories. Compliance with the individual limits is automatically monitored by means of a limit system.
Portfolio limits are also in place in the area of foreign currency financing.
The share of the bank's ten largest borrowers (groups of related customers) in loans and receivables as well as fixed-interest bearing securities was 25% (pr.yr.: 15.49%). Around 88% of the 25% are attributed to receivables from the public sector in the home market of Oberbank. The steep increase results from the investment of surplus liquidity at central banks in Austria and Germany.
Concentration broken down by sovereign and sector reflects the risk and business strategy as a regional universal bank and is presented in the tables in Note 43) as well as further quantitative information on concentration risk. The volume of the total large-loan exposures was far below the regulatory cap in the reporting period.

43) Credit risk

Credit risk is understood to mean the risk of a borrower's full or partial failure to fulfil the contractually-agreed payment obligations. Credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group. Risk management in credit management comprises counterparty risk, country risk, foreign currency risk, the risk of credit valuation adjustment (CVA) as well as concentration risk. Oberbank has no business in the field of securitisation in its portfolio.

Credit risk strategy

The Bank's credit risk strategy is based on the regionality principle (i.e. domicile of lending customers are in the regions covered by the branch network).

The principal focus is on lending to industry and medium-sized enterprises. Operational risk targets are defined jointly every year by the Management Board together with the head of the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments. The volume of foreign currency loans is limited to 5% of the total volume of loans to customers and to 7% of the volume of personal loans. In June 2017, foreign currency loans to consumers became subject to compliance with the strict FMA minimum standards. The organisational structure is in conformity with the minimum standards for credit operations.

Lending decision process

Areas of responsibility in the lending decision process are clearly defined and standardised work processes are in place to avoid redundancies, which creates a sound foundation for loan applications to be processed swiftly and smoothly. The lending decision process encompasses all workflows up to the granting of a loan and the establishment of a credit line. These processes are based on standardised procedures in compliance with the bank's risk strategy.

Internal rating and assessment of creditworthiness

An efficient system for the assessment of a customer's creditworthiness is a central prerequisite for effective credit risk management with the aim of fair and risk-adequate pricing in the lending business of a bank. In fact, Oberbank considers its credit rating process as one of the bank's core competencies. In the corporate and business banking segment, these assessments are performed using credit rating processes developed using statistical methods. The same is true for the rating of existing business in the personal banking segment as well as for application ratings in the personal banking business in Austria and Germany.

The credit assessment procedures applied in corporate and business banking (rating procedures) and in personal banking (scoring process) differ in terms of their approach. The rating-based approach determines a hard-facts rating (based on balance sheet data) and a soft-facts rating (qualitative information such as on products, markets, etc.). It additionally takes into account warning signals and account data to arrive at the final rating. The scoring procedure for new retail customers is an application scoring (negative information, income and structural data) and for existing customers, an automated follow-up scoring (account behaviour, income and structural data). All rating and scoring procedures serve to establish the estimated probability of default per customer. This default probability is mapped out on a master scale. The estimated probability of default is mapped into a default risk grid, which ensures that a rating grade established by means of different rating procedures reflects a uniform probability of default. Credit ratings of credit institutions and sovereigns and the respective limits are assigned on the basis of external ratings and/or balance sheet analyses combined with qualitative criteria.

The rating procedures are validated annually. The resultant findings are used as a basis for the ongoing further development and optimisation of the rating system. The rating process is carried out during the preparation for the granting of loans at least once annually. The authority to approve the ratings lies with the Credit Management department. There is a logical correlations between the risk rating assigned to a customer in an IT-supported process and the terms and conditions granted to the respective customer (risk-based pricing terms).

Risk management and controlling

The operational management of the credit portfolio is based primarily on the calculation of shortfalls per rating grade. For rating grades of 4a and lower, shortfalls are planned at the level of the individual customers within the framework of the annual budget cycle and the deviation from target values is calculated monthly for each branch. Ongoing controlling is done through the new IT risk cockpit “ROSI” (risk-oriented steering instruments) which makes quantitative and qualitative information available on an ongoing basis regarding lending operations to the units involved. Risk provisioning needs are calculated on a monthly basis and the earnings preview is updated accordingly. Proximity to customers is a key priority at Oberbank. The results of regular personal talks with customers are reflected in the soft facts taken into account in the rating process. The frequency of these talks is higher in crisis years. This enables the Bank to adjust customers' credit ratings to their actual business situations very quickly. In the autumn of 2020, a broad-based campaign including check-up interviews was conducted due to the coronavirus crisis. Random checks were made of all customers that belong to sectors assessed as high risk due to the coronavirus crisis, all customers that requested payment deferrals, and customers with medium to poor credit ratings as of a certain risk materiality threshold. Two further campaigns were conducted in 2021 for customers with heightened risk potential.

Presentation of the portfolio

Credit risk exposure is made up of the item Loans and advances to central banks included in the line item cash and balances at central banks and of the items Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities of financial investments, credit risk exposure from derivatives and contingent liabilities, including non-utilised credit lines as well as receivables from operating leasing of the entire Oberbank Group, and is shown gross, i.e. before charges for losses on loans and advances. The items of the leasing subgroup as at 31 December 2021 are presented in order to obtain a current view of the risk situation.

in €k	Exposure volume as at 31/12/2021	Exposure volume as at 31/12/2020
Loans and receivables	23,574,646	20,251,777
Fixed-income securities	1,654,997	2,003,002
Credit risks from derivatives and contingent liabilities	6,074,169	5,966,361
Total exposure	**31,303,812**	**28,221,140**

The steep increase in credit risk exposure compared to the preceding year is attributable up to EUR 2.3 billion to the rise in deposits with central banks. This is a consequence of the increased use of the TLTRO programme of the ECB and the robust growth of customer deposits. The remainder is attributed to normal credit growth in connection with an increase of the unused credit line.

Distribution by credit rating

The rating category "very strong" includes the rating grades AA, A1, A2, 1a and 1b, the rating category "strong" the rating grades 2a, 2b, 3a and 3b and the category "weak" the rating grades 4a and 4b. The category "non-performing" comprises exposures to which a default definition within the meaning of Basel III applies. The rating grade 5a refers to exposures not yet transferred to the workout process. Exposures in the rating grades 5b and 5c are already in the process of liquidation. Owing to excess cover by stable-value collateral, non-performing credit risk exposure includes EUR 40.9 million (pr.yr.: EUR 52.9 million) in non-impaired receivables.

Rating grades in €k as at 31/12/2021	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Very strong	11,692,500	1,584,251	3,197,267	16,474,018
Strong	10,900,852	70,446	2,750,412	13,721,709
Weak	597,510	300	94,031	691,841
Non-performing	383,784		32,460	416,244
Total exposure	**23,574,646**	**1,654,997**	**6,074,169**	**31,303,812**

Rating grades in €k as at 31/12/2020	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Very strong	9,073,764	1,943,709	2,980,027	13,997,501
Strong	10,236,125	59,293	2,819,868	13,115,286
Weak	551,834		130,213	682,047
Non-performing	390,053		36,253	426,306
Total exposure	**20,251,777**	**2,003,002**	**5,966,361**	**28,221,140**

Distribution by region

The credit risk volume in geographical terms is presented on a country-of-debtor basis. The following table shows the credit risk exposure of the Oberbank Group as at 31 December 2021 and 31 December 2020 broken down by Oberbank's markets and other regions.

Geographic distribution in €k as at 31/12/2021	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Austria	13,171,484	462,960	4,406,878	18,041,321
Germany	6,076,226	92,258	1,124,048	7,292,531
Eastern Europe (CZ, SK, HU)	3,966,726	375,727	446,461	4,788,915
Western Europe (ex DE)	175,216	134,198	41,635	351,050
PIGS countries	27,550	49,266	4,857	81,673
Other countries	157,444	540,588	50,290	748,323
Total exposure	**23,574,646**	**1,654,997**	**6,074,169**	**31,303,812**

Geographic distribution in €k as at 31/12/2020	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Austria	11,835,485	650,915	4,266,307	16,752,706
Germany	4,317,657	95,619	1,216,728	5,630,004
Eastern Europe (CZ, SK, HU)	3,676,814	445,535	391,787	4,514,136
Western Europe (ex DE)	242,519	294,036	28,626	565,182
PIGS countries	26,246	40,526	1,610	68,382
Other countries	153,056	476,371	61,302	690,729
Total exposure	**20,251,777**	**2,003,002**	**5,966,361**	**28,221,140**

The table below shows the PIGS countries in detail:

Geographic distribution in €k as at 31/12/2021	Loans and receivables to credit institutions and customers	Loans and receivables to sovereigns	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Portugal	9	-	0	12	21
Italy	16,644	-	24,244	2,055	42,942
Greece	637	-	0	13	650
Spain	10,261	-	25,022	2,777	38,059
Total exposure	**27,550**	**-**	**49,266**	**4,857**	**81,673**

Geographic distribution in €k as at 31/12/2020	Loans and receivables to credit institutions and customers	Loans and receivables to sovereigns	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Portugal	0	-	0	8	8
Italy	16,396	-	15,312	1,350	33,058
Greece	110	-	0	13	123
Spain	9,740	-	25,214	239	35,193
Total exposure	**26,246**	**-**	**40,526**	**1,610**	**68,382**

Breakdown by sector

The following tables show the credit risk exposure as at 31 December 2021 and as at 31 December 2020 broken down by sector.

Sector in €k as at 31/12/2021	Loans and receivables	fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	471,645	479,660	177,258	1,128,563
Public sector	5,285,659	1,099,431	111,418	6,496,507
Raw materials processing	688,758		400,180	1,088,938
Metals processing	1,000,724		634,361	1,635,085
Manufacture of goods	958,637		696,938	1,655,575
Trade	1,307,947		975,763	2,283,710
Services	2,698,777	30,300	656,531	3,385,608
Construction	866,735		469,122	1,335,856
Real estate	2,839,395	9,479	462,492	3,311,366
Transportation	822,244	9,993	97,296	929,532
Utilities	141,439	1,650	21,091	164,180
Agriculture and forestry incl. mining	147,730		23,398	171,128
Holding and investment companies	1,953,426	11,757	589,228	2,554,411
Individuals and self-employed	4,173,642		710,378	4,884,019
Other	217,891	12,728	48,716	279,334

Total exposure	**23,574,646**	**1,654,997**	**6,074,169**	**31,303,812**

Sector in €k as at 31/12/2020	Loans and receivables	fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	469,903	748,210	347,298	1,565,411
Public sector	3,225,618	1,153,787	84,778	4,464,183
Raw materials processing	625,961		398,963	1,024,924
Metals processing	967,772	10,083	588,389	1,566,243
Manufacture of goods	902,070	3,543	523,512	1,429,125
Trade	1,252,315		1,016,449	2,268,764
Services	2,522,764	10,299	692,949	3,226,013
Construction	801,948	4,004	506,484	1,312,435
Real estate	2,240,537	9,671	445,890	2,696,097
Transportation	794,550	20,286	113,705	928,541
Utilities	124,798	3,600	30,141	158,539
Agriculture and forestry incl. mining	133,349		19,783	153,132
Holding and investment companies	1,872,388	39,519	448,474	2,360,382
Individuals and self-employed	3,892,494		692,523	4,585,017
Other	425,310		57,022	482,332
Total exposure	**20,251,777**	**2,003,002**	**5,966,361**	**28,221,140**

Collateral

Strategies and processes applied in measuring and managing collateral securities

Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the threat of cover shortfalls poses high demands with respect to the correct and up-to-date valuation of collateral. For this reason, the administration of credit collateral is organisationally separated from sales throughout the Oberbank Group and is done with Group Collateral Service and capitalization of the subsidiary Oberbank Service GmbH.

Responsibility for drawing up standardised collateral agreements and documentation generally used throughout the Group lies with the central specialist department for legal matters (Credit Management/Financing Law). The management and administration of credit collateral has a material and a formal aspect. All related activities are precisely defined, taking into account the specific requirements of the individual collateral categories. The applicable management principles have been defined so as to guarantee legally sound assignment of credit collateral and to ensure that, if necessary, all requirements for the rapid enforcement of claims are met.

As regards the acceptance of mortgage collateral for mortgage-backed loans, Oberbank, in accordance with the regionality principle, accepts primarily collateral located in the bank's catchment area. Physical collateral is accepted subject to the rule that the term of the loan must correspond to the useful life of the collateral. Important valuation criteria are the intrinsic value of collateral assets and the possibility of rapid realization. With respect to personal guarantees, no material correlations between the guarantor and the lender are permitted. Lease finance arrangements are subject to the rule that any agreed residual value must be lower than or at most equal to the market value expected upon expiry of the lease agreement.

The method of assessing the objective current nominal value of collateral is bindingly prescribed for each type of collateral. The resulting value is recognised as a basis for calculating the coverage value of the collateral for internal risk management purposes and for credit risk mitigation within the framework of Basel III.

The internal coverage values are maximum values used for determining the cover shortfall. In duly substantiated cases, the valuation of a collateral asset may be adjusted downward by the respective competent entity. An upward adjustment of a valuation is only possible in well-founded exceptional cases and is done by the back office.

The currently applicable valuation principles are derived from estimates based on debt collection and the bank's experience in the realisation of collateral. The measurement methods are reviewed annually within the scope of the LGD validation and adjusted as necessary. The valuation discount applied in the valuation process accounts for the valuation risk and the liquidation risk involved in the respective collateral asset as well as the interest effect resulting from the realisation period required for the respective collateral security.

The market value of financial assets is constantly monitored to ensure it is up to date; collateral in the form of mortgage collateral is valued and assessed by experts in compliance with the minimum standards defined by the comprehensive collateral valuation principles laid down in the CRR.

As a rule, internally-used collateral assets are subject to the same strict quality requirements in terms of up-to-date status and legal enforceability as in the case of collateral accepted under CRR II when determining the own funds requirements for the credit transactions.

Property pledged as collateral generally plays a subordinated role. Reported financial assets as at 31 December 2021 does not include any amount (as in the preceding year) which results from the acquisition of real property pledged as collateral. Oberbank only acquires property pledged as collateral when the immediate realisation of such assets at a reasonable price (e.g. in an auction or on the open market) is prevented by certain sales obstacles (e.g. at an auction or in a free sale). In such a case, the declared goal is to remove any such sales obstacle and then duly sell the respective property as quickly as possible. Property pledged as collateral is not used in the context of ongoing business operations. In the reporting period, no collateral assets were liquidated that meet the recognition criteria of IFRS.

Types of collateral

The most important types of collateral are mortgages on residential real estate and commercial property, financial collateral (cash deposits, bonds and shares) as well as personal pledges (sureties, guarantees). The exposure type "Loans and receivables" accounts for the major portion of collateral assets (excluding personal collateral) at 92.56% (pr.yr.: 91.06%); the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" with 7.44% (pr.yr.: 8.94%). The figures in the tables below show the reported value of eligible collateral used within the framework of ICAAP quantification of credit risks.

in €k	**Collateralised exposure**	
Collateral category	**31/12/2021**	**31/12/2020**
Financial collateral	**1,218,253**	**1,273,312**
Cash deposits	*1,100,042*	1,141,469
Bonds	*29,711*	42,234
Shares and other variable-yield securities	*88,500*	89,610
Real estate collateral	**6,846,874**	**6,432,419**
Residential real estate	3,508,448	3,200,548
Commercial property	3,338,426	3,231,871
Physical collateral	**863,869**	**771,130**

Personal guarantees accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 83.51% (pr.yr: 87.60%) of the entire volume of personal guarantees, are listed below.

in €k as at 31/12/2021	External rating	Collateralised exposure	in %
Personal collateral		**1,163,434**	**100.00%**
thereof Austria	AA+	601,919	51.7%
thereof Kreditanstalt für Wiederaufbau	AAA	161,708	13.9%
thereof COVID-19 Finanzierungsagentur		82,950	7.1%
thereof Czech Republic	AA-	43,683	3.8%
thereof LfA Förderbank Bayern	AAA	41,323	3.6%
thereof province of Upper Austria	AA+	40,056	3.4%

in €k as at 31/12/2020	External rating	Collateralised exposure	in %
Personal collateral		**1,095,610**	**100%**
thereof Austria	AA+	693,915	63.3%
thereof Kreditanstalt für Wiederaufbau	AAA	86,529	7.9%
thereof COVID-19 Finanzierungsagentur		64,950	5.9%
thereof City of Graz	AA	50,000	4.6%
thereof province of Upper Austria	AA+	42,305	3.9%
thereof Slovakia	A+	22,022	2.0%

Impairment charges and non-performing loans

Allocation of impairment charges (impairment losses and provisions)

Impairment allowances are created throughout the Group in the amount of the expected loss whenever there are grounds for believing that customers are unlikely to repay their credit obligations in full.

For non-performing loans, impairment allowances are created pursuant to IFRS 9 5.5 using the discounted cash flow method in the amount of the expected loss in relation to remaining time to maturity (lifetime-expected credit loss, ECL). For all non-performing loans of minor significance, an impairment allowance is created for the shortfall using a special procedure. The impairment allowance covers 100% of the shortfall for loans already terminated.

For the remaining amount, from 20% to 100% of the shortfall is applied as specific impairment allowance depending on the default reason and the default status. Non-performing loans are assigned to ECL stage 3. For performing loans, an impairment allowance for 'expected credit losses' (ECL) pursuant to IFRS 9 5.5 is calculated using a dual approach. This means an impairment either in the amount of the 12-month expected credit loss or of the lifetime expected credit loss. Non-performing loans are assigned to ECL stage 1 or 2. For more details on impairment allowances pursuant to IFRS 9 5.5 and the categorisation in the ECL stages, see Note 2.7. The portion of the impairment allowance allocated to on-balance transactions is reported as a deduction on the assets side of the balance sheet. The risk provisions associated with off-balance-sheet transactions (in particular, guarantees and other loan commitments) are reported in the line item Provisions for liabilities and charges. The amounts of the impairment charges for each of the balance sheet items is given in the table below "Development of impairment charges". In cases in which an event occurs that prevents recovery of an exposure in full or in part from the respective customer and a specific impairment provision does not exist or is not available in a sufficient amount, the non-recoverable balance is booked directly through profit or loss (direct write-off).

Such events may include:

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

Development of impairment charges

The balance of impairment charges for loans and advances decreased by EUR 6.1 million to EUR 35.7 million versus the year 2020.

Movements in loan loss provisions (income statement view)

in €k	31/12/2021	31/12/2020
Additions to charges for losses on loans and advances	101,325	99,098
Reversals of loan loss provisions	-66,241	-57,756
Direct write-offs of receivables	1,437	1,628
Recoveries of written-off receivables	-2,422	-2,680
Result from non-significant modifications	-70	-7
Impairment gain from POCI	1,684	1,547
Total	**35,713**	**41,830**

Development of impairment charges (balance sheet view)

in €k	As at 01/01/2021	Additions	Reversals	Used	Other effects[2)]	As at 31/12/2021
for cash reserves stage 1 + 2	324	316	0	0	0	640
for receivables from banks stage 1 + 2	123	20	-34	0	0	109
for receivables from banks stage 3	0	0	0	0	0	0
for receivables from customers Stage 1 + 2	48,526	9,109	0	0	3	57,638
for receivables from customers Stage 3	165,741	59,844	-41,895	-24,191	-3,285	156,214
for financial investments stage 1 + 2	753	266	0	0	-117	902
for property, plant and equipment stage 1 +2	0	207	0	0	0	207
Impairment charges on loans and advances [1)]	**215,467**	**69,762**	**-41,929**	**-24,191**	**-3,399**	**215,710**
for off-balance sheet transactions stage 1 + 2	20,434	965	-113	0	0	21,286
for off-balance sheet transactions stage 3	96,725	30,598	-24,199	0	10,840	113,964
Total risk provisions	**332,626**	**101,325**	**-66,241**	**-24,191**	**7,441**	**350,960**

1) Risk provisions for off-balance sheet transactions are recognised in the item provisions (balance sheet shareholders' equity and liabilities 4).

2) Thereof from consolidation + € 10,782/m, from risk provisions for securities measured at FVOCI - 114/m, from transfers POCI + € 4,697/m, from exchange rate changes + € 1,470/m

Change to risk provisions pursuant to IFRS 9 in the reporting year

The tables below show the impairments of gross carrying values as well as risk provisions in the reporting year 2021 for balance sheet assets under the impairment rules of IFRS 9.

Financial assets recognised at amortised cost:

Gross carrying values of assets at AC in €k	Stage 1	Stage 2	Stage 3		
	12-M ECL	LT-ECL		POCI	Total
As at 31/12/2020	**16,107,984**	**5,156,207**	**377,949**	**1,251**	**21,643,391**
Transfer to Stage 1	345,296	-335,464	-9,832		
Transfer to Stage 2	-309,801	322,094	-12,294		
Transfer to Stage 3	-48,818	-55,014	103,833		
Modifications based on newly granted or acquired assets incl. POCI reclassification	3,804,526	1,394,158		39,871	42,896
Modifications due to model changes	-273,013	273,013			
Modifications due to changes in default risk	1,882,000	-358,105	-198,693	-792	6,520,069
Changes due to modifications without derecognition	-677	-1,734			-2,412
Modifications due to derecognition	-2,789,628	-736,198			-3,525,826
Modifications due to depreciation/amortisation					
Modifications due to exchange rate changes and other adjustments	686	83			770
As at 31/12/2021	**18,705,230**	**5,590,657**	**342,671**	**40,330**	**24,678,888**

Impairments of financial assets at AC in €k	Stage 1	Stage 2	Stage 3	
	12-M ECL	LT-ECL		Total
As at 31/12/2020	**15,251**	**34,313**	**165,742**	**215,305**
Transfer to Stage 1	652	-2,430	-2,128	-3,907
Transfer to Stage 2	-3,003	5,056	-4,909	-2,856
Transfer to Stage 3	-364	-1,559	40,648	38,725
Modifications due to newly derecognized or acquired assets incl. POCI reclassification	6,202	10,731		16,933
Modifications due to model changes	-586	4,002		3,416
Modifications due to changes in default risk	2,467	-5,666	-15,663	-18,862
Changes due to modifications without derecognition	-6	-12		-17
Modifications due to derecognition	-2,414	-3,192		-5,606
Modifications due to depreciation/amortisation			-24,191	-24,191
Modifications due to exchange rate changes and other adjustments	4	1	-3,285	-3,280
As at 31/12/2021	**18,203**	**41,246**	**156,213**	**215,662**

Financial assets recognised in equity at fair value:

Gross carrying values of assets at FVOCI in €k	Stage 1	Stage 2	Stage 3		
	12-M ECL	LT-ECL		POCI	Total
As at 31/12/2020	**173,063**	**23,508**			**196,571**
Transfer to Stage 1					
Transfer to Stage 2					
Transfer to Stage 3					
Modifications due to newly derecognized or acquired assets incl. POCI reclassification	13,656				13,656
Modifications due to model changes					
Modifications due to changes in default risk	8,745				8,745
Changes due to modifications without derecognition					

Modifications due to derecognition	-118,553	-23,508		-142,061
Modifications due to depreciation/amortisation				
Exchange rate changes and other adjustments				
As at 31/12/2021	**76,911**			**76,911**

	Stage 1	Stage 2	Stage 3	
Impairments of financial assets at FVOCI in €k	**12-M ECL**	**LT-ECL**		**Total**
As at 31/12/2020	**82**	**80**		**162**
Transfer to Stage 1				
Transfer to Stage 2				
Transfer to Stage 3				
Modifications due to newly derecognized or acquired assets incl. POCI reclassification	23			23
Modifications due to model changes				
Modifications due to changes in default risk	-15			-15
Changes due to modifications without derecognition				
Modifications due to derecognition	-43	-80		-123
Modifications due to depreciation/amortisation				
Modifications due to exchange rate changes and other adjustments				
As at 31/12/2021	**48**	**0**		**48**

The Oberbank Group's maximum default risk arises from the receivables recognised in the balance sheet item Cash and balances at central banks and Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities held as financial investments as well as credit risks from derivatives and contingent liabilities including non-utilised credit lines and from operating leasing receivables and amounts to EUR 31,304 million (pr.yr.: EUR 28,221 million). This value contrasts with a total of EUR 12,135.9 million (pr. yr. EUR 11,294.9 million) of which EUR 218.0 million (pr. yr. EUR 176.3 million) for impaired and non-performing loans and advances. Interest and similar income includes an amount of EUR 11.9 (pr.yr.: EUR 11.5 million) from impaired loans and advances to customers.
The maximum default risk from receivables measured at fair value corresponds to their fair value.

The impairment criteria for debt securities carried under financial assets are presented in Note 2.5 “Impairment losses on debt securities”.

Non-performing loans

Assets are classified as non-performing if a default definition within the meaning of CRR II applies: A material financial obligation is more than 90 days overdue or full repayment is improbable. The following criteria are indications that a claim is unlikely to be settled in the full amount:

1. Waiving current interest
2. New credit risk adjustment in Stage 3 due to the marked deterioration of the debtor’s credit quality
3. The credit exposure requires restructuring
4. Initiation of collection procedures because of inability or unwillingness to pay, fraud, or for other reasons
5. Factoring with material losses due to deteriorated credit rating
6. Insolvency

These receivables are recognised in the category of non-performing loans and form part of the balance sheet items below.
The development of the key indicator "non-performing loans ratio" is shown in the table below.

In €k	NPL before deduction of impairment charges		NPL after deduction of impairment charges	
Balance sheet item	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	381,882	378,891	227,368	213,531

	before deduction of impairment charges		after deduction of impairment charges	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Non-performing loans ratio gross	1.96%	2.05%	-	-
Non-performing loans ratio net	-	-	1.18%	1.17%

[1)] The figures given are carrying values.

The credit risk volume from non-performing loans (on and off balance sheet) is compared with impairment provisions as well as collateral assets by sector in the table below.
In the period between the close of the accounting period and the preparation of the financial statements, a further EUR 1.7 million in impairment charges stage 3 on-balance, and EUR 5.1 million in impairment charges stage 3 off-balance were allocated. Customers were changed over to non-performing in January in a timely manner.

Sector in €k as at 31/12/2021	Non-performing credit risk exposure	Impairment charges stage 3 On-Balance	Impairment charges stage 3 Off-Balance	Collateral
Credit and insurance industry	1,351	707	1	639
Public sector	17	17	0	0
Raw materials processing	14,694	6,601	1,672	7,038
Metals processing	54,344	13,002	1,662	39,331
Manufacture of goods	31,881	17,260	511	11,939
Trade	40,230	18,437	5,454	17,187
Services	52,295	20,655	10,252	25,101
Construction	37,802	10,116	2,403	21,277
Real estate	42,474	12,388	2,377	26,736
Transportation	26,460	6,765	274	13,986
Utilities	2,505	483	98	1,183
Agriculture and forestry incl. mining	2,012	575	136	1,267
Holding and investment companies	35,944	7,752	3,355	20,428
Individuals and self-employed	71,751	39,063	77	30,472
Other	2,486	694	475	1,416
Impairment charges not assignable to a specific sector			80,119	
Total	**416,244**	**154,514**	**113,964**	**218,000**

Sector in €k as at 31/12/2020	Non-performing credit risk exposure	Impairment charges stage 3 On-Balance	Impairment charges stage 3 Off-Balance	Collateral
Credit and insurance industry	688	648	3	59
Public sector	17	17	0	0
Raw materials processing	18,939	11,006	1,066	5,715
Metals processing	68,377	13,020	3,265	22,557
Manufacture of goods	10,269	1,620	1,655	6,348
Trade	50,634	26,409	1,716	17,529
Services	70,084	19,385	7,121	32,617
Construction	28,159	9,141	3,409	14,321
Real estate	14,796	6,938	330	7,737
Transportation	32,721	10,419	411	17,490
Utilities	2,954	1,347	259	1,222

Agriculture and forestry incl. mining	2,272	470	60	1,664
Holding and investment companies	48,778	20,638	171	17,028
Individuals and self-employed	69,724	38,235	90	27,989
Other	11,439	6,449	1,394	3,990
Impairment charges not assignable to a specific sector			75,776	
Total	**429,852**	**165,741**	**96,725**	**176,264**

The table below shows non-performing credit risk exposure, impairment charges and collateral assets by region.

Geographic distribution as at 31/12/2021 in €k	Non-performing credit risk exposure	Impairment charges stage 3		
		On-Balance	Off-Balance	Collateral
Austria	165,970	74,121	6,803	77,098
Germany	112,775	28,844	19,132	66,070
Eastern Europe (CZ, HU, SK)	136,361	51,004	2,811	74,268
Western Europe (ex DE)	76	71	0	0
PIGS countries	11	8	0	0
Other countries	1,052	467	0	564
Impairment provisions not assignable to a specific region			80,119	
Total	**416,244**	**154,514**	**113,964**	**218,000**

Geographic distribution as at 31/12/2020 in €k	Non-performing credit risk exposure	Impairment charges stage 3		
		On-Balance	Off-Balance	Collateral
Austria	193,497	71,963	8,229	82,654
Germany	147,982	51,866	11,615	56,605
Eastern Europe (CZ, HU, SK)	86,387	41,322	1,092	35,678
Western Europe (ex DE)	434	49	0	330
PIGS countries	6	5	0	0
Other countries	1,547	535	13	997
Impairment charges not assignable to a specific sector			75,776	
Total	**429,852**	**165,741**	**96,725**	**176,264**

In addition, there are impairment allowances for ECLs in stage 1 and 2 for performing categories with a volume of €k 80,782 (pr.yr.: €k 70,160).

Impairment stages pursuant to IFRS 9 by rating structure

Impairment allowances pursuant to IFRS 9 are calculated for all exposure items measured at amortised cost or directly in equity at fair value. This includes lines of credit and loans, and debt securities, receivables from finance leases and from trade receivables. Provisions for financial guarantees and unused lines of credit are calculated provided they are subject to the IFRS 9 impairment rules.

Default risk of financial assets by rating category as at 31/12/2021 in €k	Stage 1	Stage 2	Stage 3		
	12-M-ECL		LT-ECL	POCI	Total
Very strong	11,835,616	1,061,195			12,896,811
Strong	6,871,148	4,014,364		4	10,885,516
Weak	75,377	515,098			590,475
Non-performing			342,671	40,325	382,996

Gross carrying value	**18,782,141**	**5,590,657**	**342,671**	**40,330**	**24,755,798**
Loan loss provisions	-18,251	-41,246	-156,213		-215,710
Net carrying value	**18,763,890**	**5,549,411**	**186,458**	**40,330**	**24,540,089**

Default risk of financial assets by rating category as at 31/12/2020 in €k	**Stage 1**	**Stage 2**	**Stage 3**		
	12-M-ECL		**LT-ECL**	**POCI**	**Total**
Very strong	9,866,532	766,407			10,632,939
Strong	6,174,196	4,090,939			10,265,135
Weak	123,720	428,114			551,834
Non-performing			388,802	1,251	390,053
Gross carrying value	**16,164,448**	**5,285,460**	**388,802**	**1,251**	**21,839,961**
Loan loss provisions	-15,333	-34,393	-165,742		-215,467
Net carrying value	**16,149,115**	**5,251,068**	**223,061**	**1,251**	**21,624,494**

Default risk of credit commitments by rating category as at 31/12/2021 in €k	**Stage 1**	**Stage 2**	**Stage 3**		
	12-M-ECL		**LT-ECL**	**POCI**	**Total**
Very strong	2,228,527	38,875			2,267,402
Strong	1,858,508	293,533		37	2,152,078
Weak	17,906	44,425			62,331
Non-performing			12,342	5,048	17,390
Contingent obligation, gross	**4,104,941**	**376,834**	**12,342**	**5,084**	**4,499,201**
Loan loss provisions	-9,878	-6,125	-7,080	-413	-23,496
Contingent obligation, net	**4,095,063**	**370,708**	**5,262**	**4,671**	**4,475,705**

Default risk of credit commitments by rating category as at 31/12/2020 in €k	**Stage 1**	**Stage 2**	**Stage 3**		
	12-M-ECL		**LT-ECL**	**POCI**	**Total**
Very strong	1,985,195	18,804			2,004,000
Strong	1,926,570	346,900			2,273,470
Weak	46,228	28,764			74,992
Non-performing			10,488		10,488
Contingent obligation, gross	**3,957,993**	**394,468**	**10,488**		**4,362,949**
Loan loss provisions	-9,262	-6,956	-4,365		-20,583
Contingent obligation, net	**3,948,731**	**387,512**	**6,123**		**4,342,367**

Default risk of financial guarantees by rating category as at 31/12/2021 in €k	**Stage 1**	**Stage 2**	**Stage 3**		
	12-M-ECL		**LT-ECL**	**POCI**	**Total**
Very strong	774,620	18,479			793,099
Strong	493,753	72,366			566,119
Weak	2,883	27,495			30,378
Non-performing			11,473		11,473
Contingent obligation, gross	**1,271,256**	**118,340**	**11,473**		**1,401,070**
Loan loss provisions	-2,259	-3,024	-9,652		-14,935
Contingent obligation, net	**1,268,998**	**115,316**	**1,821**		**1,386,135**

Default risk of financial guarantees by rating category as at 31/12/2020 in €k	**Stage 1**	**Stage 2**	**Stage 3**		
	12-M-ECL		**LT-ECL**	**POCI**	**Total**
Very strong	683,893	10,614			694,507
Strong	449,045	69,730			518,775
Weak	1,052	51,959			53,011
Non-performing			24,517		24,517
Contingent obligation, gross	**1,133,991**	**132,303**	**24,517**		**1,290,810**
Loan loss provisions	-1,909	-2,308	-5,638		-9,855
Contingent obligation, net	**1,132,082**	**129,995**	**18,879**		**1,280,956**

All financial assets not shown in the non-performing category are overdue but not more than 90 days. If the remaining financial assets become overdue, the respective customer is deemed to be in default with their entire financial assets as shown in the table below.

as at 31/12/2021 in €k[1)]			
Overdue since	Loans and receivables	Credit risks from derivatives and contingent liabilities	Total
Less than 30 days	194,936	10,892	205,828
From 30 to 60 days	17,227	386	17,613
From 60 to 90 days	670	11	681
Total	**212,833**	**11,290**	**224,122**

1) All financial assets that are overdue by more than 90 days and non-impaired due to excess cover are shown in the non-performing segment in the above tables.

as at 31/12/2020 in €k[1)]			
Overdue since	Loans and receivables	Credit risks from derivatives and contingent liabilities	Total
Less than 30 days	92,915	9,408	102,324
From 30 to 60 days	10,981	865	11,845
From 60 to 90 days	1,172	22	1,194
Total	**105,068**	**10,295**	**115,362**

[1)] All financial assets that are overdue by more than 90 days and non-impaired due to excess cover are shown in the non-performing segment in the above tables.

Deferment/respite (Forbearance)

Oberbank grants deferment of payment or makes other concessions to borrowers in situations in which such borrowers are deemed to be unable to meet the credit terms and conditions owing to their current economic situation. Taking into account the causes of the difficulties, Oberbank may decide to either change the terms and conditions of a specific loan so as to create sufficient scope for the respective borrower to repay the debt, or opt to restructure the loan (wholly or partially).
The exposure is examined in advance as to whether it is to be considered in default. If this is the case, the customer is downgraded to non-performing status and a specific impairment provision is set up in accordance with the method described in Note 2.7).
If there is no default and a thorough analysis of the economic situation shows that the chosen solution will ensure that customers will be able to meet their financial obligations in the future, a deferment or other concession may be granted.
In the event that an agreement is reached with customers in payment difficulties that grants terms unusual for new loans, the respective exposure is marked as a deferment.
If deferment was granted due to government-ordered moratoria or private EBA-compliant moratoria, these were generally not marked as forborne in accordance with the *EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*. After an internal review, however, this option was not used in some cases and the transactions were marked as forborne anyway. Deferments are monitored within the framework of the 90-day escalation process. If the deferment fails to produce the required result (resumption of the contractually agreed debt service following deferment), the 90-day escalation process automatically results in a downgrade of such debt to non-performing status and the creation of a specific impairment allowance for the unsecured part of the exposure.
This procedure eliminates the risk of non-performing loans being concealed by means of deferments being granted or other contractual concessions.

The measures taken in this respect in the reporting year are shown in the table below.

Deferment/respite in €k	As at 31/12/2020	No longer categorised as	Decline in volume[1)]	Newly categorised as	As at 31/12/2021	Interest received in the reporting period

		deferment/ respite		deferment/ respite		
Term extension for loan	111,235	4,773	72,507	16,053	50,008	1,240
Deferment	156,572	10,353	32,651	128,816	242,384	6,640
Waiver of other contractual rights	5,157	10	94	2,346	7,399	298
Restructuring	18,200	1,913	6,696	11,790	21,381	693
Other	501	2	0	229	728	15
Total	**291,664**	**17,050**	**111,948**	**159,233**	**321,899**	**8,886**

[1)] Due to repayments, principal repayments

The table below shows the volume of exposures affected by deferment/respite measures by rating category as compared to allocated impairment provisions as well as collateral provided.

as at 31/12/2021 in €k **Rating grades**	**Exposure**	**Impairment charges[1)]**	**Collateralised exposure**
Very strong	112	1	98
Strong	142,356	561	114,120
Weak	41,982	438	24,500
Non-performing	137,449	40,307	69,047
Total	**321,899**	**41,308**	**207,765**

[1)] The impairment provisions shown within the performing categories are attributable to portfolio impairment provisions for ECL under IFRS 9.

as at 31/12/2020 in €k **Rating grades**	**Exposure**	**Impairment charges[1)]**	**Collateralised exposure**
Very strong	1,307	1	919
Strong	185,804	970	109,104
Weak	37,880	714	19,645
Non-performing	66,672	29,337	23,512
Total	**291,664**	**31,022**	**153,179**

[1)] The impairment provisions shown within the performing categories are attributable to portfolio impairment provisions for ECL under IFRS 9.

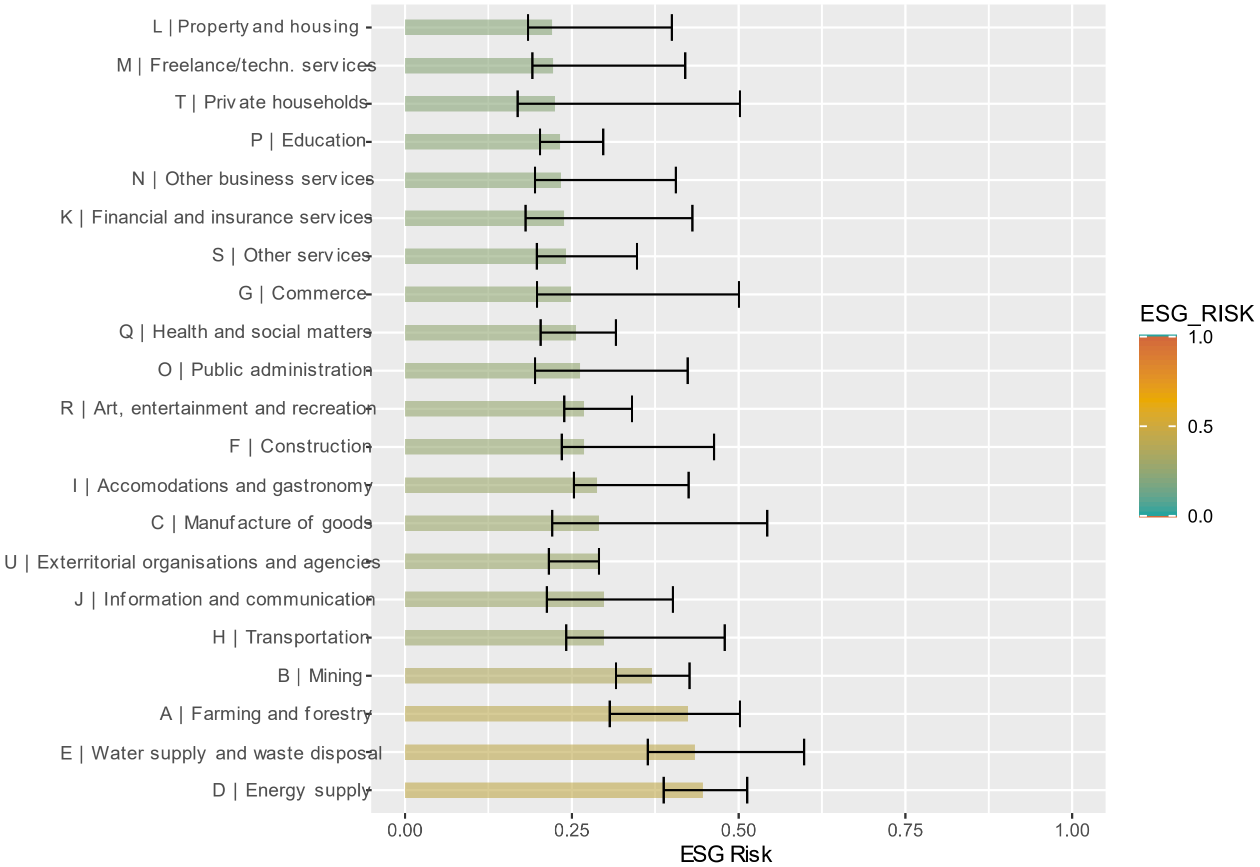
Sustainability risk as an integrated component of credit risk

The topic of sustainability is inseparable with the management of credit risk of a bank in the view of Oberbank. Sustainability risks may have substantial negative effects on borrowers of Oberbank and therefore as a consequence on our credit risk. Sustainability climate risk include physical risks such as extreme weather events that are aggravated by climate change and may cause severe damage (also financially). Climate-related disaster may also interrupt, for example, supply chains or destroy business models due to changed environmental conditions. Furthermore, companies will become increasingly accountable for climate-damaging behaviour, and this may result in major financial consequences for the businesses concerned. A further aspect consists of the possibility of companies being severely affected by climate-related transition risks. Policy changes (e.g. CO2 taxes) and technological change (e.g. electro-mobility) may become a risk for companies that have not adapted to the changes. A growing awareness for climate change and the changing expectations in society may result in major changes to consumer behaviour. Additionally, sustainability risks in social matters and corporate governance may also have a negative impact on a company's assets and financial position. For example, reputational risks may hinder the sale of products manufactured. Therefore, it clear that Oberbank pays close attention to sustainability risks in the management of its lending business. For this reason, further significant changes were made to Oberbank's credit and rating process in the preceding year to improve transparency and the management of sustainability risks.

Sustainability risks are taken into account in the credit rating of our clients when assessing the business model and analysing the strengths, weaknesses, opportunities, threats (SWOT), as well as in the evaluation of the individual soft facts relating to the products, markets and accounting. The ESG soft facts newly introduced in the second half of 2021 are used to

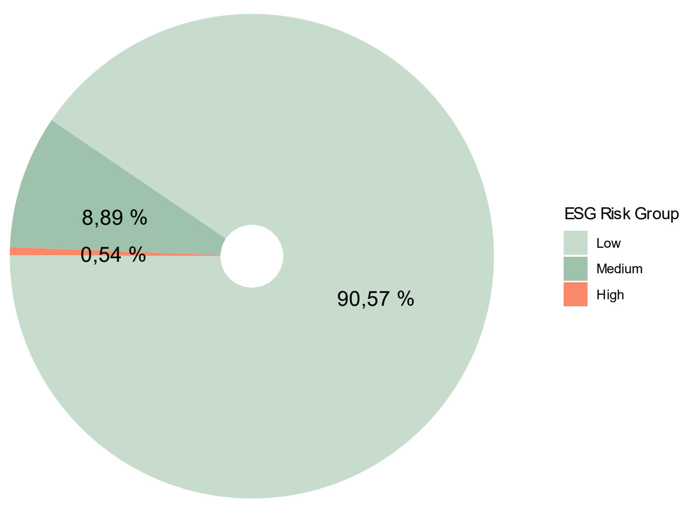
systematically assess the risks of the current business model and to collect data for the three areas of E (Environment), S (Social) and G (Governance).
Taking ESG risks into account in the credit decision-making process was largely automated in the fourth quarter of 2021 with the introduction of the ClimAid tool. The tool developed by KPMG determines a sustainability score for all Oberbank credit customers, and this score is directly incorporated into the lending decision.
Within the framework of overall bank risk management, the sustainability risks in the credit portfolio of Oberbank are evaluated at least twice a year and presented in the form of a sustainability risk heat map. The heat map is presented to the bank's Asset/Liability Management Committee, which is chaired by the bank's Chief Risk Officer. Furthermore, it is also presented to the Supervisory Board in the Risk Committee.
Climate, social and governance risks were taken into account in the risk rating, with the climate risks having the greatest influence on the overall risk rating. Qualitative and quantitative information from external and publicly available data sources (such as PACTA, HORA, SASB, etc.) were used for the assessment. This helps assess the sectoral and regional risk exposure of our clients with regard to physical risks (direct consequences of climate change such as increased natural disasters) and transition risks (risks arising from the adaptation process to a climate-neutral economy and society such as price increases due to CO2 taxes). The chart below shows the correlation between the magnitude of sustainability risk and the sector in Oberbank's loan portfolio. The length of the bars indicates the average volume-weighted risk. The fluctuation range of the risk within a sector (minimum/maximum), which results from the regional differences and the sub-sectors, is indicated by the black bars.

Sustainability risk in the Oberbank loan portfolio

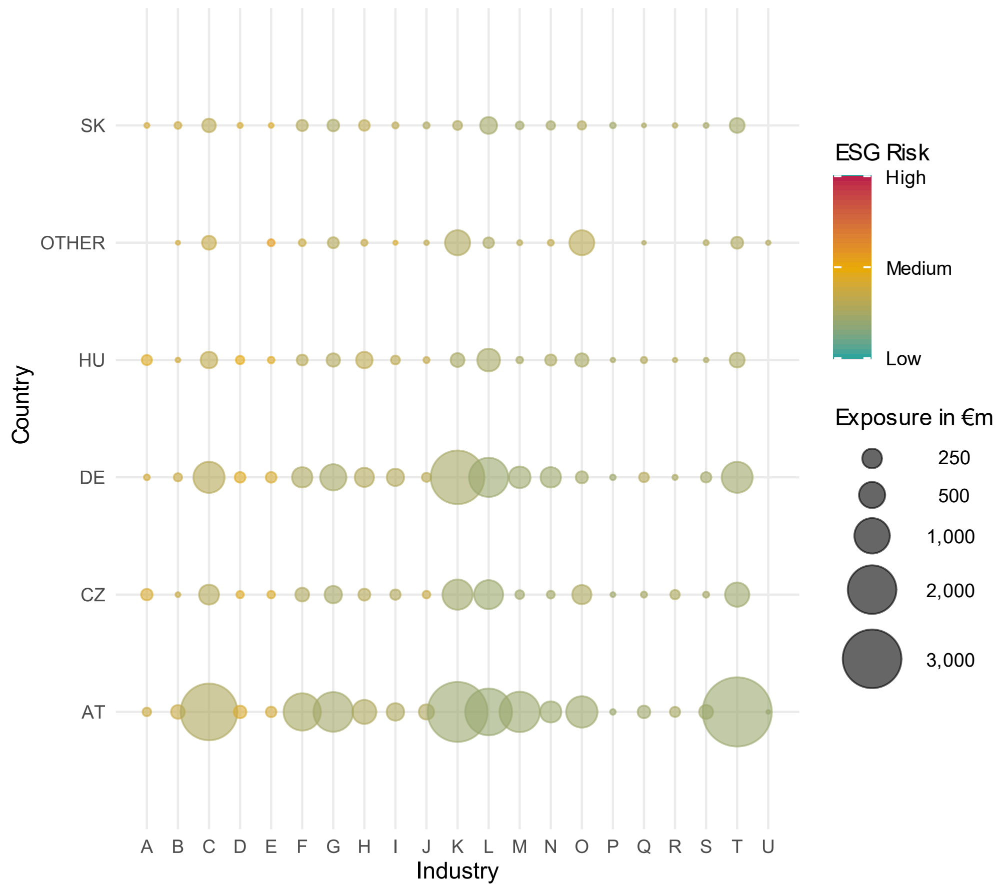


Overall, Oberbank's credit portfolio is exposed to only below-average sustainability risks. In the case of physical risks, this is explained by our regional business model in Central Europe; in the case of transition risks, by the fact that the share of the more severely affected industries and sectors is underrepresented in the total lending volume at Oberbank.

Breakdown of Oberbank's exposure volume by ESG risk class



Sustainability risk heat mat at Oberbank



Our sustainability risk heat map shows the sustainability risks of Oberbank's exposure in the individual regions and sectors (purs. to NACE codes). The regions include the countries in which Oberbank has branches as well as a residual item that consists largely of highly liquid assets required for liquidity management. The colour of the dots on the heat map represents the risk rating; the size of the dots represents the size of Oberbank's exposure in this area.

44) Equity risk

Equity risk is defined as the risk of value impairments caused by dividends not paid out, impairment losses and losses on divestments as well as a reduction of undisclosed reserves caused by the risk of negative economic development.

The most important equity investments of Oberbank AG are the stakes in BKS and BTV with which it forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only for reasons related to banking or sales, i.e. if their activities are a direct extension of banking activities or constitute services ancillary to banking. The investments of Oberbank in 3 Banken-Generali Investment-Gesellschaft m.b.H., 3 Banken IT GmbH and Oberbank Service GmbH belong to this segment.

The equity investment portfolio of Oberbank AG furthermore includes strategic investments in voestalpine AG and Energie AG Oberösterreich. An active industry investment policy above and beyond these equity investments is not consistent with the corporate philosophy of Oberbank. Furthermore, Oberbank holds equity investments of a purely economic nature made on grounds of either concrete yield expectations or indirect profitability expectations. The investment fund, 'Oberbank Opportunity Fonds', forms the basis for Oberbank to act as a provider of private equity finance, primarily with the goal of supporting customers in need of a financing solution that goes beyond the scope of traditional finance arrangement. Investments in other mezzanine and equity capital providers are made with the objective of utilising their expertise and entering new markets. In the real estate business, Oberbank holds equity interests in special purpose vehicles set up for the purpose, for example, of construction or management of Oberbank-owned real estate, as well as in selected residential developers that feature as potentially important partners in residential construction finance.

Where new equity investments are to be made, analyses are performed in order to gain as complete a picture as possible of the entity's earning power, strategic fit and legal position.

The carrying values and fair values of equity investments are shown below:

as at 31/12/2021 in €k	**Carrying amounts**	
Groups of equity instruments by type of measurement	Carrying value	Fair value
Fair value through OCI		
Exchange-traded items	0	0
Non-exchange traded	241,933	241,933
Fair value through profit and loss		
Non-exchange traded	22,374	22,374
Interests in entities accounted for by the equity method		
Exchange-traded items	1,000,764	730,120
Non-exchange traded		
Total	**1,265,071**	**994,427**

as at 31/12/2020 in €k	**Carrying amounts**	
Groups of equity instruments by type of measurement	Carrying value	Fair value
Fair value through OCI		
Exchange-traded items	0	0
Non-exchange traded	237,299	237,299
Fair value through profit and loss		
Non-exchange traded	25,645	25,645
Interests in entities accounted for by the equity method		
Exchange-traded items	897,145	661,839
Non-exchange traded		
Total	**1,160,089**	**924,783**

45) Market risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in prices and interest rates on financial markets. This risk category encompasses both trading book and banking book positions. Market risk is made up of the following risk types: interest rate risk, foreign currency risk, equity-price risk and credit-spread risk.

Risk management

Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries. Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them.

Responsibilities of the Treasury & Trade department with regard to managing market risks

The Treasury & Trade department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book, and the foreign currency risk of the entire Oberbank Group.

The money market trading book comprises the short-term banking book positions. Risk is calculated using a value-at-risk model. The value at risk is an estimate of the largest loss likely to be suffered on a portfolio position over a holding period within a given probability (confidence level) in normal market conditions. Value at risk is calculated using the method of historic simulation with a confidence level of 99%, a holding period of ten days and a simulation period of two years. Strategic Risk Management is in charge of the daily calculation of value-at-risk, daily limit control and daily reporting of the risk and earnings situation to the Management Board and to the Treasury & Trade department.

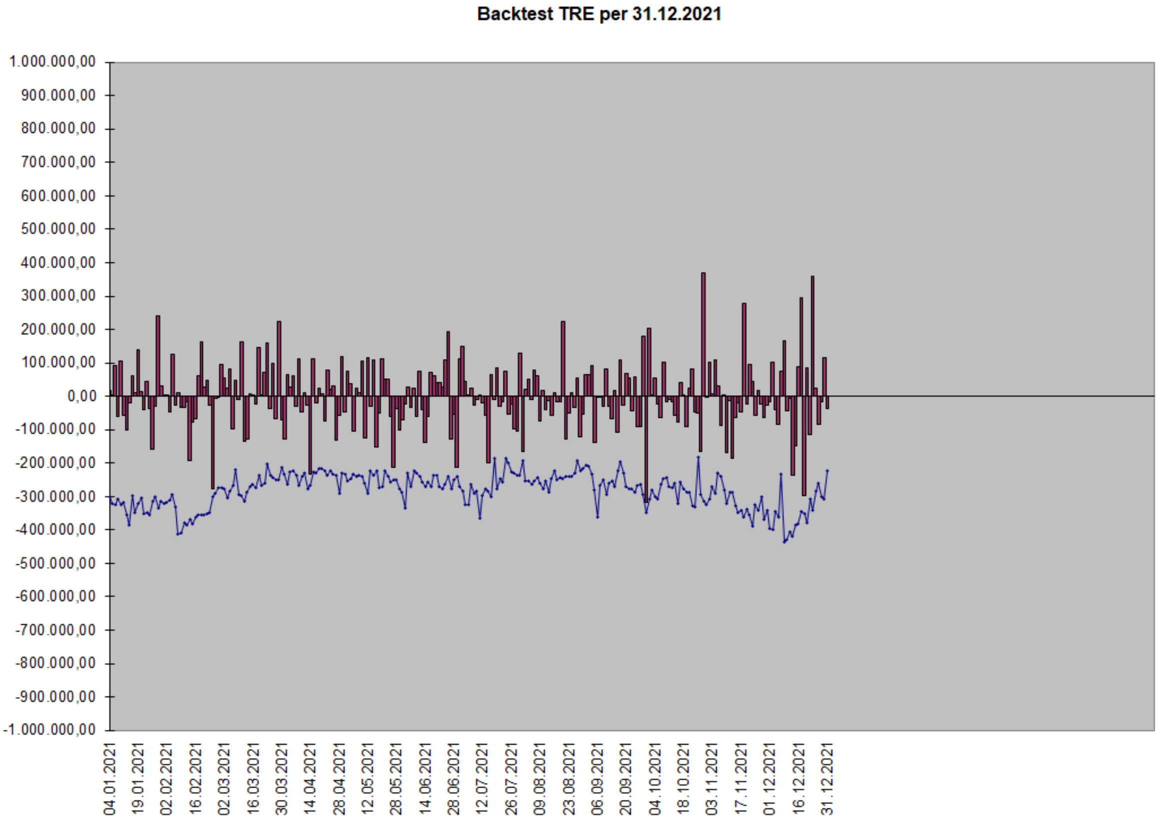
The table below shows the development of value-at-risk in the reporting period:

Value at risk 2021 in €k	31/12/2020	MAX	MIN	Average	31/12/2021
	979	1,382	575	893	706

Value at risk 2020 in €k	31.12.2019	MAX	MIN	Average	31/12/2020
	673	1,689	480	1,109	979

The quality of the statistical model is checked by back-testing, i.e. comparing the estimated 1-day values-at-risk with the actual results. As shown in the chart below of the back-testing time series for the reporting year, there were no outliers.

Back-testing by VaR model 2021 in €k



Besides value-at-risk limits, measures to limit exposure also include risk-reducing limits such as stop-loss limits and volume limits.

The Treasury & Trade department is also responsible for managing the foreign currency risk, which is part of market risk. The table below shows open currency positions of Oberbank.

	Volume in €k			Volume in €k	
	31/12/2021	31/12/2020		31/12/2021	31/12/2020
AUS	-17	31	**MXN**	72	2
CHF	101	-365	**SGD**	23	36
USD	7,926	5,738	**JPY**	-36	12
GBP	336	191	**TRY**	1	41
HUF	-3,615	-1,660	**RON**	89	52
SEK	60	503	**NZD**	-104	-47
CAD	-19	30	**CZK**	5,021	-5,745
CNY	40	-63	**Other currencies, long**	173	185
DKK	48	62	**Other currencies, short**	-61	-49
NOK	-37	-13	**Gold**	2,526	1,290

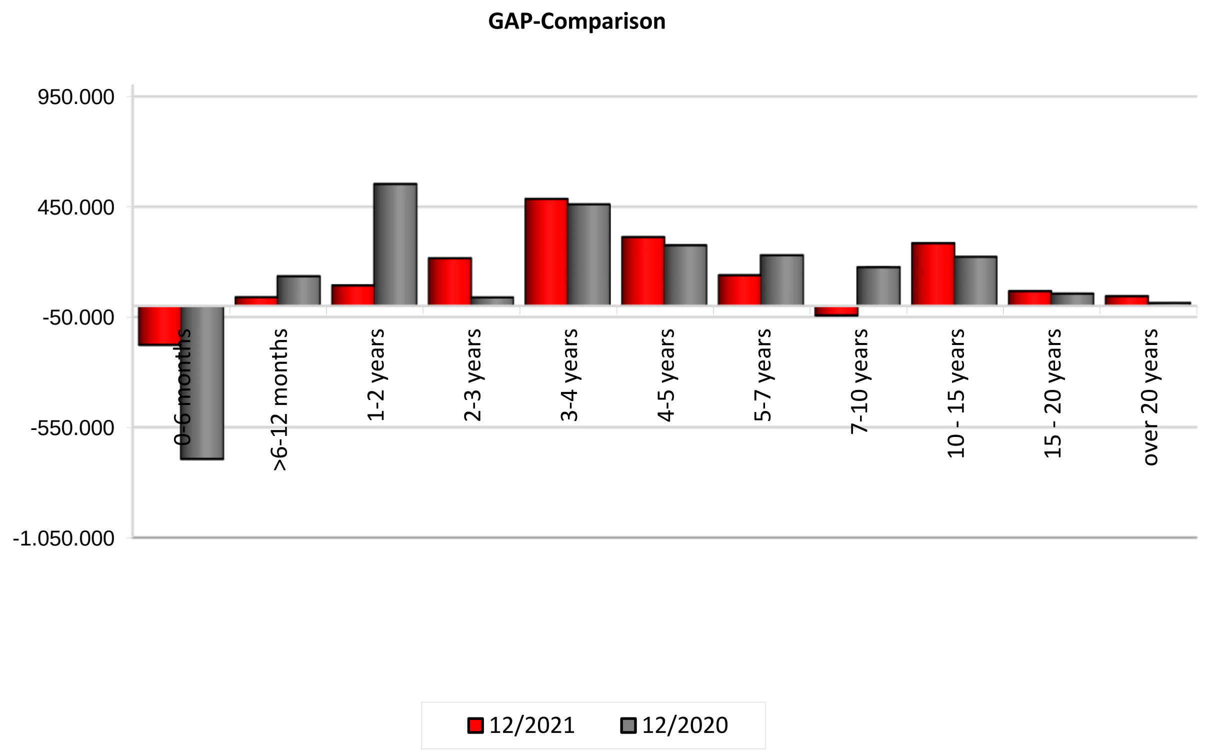
Determination of market risk - which is the remit of the Treasury & Trade department - for the liquidation approach in the Internal Capital Adequacy Assessment Process (ICAAP) is done using the aforementioned model, but with a uniform confidence level of 99.9% and a holding period of 90 days. As at 31 December 2021, the market risk in the remit of Treasury & Trade was EUR 5.1 million (pr.yr.: EUR 6.9 million).

Responsibilities of the Asset/Liability Management (ALM) Committee with regard to market risk management
The ALM Committee is responsible for managing the interest rate risk of long-term EUR, USD, CZK and HUF positions (rate commitments >12 months), for strategic stock and investment fund positions in the banking book as well as for the credit spread risk.
Das ALM Committee meets once every month. Members of the Committee are the Chief Risk Officer as well as representatives of the departments Strategic Risk Management, Treasury & Trade, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Secretariat & Communication, Internal Audit and Compliance.

Interest rate risk in the banking book
Taking interest rate risks, which account for the main share of market risk in the banking book, is an integral part of the banking business and an important source of earnings that requires adequate hedging measures within the scope of risk management. The bank's strategy aims at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. As a way to stabilize interest income and to earn additional net interest income from maturity transformation, the investment strategy invests in positions with fixed long-term interest rates. Currently, this strategy is suspended for the time being due to the special interest rate situation. The interest rate risk in the banking book is measured using classical methods of interest rate fixing analysis (interest-rate gap analysis and interest-rate sensitivity analysis) for the purpose of internal risk management pursuant to EBA Guidelines 2018/02. The magnitude of the interest rate risk is analysed based on changes to the present value of the positions in the banking book, using as basis the various interest rate scenarios. Apart from the present value view, a quarterly simulation of interest returns is carried out using various adverse scenarios. To this end, the deviation of profit and loss from projections is presented for each scenario and for every year as well as cumulated for a three-year period.

The chart below shows the interest rate sensitivity gap analysis as compared with the end-of-year values of the previous year:

Interest rate gap - banking book positions (comparison 31/12/2021 with 31/12/2020)



The interest rate risk in the liquidation approach of the ICAAP is determined on the basis of an EVE model (Economic Value of Equity). The underlying scenario corresponds to annual interest rate changes that will not be exceeded with a probability of 99.9%. The calibration of the interest rate shock in the individual main currencies EUR, USD, CZK and HUF is based on the BCBS publication “Interest rate risk in the banking book” (BCBS d319). Non-interest-bearing positions are not taken into account. As at 31 December 2021, the interest rate risk in the banking book came to EUR 180.50 million (pr.yr.: EUR 217.16 million).

Credit spread risk

The credit spread represents a credit risk premium for the credit risk incurred with a specific investment. The credit spread is the yield differential between a bond and a risk-free reference bond. The risk is measured on the basis of present value fluctuations of the bond portfolio attributable to market changes in credit spreads given an unchanged credit rating of the debtor. The credit spread risk is measured with a confidence level of 99.9% and a holding period of one year. On 31 December 2021, the risk thus determined amounted to EUR 29.51 million (pr.yr.: EUR 64.19 million).

46) Macroeconomic risks

Macroeconomic risk is defined as the risk of possible losses arising due to changes in the macroeconomic environment (decline in real GDP growth, substantial increase in unemployment and business failures, declines in stock markets and real estate markets, etc.). The effects of a macroeconomic crisis are taken into account by mapping scenarios with a higher probability of default, declines in market values of real estate and a downturn on financial markets. Such an unfavourable scenario involves negative impacts on both the assets of Oberbank and the assets accepted as collateral by the bank.
As at 31 December 2021, the macroeconomic risk thus estimated was EUR 105.54 million (pr. yr.: EUR 110.94 million).

47) Operational risk

Operational risks are an inseparable part of banking operations. This term refers to the risks that affect the operations of the bank. Oberbank defines operational risks as the risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or external events. This definition includes legal risks (including the risk of money laundering and terrorist financing), but does not comprise strategic risks and reputational risks. The risks are grouped into the following categories: internal fraud, external fraud, employment practice and job safety, customers, products and customary business practices, business interruptions and system outages, execution, delivery and process management, and damage to property. A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the adjustment of the applied methodology. The management of operational risks is performed by the respective operating departments and the regional sales units (risk-taking units) responsible for operational risk in connection with products and processes within their respective spheres of responsibility. The electronic logging process supports the recording of information regarding nascent operational risks. Systematic risk analyses form the basis for the steering and further development of operational risk management. These are conducted in the form of risk assessments that comprise regular surveys and the quantification of potential operational risks and by monitoring the key risk indicators as well as by the evaluation of damage incidences in a database of such events. Qualitative analyses in the form of a risk assessment are done at least every two years by using structured questionnaires. An assessment is made of the incidence frequency and the amount of the potential damage. The Strategic Risk Management unit prepares a quarterly Operational Risk Report which is sent to the Management Board and to the unit responsible for the management of operational risk. This report contains information on the development of the key risk indicators and damage incidents for the current financial year. The report groups the damage incidents by business area and damage category.
Concrete measures have been taken to hedge against any major risks identified in from risk analyses (e.g. insurance policies, IT contingency plans, backup data centre).
Based on the increasing significance of digitalisation, IT risks and cyber risks play a key role among operational risks. The strategy of the bank in this case consists of ensuring a state-of-the-art level of security. This is achieved operationally by 3 Banken IT GmbH which has been charged with the implementation.

To quantify operational risk within the framework of the risk-bearing capacity calculation, the standardised approach pursuant to Part 3, Title III, Chapter 3 CRR II is applied. As at 31 December 2021, the risk was EUR 85.7 million (pr.yr.: EUR 84.3 million). On the average of the past five years, the ratio of the result in the income statement from operational risk incidents compared with total ICAAP risk capital was 3.6%.

48) Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank being unable to meet its present and future payment obligations fully and on schedule or having to raise additional capital at increased cost.

The liquidity risk comprises insolvency risk and liquidity spread risk. The insolvency risk or liquidity risk in the narrower sense is defined as the risk that the bank will be unable to satisfy its current and future payment obligations in full and in a timely manner. The insolvency risk includes the maturity risk (that the receipt of agreed payments, e.g. loan repayments, will be delayed leading to a liquidity shortage), the call risk (the risk of customers prematurely or unexpectedly making calls on deposits or credit lines) and the rollover risk (the risk of an inability to fund follow-up financing arrangements for long-term asset-side positions). In addition to risks potentially liable to trigger insolvency, there is the risk that the funding required for follow-up refinancing arrangements will have to be raised at elevated market rates (spreads) and thus diminish profits (liquidity spread risk).

The primary objectives of liquidity risk management are therefore to ensure that the bank is solvent at all times and to optimise the bank's refinancing structure in terms of risk and results. To limit the risk of refinancing being dependent on the volatile money markets for banks, the ratio of customer loans to total primary deposits, own issues and the deposits of the special banks handling subsidised loan schemes is restricted to a strategic limit of 110%. The strategic liquidity indicator was 90.0% (pr.yr.: 95.1%) on 31 December 2021.

Oberbank holds appropriate reserves (liquidity buffer) in the form of free refinancing potential in the for of securities and loan assets eligible for refinancing with central banks. Furthermore, Oberbank has access to unutilised refinancing lines at other banks. A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.

Regulatory liquidity indicators

The liquidity cover ratio (LCR) defines the minimum volume of (highly) liquid assets that the bank must hold as liquidity reserve in order to be able to cover net payment obligations in the event of distressed market conditions for a period of 30 days. LCR as at 31 December 2021 was EUR 203.5% (31/12/2020: 131.7%). The net stable funding ratio (NSFR) is the minimum standard for lowering refinancing risk over a longer period of time. The purpose of the structural liquidity ratio is to secure a sustainable refinancing structure by limiting the maturity transformation between the lending business, on the one hand, and refinancing, on the other, and thus mitigate the risk of future refinancing problems. NSFR as at 31 December 2021 was EUR 137.6% (31/12/2020). 126.0%).

Responsibility for liquidity risk management

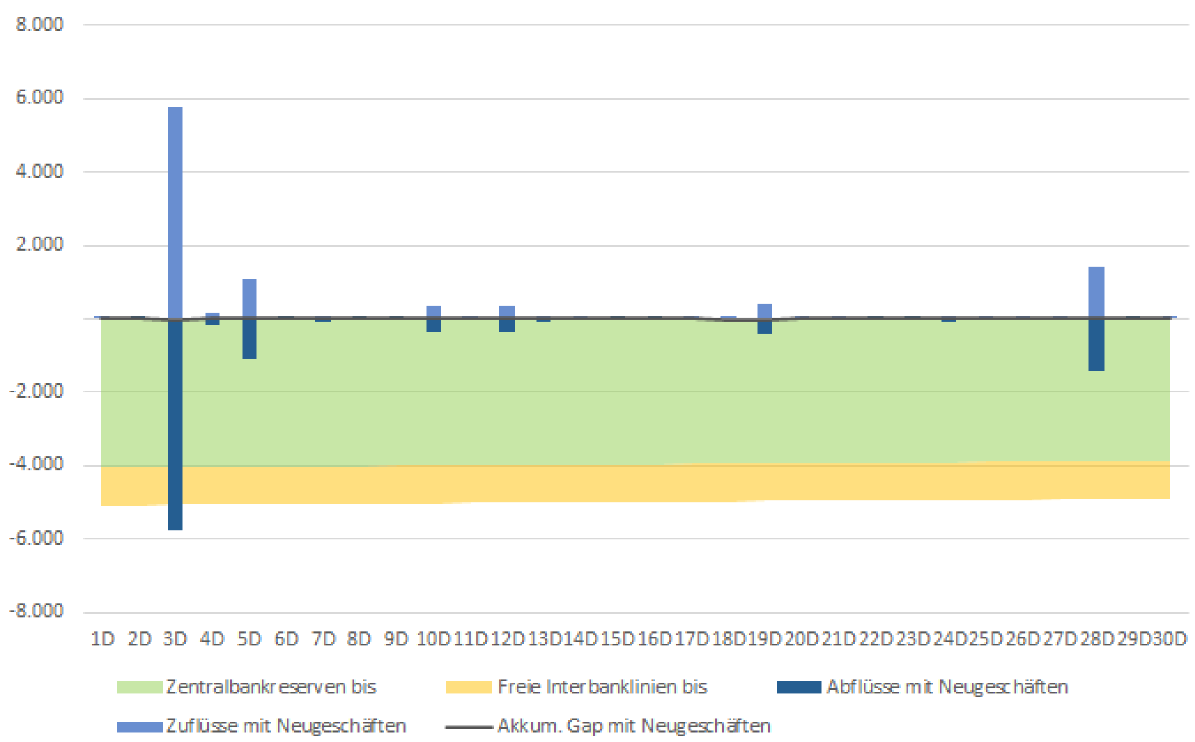
Strategic Risk Management is responsible for the operational risk reporting and for defining and monitoring the relevant risk limits. It is likewise responsible for the further development and maintenance of the risk management models used, for the parameters for the liquidity gap analysis and for back-testing the models.

Short-term liquidity management

Treasury & Trade is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by conducting a short-term liquidity gap analysis. A forward liquidity gap analysis is prepared daily including assumptions for new business for the next 30 days that represent the net cash inflows and outflows as well as the accumulated forward liquidity gap of the bank. Amounts held with central banks less the minimum reserve requirements and the free unappropriated inter-bank credit lines (uncommitted inter-bank lines less actual and/or planned utilisation) are presented as limit lines and constitute the counterbalancing capacity.

Furthermore, a 30-days forward liquidity gap analysis for day-to-day liquidity management is prepared based only on the contractual cash flows of Oberbank.

Accumulated 30-days forward liquidity gap analysis incl. assumptions for new business as at 31/12/2021 in €m



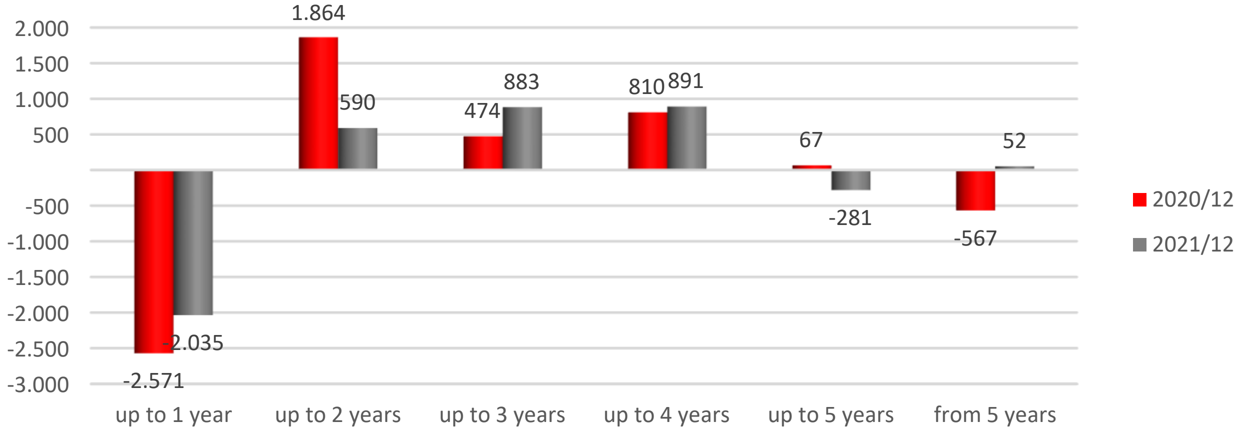
Legend from left to right: *Central reserves until* *Free interbank credit lines until* *Outflows with new business* *Inflows with new business* *Accum. gap with new business*

Long-term and strategic liquidity management

Oberbank's long-term and strategic liquidity is the responsibility of the Management Board and the ALM Committee. The Strategic Risk Management department is responsible for reporting. A comprehensive forward liquidity gap analysis is drawn up for the purpose of the medium and long-term liquidity risk management of the bank that sums up the payment flows per maturity band resulting from banking transactions.

To manage the liquidity risk in each of the currencies, the liquidity gaps for the major currencies are reported individually (EUR, USD, CZK and HUF).

Medium to long-term liquidity gap analysis for all currencies as at 31/12/2021 and 31/12/2020 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 2.1 billion (pr. yr.: EUR 2.6 billion) as at the end of the first year. This corresponds to a funding ratio of 84.7% (pr.yr.: 79.6%) and is hence in compliance with the internally defined limit of 70%.

The following table shows the maturity structure of securities and loans eligible for repo transactions:

in €k as at 31/12/2021	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	19,008	482,717	1,765,168	285,209

in €k as at 31/12/2020	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	210,270	550,051	1,314,641	433,824

Additionally, as at 31 Dec. 2021 Oberbank had collateral assets with a cover value of EUR 599.4 million (pr.yr.: EUR 691.0 million) from reverse repos with CNB at its disposal that may be deposited with the CNB at any time to obtain liquidity. The balance of central bank reserves available for withdrawal at any time amounted to EUR 4,046 million as at 31 Dec. 2021 (pr.yr.: EUR 1,811 million).

The calculation of liquidity gaps is based on contractual cash flows. Assumptions are made for positions without a defined maturity for the repayment of the principal (e.g. sight deposits are shown as rolling twelve-month positions, other assets/liabilities as rolling long-term positions and equity as long-term positions).

Furthermore, stress scenarios are calculated to illustrate the effects of liquidity crises. Specifically, the scenarios deterioration in reputation, market crisis and as the worst case scenario, a combination of both of these factors are simulated. A contingency plan is in place for the eventuality of extreme market conditions.

Contractual cash flows of financial liabilities purs. to IFRS 7/39 a and b

as at 31/12/2021 in €k	Carrying value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	5,893,337	5,991,906	1,017,656	402,361	3,701,525	870,365
of which deposits for subsidised loans	3,042,864	3,088,338	425,994	401,074	1,390,905	870,365

Amounts owed to customers	14,728,589	14,763,428	13,681,943	422,926	433,152	225,408
Securitised liabilities	2,206,646	2,339,361	2,952	142,286	806,118	1,388,005
Subordinated liabilities	496,368	542,687	3,222	40,283	321,477	177,706
Derivative liabilities IRS/CCS	51,823	54,971	-495	9,795	36,116	9,555

as at 31/12/2020 in €k	Carrying value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	5,065,643	5,152,345	1,297,898	344,646	2,819,514	690,288
thereof deposits for subsidised loans	2,734,678	2,766,987	472,009	278,711	1,329,011	687,257
Amounts owed to customers	13,087,167	13,123,164	11,958,447	320,769	493,150	350,798
Securitised liabilities	1,854,005	1,979,536	18,651	170,574	566,650	1,223,662
Subordinated liabilities	485,774	533,101	21,401	17,766	256,460	237,474
Derivative liabilities IRS/CCS	50,673	63,478	356	14,022	36,927	12,172

49) Risk of excessive indebtedness

Oberbank measures the risk of incurring excessive debt by calculating the debt ratio (leverage ratio) pursuant to Article 429 CRR. An internal limit of 4% was defined for the debt ratio for the purpose of effectively controlling this risk. The leverage ratio was 11.91% on 31 December 2021 (31/12/2020: 11.24%). Oberbank's statutory limit was 3.5% as at 31 December 2021.

50) Sustainability risk

Sustainability risk comprises physical risks that result from extreme weather events and transition risks that result from the changeover to a low-carbon economy. In accordance with the recommendations of the FMA in the *Guidelines on how to deal with sustainability risks*, the special topics of sustainability risks in risk management are covered under primary risks. Details on the management of sustainability risks in the credit portfolio are presented in Note 43.

51) Systemic risk

Systemic risk describes the risk of a disruption in the financial system as a whole or in parts of the financial system, which can result in serious negative effects in the financial system and in the real economy.
Thus, the insolvency of one market participant may lead to a chain reaction that causes significant liquidity and solvency problems for a large number of other market participants. As a result, this may cause the functional collapse of parts of the financial system or the financial system as a whole. Systemic risks are difficult to predict or influence due to complex interdependencies in the financial system.

In its function as the national resolution authority for Oberbank, the FMA has indicated the application of a resolution procedure in the event of a default or probable default being established. This assessment is based on the identification of critical functions and the expectation of significant negative effects on financial stability in Austria in the event of market exit due to insolvency. The FMA has therefore specified that Oberbank must maintain a minimum amount of own funds and eligible liabilities (MREL).

The MREL requirement has the purpose of ensuring that a bank has at all times a minimum ratio of own funds and MREL-eligible liabilities (sufficient buffer of loss absorption capital for the event of resolution and the related resolution strategy).

This ratio is expressed either as a percentage of the total risk exposure amount (TREA) or as a percentage of the leverage ratio exposure measure (LRE/TEM).
The prescribed amount of the ratios is not defined uniformly for all credit institutions in the EU, but rather on a case-by-case basis. The FMA has defined the following ratios for Oberbank AG effective as of 1 January 2022:

- mandatory TREA ratio: 19.41%
- mandatory LRE/TEM ratio: 5.90%.

As at 31 Dec. 2021, the TREA ratio was 27.28% (31/12/2020: 28.54%) and the LRE/TEM ratio was 19.03% (31/12/2020: 17.65%).

52) Other assets

The category Other risks covers risks which are classified as non-material within the framework of the business model of Oberbank and for which no individual limit is derived from the economic coverage capital.

The category Other risks includes the following banking risks:

- Reputational risks result from negative publicity impairing the reputation of a bank in the eyes of the general public. The damage to the good reputation of the bank (e.g. among customers, business partners, shareholders, authorities, ...) and the resultant loss of confidence may lead to lower earnings or losses.
- Business risks are risks that result from unexpected changes in earnings due to a change in the general business environment (e.g. lower earnings that cannot be offset by cutting expenses to the same extent, a change in the competitive environment, a change in customer behaviour, the impact of technological progress, etc.).
- Strategic risks result from failure to meet long-term corporate goals based on underlying business assumptions or due to a change in the general business environment. Such risks may be avoided or reduced by constantly monitoring the market and competitive conditions as well as by rolling strategic planning with continual adjustments to the market environment.

53) Risk report - summary

At Oberbank, risk management is an integral element of the bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for the Bank's risk management lies with the Management Board of Oberbank AG as a whole.
Management competences as well as the share of available economic capital allocated to a specific risk (Limits) or predefined management and control processes are specified for every material risk within the Oberbank Group.

54) Total outstanding positions in derivative financial instruments

Derivative financial transactions not yet settled at the balance sheet date are shown in the table below. At Oberbank, financial derivatives are used mainly for hedging market risk in business with customers and for managing the banking book. Oberbank's hedging strategy is based on the following principles:

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

	Nominal amounts			2021			2020		
	Remaining time to maturity			Nominal	Fair values		Nominal	Fair values	
in €k	up to 1	1 - 5 yrs	> 5 yrs	Total	positive	negative	Total	positive	negative
Interest rate contracts									
Interest rate options									
Call	2,500	5,420		7,920	64		32,370	22	
Put	100	6,270		6,370		-59	34,150		-23
Swaptions									
Call	36,000			36,000	413				
Put	36,000		13,000	49,000		-1,354	13,000		-611
Interest rate swaps									
Call	12,321	257,702	262,844	532,867	3,820	-25,342	661,646	11	-45,697
Put	103,439	1,062,424	743,222	1,909,085	93,825	-5,867	2,029,125	168,954	-1
Bond options									
Call									
Put									
Currency contracts									
Currency options									
Call	29,405			29,405	354		26,444	112	
Put	28,760			28,760		-291	23,718		-69
Currency forwards									
Call	2,004,740	287,368		2,292,108	24,702		2,192,372	25,220	
Put	2,010,211	286,800		2,297,011		-28,703	2,201,467		-30,752
Cross Currency Swaps									
Call		240,969		240,969	8,739	-639	228,260		-3,169
Put	4,159	168,104	4,192	176,455	5,414	-6,831	127,337	5,127	-1,806

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. The fair values of symmetrical products (interest rate swaps, forward exchange deals) were measured applying present values on a clean price basis. Calculations were based on Reuters yield curves. The exchange rates used are the reference rates published by the ECB. The fair values of asymmetrical products were calculated using the Black-Scholes option pricing model. Options were measured using implicit volatilities.

55) Letters of comfort on behalf of subsidiaries

Oberbank AG has an interest in the companies listed below being able to fulfil their contractual obligations:

Other finance companies: Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz
Property companies: „AM“ Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz

Disclosures required by Austrian law

56) Shareholders' equity

Consolidated equity was made up of the paid-in capital of Oberbank AG (share capital plus capital reserves) and earned capital (the Group's retained earnings plus consolidated net profit for the year). Oberbank AG’s shareholders’ equity was EUR 2,296.7 million (pr.yr.: EUR 2,187.2 million) of which the share capital was EUR 105.9 million (pr.yr.: EUR 105.4 million).
As Oberbank AG distributes dividends on the basis of Austrian law, only part of the equity measured in accordance with the Austrian Business Code/Banking Act was distributable, namely net profit, non-appropriated retained earnings and the non-appropriated capital reserve. For 2021, a maximum amount of EUR 1,376.8 million would be distributable. The net distributable profit is EUR 35.5 million.

57) Human resources

Averaged over the year, the Oberbank Group had the following staff capacities in 2021:

Full-time equivalents, without management board / managing directors	2021	2020
Salaried employees	2,152	2,168
Blue-collar	6	7
Total resources	2,158	2,175

58) Breakdown of securities holdings pursuant to the Austrian Banking Act in €k

	Unlisted	Listed	Measured as fixed assets	Other measurement method	Total
Bonds and other fixed-interest securities	152,695	1,541,096	1,572,771	121,020	1,693,791
Shares and other variable-yield securities	157,141	61,996	55,201	163,936	219,137
Equity investments	123,761	303,585	427,346	0	427,346
Investments in subsidiaries	120,539	0	120,539	0	120,539
	554,136	**1,906,677**	**2,175,857**	**284,956**	**2,460,813**

59) Consolidated own funds and regulatory own funds requirement

As from 1 January 2014, Oberbank AG became subject to the provisions of Regulation (EU) No. 575/2013 (CRR) as well as CRD IV. The defined minimum capital requirements were met at all times. The own fund components disclosed are also used for purposes of internal capital management.

Regulatory capital pursuant to Part 2 of Regulation (EU) No 575/2013) – Pillar I in €k	**2021**	**2020**	**Change absolute**	**in %**
Subscribed capital	105,922	105,922	0	0
Capital reserves	505,523	505,523	0	0
Retained earnings[1)]	2,505,296	2,288,023	217,273	9.5
Minority interests	0	0	0	0
Accumulated other comprehensive income	108,702	64,698	44,004	68.0
Regulatory adjustment items	4,169	-9,303	13,472	>-100
Deductions from common equity tier 1 capital items	-258,504	-249,653	-8,851	3.5
COMMON EQUITY TIER 1 CAPITAL	**2,971,108**	**2,705,210**	**265,898**	**9.8**
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments purs. to national implementation rules	0	0	-	-
Deductions from AT1 capital items	0	0	-	-
Additional tier 1 capital	**50,000**	**50,000**	**-**	**-**
TIER 1 CAPITAL	**3,021,108**	**2,755,210**	**265,898**	**9.7**
Qualifying supplementary capital instruments	345,098	356,117	-11,019	-3.1
Supplementary capital (tier 2) items purs. to national impl. rules	865	5,050	-4,185	-82.9
General credit risk adjustments	0	0	-	-
Deductions from tier 2 capital items	-13,893	-17,047	3,154	-18.5
Supplementary capital (tier 2)	**332,070**	**344,120**	**-12,050**	**-3.5**
OWN FUNDS	**3,353,178**	**3,099,330**	**253,848**	**8.2**
Total risk exposure purs. Art. 92 CRR				
Credit risk	15,071,679	14,074,381	997,298	7.1
Market risk, settlement risk and CVA risk	45,612	39,278	6,334	16.1
Operational risk	1,070,996	1,053,164	17,832	1.7

Total exposure	**16,188,287**	**15,166,823**	**1,021,464**	**6.7**
Own funds ratio purs. to Art. 92 CRR				
Common equity tier 1 capital ratio	18.35%	17.84%	0.52% ppt	
Tier 1 capital ratio	18.66%	18.17%	0.50% ppt	
Total capital ratio	20.71%	20.43%	0.28% ppt	
Regulatory requirement own capital ratios purs. to trans.				
Common equity tier 1 capital ratio	7.06%	7.05%	0.01% ppt	
Tier 1 capital ratio	8.56%	8.55%	0.01% ppt	
Total capital ratio	10.56%	10.55%	0.01% ppt	
Regulatory capital requirements purs. to trans. rules in €k				
Common equity tier 1 capital	1,142,893	1,069,261	73,632	6.9
Tier 1 capital	1,385,717	1,296,763	88,954	6.9
Total capital	1,709,483	1,600,100	109,383	6.8
Free capital components				
Common equity tier 1 capital	1,828,215	1,635,949	192,266	11.8
Tier 1 capital	1,635,391	1,458,447	176,944	12.1
Total capital	1,643,695	1,499,230	144,465	9.6

1) Including allocation to retained earnings 2021 subject to approval by the Supervisory Board on 24 March 2022.

60) Other disclosures required pursuant to the Austrian Banking Act and Austrian Business Code

A nominal total of EUR 127.6 million of bonds issued by Oberbank will mature in the financial year 2022.
As at 31 December 2021, there was one subordinated liability in an amount of EUR 50.0 million that exceeded 10% of the aggregate amount of subordinated liabilities. Other subordinated borrowings individually coming to 10% or less of aggregate subordinated liabilities totalled €k 430,591.0 (nominal). They included supplementary capital subject to interest rates of 1.25% to 4.5% and maturities in the financial years 2022 to 2031.

In the reporting year, expenses for subordinated liabilities were €k 13,589.5. Applying market prices, the volume on the trading book was EUR 55.6 million as at 31 December 2021.

Of this amount, EUR 1.6 million are in securities (fair value) and EUR 54.0 million in financial instruments (fair value). The lease portfolio volume was EUR 1,402.4 million as at 31 December 2021. Expenses for the auditor amounted to €k 1,349.4 in the financial year (incl. VAT and incl. leasing companies and subsidiaries). This amount breaks down as follows: €k 797.6 for the audit of the single-entity financial statements and the consolidated financial statements, €k 41.8 for other auditing services, €k 143.6 for tax advisory services and €k 366.4 for other services. The expenses for the auditor of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., which is included in the consolidated financial statements on a proportionate basis, was €k 14.7.

Disclosure regarding branch establishments pursuant to § 64 (1) no 18 Banking Act in €k

Name of establishment (incl. leasing companies)	Regional Division Germany	Regional Division Czech Republic	Regional Division Hungary	Regional Division Slovakia
Business areas	Germany South Germany Central			
State of registered office	Federal Republic of Germany	Czech Republic	Hungary	Slovakia
Net interest income	40,092	36,581	27,327	10,746
Operating profit	50,911	43,862	35,017	12,186
Number of employees (full-time basis)	289.4	193.7	128.6	53.5
Profit for the period before tax	6,140	23,572	14,748	7,632
Income taxes	-1,207	-4,797	-1,532	-1,405
Public subsidies received	0	0	0	0

The return on investment pursuant to § 64 para 1 no 19 Banking Act is 0.85%.

61) List of equity investments purs. to the Austrian Business Code

As at 31 December 2020, the Company held stakes in the following companies of at least 20%	Consoli-dation method *)	direct	Share in capital in %[5] Total	Equity [3]	Last FY [4]	Result of preceding FY[4]	Comment
a) Direct investments							
“AM” Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	N	100.0	100.00				1) 6)
“LA” Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz	N	100.0	100.00				1) 6)
“SG” Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.0	100.00				1) 6)
“SP” Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.0	100.00				1) 6)
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	N	20.57	20.57				6)
3-Banken Wohnbaubank AG, Linz	V	80.00	80.00	8,284	44	2021	1)
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	8,894	0	2021	
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	N	40.00	40.00				6)
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	N	100.0	100.00				1) 2) 6)
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	N	49.00	49.00				6)
3 Banken IT GmbH, Linz (formerly DREI-BANKEN-EDV Gesellschaft m.b.H.)	N	40.00	40.00				6)
Donaulände Holding GmbH, Linz	V	100.0	100.00	347	-7	2021	1)
Gain Capital Private Equity III SCS	N	36.97	36.97				6)
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	N	33.11	33.11				6)
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	N	58.69	58.69				1) 6)
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	N	32.62	32.62				6)
Ober Finanz Leasing gAG, Budapest	V	1.00	100.00	17,674	1,599	09/2021	1)
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	V	1.00	100.00	1,332	123	09/2021	1)
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	N	100.0	100.00				1) 6)
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	V	6.00	100.00	2,081	8	09/2021	1)
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	N	100.0	100.00				1) 6)
OBERBANK LEASING GESELLSCHAFT MBH., Linz	V	100.0	100.00	52,978	11,929	09/2021	1) 2)
BKS-Leasing s.r.o., Bratislava	V	0.10	100.00	7,606	1,285	09/2021	1)
Oberbank Leasing spol. s.r.o., Prague	V	1.00	100.00	43,148	1,685	09/2021	1)
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz	N	100.0	100.00				1) 2) 6)
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	N	100.0	100.00				1) 6)
Oberbank PE Holding GmbH, Linz	N	100.0	100.00				1) 6)
Oberbank Unternehmensbeteiligung GmbH, Linz	N	100.0	100.00				1) 2) 6)
Oberbank Leasing Prievidza s.r.o., Bratislava	V	15.00	100.00	0	0	09/2021	1)
OÖ HightechFonds GmbH, Linz	N	24.70	24.70				6)

Samson České Budějovice spol. s.r.o., Budweis	N	100.0	100.00				1) 6)
TZ-Vermögensverwaltungs GmbH, Linz	N	100.0	100.00				1) 6)
Oberbank Service GmbH, Linz	N	100.0	100.00				1) 6)
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	N	40.00	40.00				6)
b) Indirect investments							
“ST” BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	N		99.90				1) 6)
3-Banken Beteiligung Gesellschaft m.b.H., Linz	N		40.00				6)
3-Banken Kfz-Leasing GmbH, Linz	V		80.00	24,299	2,260	09/2021	1)
Donaulände Garagen GmbH, Linz	V		100.00	44	8	2021	1)
Donaulände Invest GmbH, Linz	V		97.50	466	33	2021	1)
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	N		25.16				6)
Herold NZ Verwaltung GmbH, Mödling	N		24.90				6)
Oberbank Bergbahnen Leasing GmbH, Linz100.00	V		100.00	35	6	09/2021	1)
Oberbank airplane 2 Leasing GmbH, Linz	V		100.00	35	-3	09/2021	1)
Oberbank Reder Immobilienleasing GmbH, Linz	V		100.00	35	73	09/2021	1)
Oberbank Eugendorf Immobilienleasing GmbH, Linz	V		100.00	35	201	09/2021	1)
Oberbank FSS Immobilienleasing GmbH, Linz	V		100.00	35	173	09/2021	1)
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	V		100.00	9	-2	09/2021	1)
Oberbank Leobendorf Immobilienleasing GmbH, Linz	V		100.00	35	423	09/2021	1)
Oberbank Abwicklung 01 GmbH (formerly Oberbank Idstein Immobilien-Leasing GmbH), Neuötting	V		100.00	18	-4	09/2021	1)
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	V		95.00	1,275	46	09/2021	1)
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	V		100.00	741	1,308	09/2021	1)
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	V		6.00	0	47	09/2021	1)
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	N		100.00				1) 6)
Oberbank KB Leasing Gesellschaft m.b.H., Linz	V		100.00	69	313	09/2021	1)
Oberbank Kfz-Leasing GmbH, Linz	V		100.00	35	1,723	09/2021	1)
Oberbank Leasing GmbH Bayern, Neuötting	V		100.00	6,401	3,302	09/2021	1)
Oberbank Leasing JAF HOLZ, s.r.o., Prague	V		95.00	5,660	231	09/2021	1)
Oberbank Leasing Palamon s.r.o., Prague	V		100.00	7,706	318	09/2021	1)
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	V		99.80	35	52	09/2021	1)
Oberbank Operating Mobilienleasing GmbH, Linz	V		100.00	35	267	09/2021	1)
Oberbank Operating OPR Immobilienleasing GmbH, Linz	V		100.00	35	599	09/2021	1)
Oberbank PE Beteiligungen GmbH, Linz	N		100.00				1) 6)
Oberbank Pernau Immobilienleasing GmbH, Linz	V		100.00	35	191	09/2021	1)

Oberbank Riesenhof Immobilienleasing GmbH, Linz	V	100.00	35	96	09/2021	1)
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	35	106	09/2021	1)
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	V	100.00	18	172	09/2021	1)
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	V	100.00	35	101	09/2021	1)
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	V	100.00	35	56	09/2021	1)
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	168	301	09/2021	1)
OBK Ahlten Immobilien Leasing GmbH, Neuötting	V	94.00	1,000	100	09/2021	1)
OBK München 1 Immobilien Leasing GmbH, Neuötting	V	100.00	27	-3	09/2021	1)
OBK München 2 Immobilien Leasing GmbH, Neuötting	V	100.00	30	-20	09/2021	1)
OBK München 3 Immobilien Leasing GmbH, Neuötting	V	100.00	30	452	09/2021	1)
POWER TOWER GmbH, Linz	V	99.00	70	-80	09/2021	1)
Oberbank NGL Immobilienleasing GmbH (formerly Oberbank Wien Süd Immobilienleasing GmbH), Linz	V	100.00	35	-5	09/2021	1)
Techno-Z Braunau Technologiezentrum GmbH, Braunau	N	21.50				6)

*) Method of inclusion in the consolidated financial statements: V = consolidated, E = accounted for using the equity method, Q = accounted for by proportionate consolidation, N = not included in the consolidated financial statements purs. to IAS 27 in conjunction with Framework 29

1) Subsidiary; 2) Profit transfer agreement; 3) Includes untaxed reserves; 4) Profit (loss) for the year pursuant to § 231 (2) no. 21 Austrian Business Code (UGB); 5) Indirect investments in credit institutions and other financial institutions were measured in accordance with § 30 of the Austrian Banking Act (BWG); indirect investments in other companies pursuant to the Business Code (UGB); 6) Use was made of § 242 (2) Austrian Business Code.

Statement pursuant to § 124 para 1 no 3 Stock Exchange Act

Statement by all legal representatives of the Company

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group presents the business trends, including business results and the position of the Group, in such a way as to provide a true and fair view of the financial position and performance of the Group and that it describes the material risks and uncertainties to which the Group is exposed.

Linz, on 11 March 2022

The Management Board

CEO	Management Board Memb	Management Board Meml	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer	Martin Seiter
Remit	Remit	Remit	Remit
Personnel and Accounting	Personal Banking	Overall Risk Management	Corporate and Business Banki

Auditor's Report

Report on the consolidated financial statements

Audit Opinion

We have audited the consolidated financial statements of

Oberbank AG,
Linz

and its subsidiaries (Group) consisting of the consolidated financial statements for the year ended on 31 December 2021, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ending on said closing date as well as the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with the legal provisions and present fairly in all material respects the assets and financial position of the Group as at 31 December 2021 as well as the result of operations and cash flows for the financial year ended on this closing date in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of § 245a Business Code and § 59a Banking Act.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and generally accepted Austrian standards for the audit of financial statements. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these rules and standards are described in more detail under "Responsibility of the auditor for the audit of the consolidated financial statements" in our audit certificate. We are independent of the Group as stipulated by Austrian company law and statutory professional standards, and have complied with our other professional duties in accordance with these requirements. We believe that we have obtained sufficient and suitable audit evidence so that our audit provides an adequately reliable basis for our audit opinion.

Key audit matters

Key audit matters are those that in our professional opinion had the greatest significance for our audit of the financial statements for the financial year being audited. These matters were taken into consideration in the context of our audit of the consolidated financial statements as a whole and when forming our audit opinion, and we do not provide a separate opinion on these matters.

Key audit matters

— Recoverable value of loans and advances to customers, and measurement of loan loss provisions

— Measurement of shares in associates

— Measurement of investments measured at FV/OCI (Level 3)

— Legal disputes of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Recoverable value of loans and advances to customers, and measurement of loan loss provisions

Risk for the financial statements

Loans and advances to customers in the consolidated balance sheet are €k 18,641,779; the loan loss provisions for this purpose amounted to €k 213,852, and provisions for credit risks were €k 135,250.

In the Notes, the Management Board of Oberbank AG describes the procedure for determining charges for losses on loans and advances (see Note "Discretionary decisions, assumptions and estimates", "Impairment charges" and "Charges for losses on loans and advances" and also "Effects of the Covid-19 Pandemic on the Group").

Impairment losses are recognised for defaulted borrowers in the amount of the lifetime expected credit loss (Stage 3 Loan loss provisions). The identification of the need to recognise impairment losses and the determination of impairment losses as well as the valuation of provisions are subject to substantial assessment uncertainties and room for discretion. These result from assumptions regarding the economic situation and development of the respective borrower as well as from the valuation of loan collateral and therefore have effects on the amount and timing of the expected future cash flows. Lump sum amount for specific impairment allowances for nonsignificant borrowers in default are based on models and statistical parameters, and therefore, also include discretionary decisions and assessment uncertainties.

Impairment is recognised in the amount of the 12-month expected credit loss if the credit risk has not increased significantly (Stage 1) since initial recognition or is very low on the reporting date. For the event of a significant increase in credit risk (Stage 2), impairment provisions in the amount of the lifetime expected credit loss are allocated. When deciding stage allocation and determining expected credit losses in Stage 1 and 2, extensive estimates and assumptions are necessary.

As the impairment model applied does not adequately cover extraordinary circumstances such as the COVID-19 crisis, the bank – in addition to the model result – temporarily increase the impairment charge (management overlay) on the basis of internal estimates based on external forecasts of economic development. This management overlay takes the form of a collective stage transfer to Stage 2 for the sub-portfolios identified.

The risk for the financial statements lies in the circumstance that the calculation of impairment charges, taking into account the management overlay, is based to a significant extent on estimates and assumptions that are also influenced by the COVID-19 crisis. This may result in the possibly false representation of the impairment charges amount in the financial statements.

Our procedure for the audit

With respect to the recoverable value of loans and advances to customers and measurement of provisions for credit risks, we carried out the following auditing activities:

— We examined the rating monitoring process and assessed if it is suitable for identifying impairment losses in a timely manner and for defining the adequate amount of impairment charges to be recognized. We examined the selected key controls in this context as to their design and implementation and also took random samples to ascertain their effectiveness.

— Based on random samples, we examined if the rating was assigned in accordance with the internal guidelines and if impairment events were identified in time. The selection of samples was risk-based, with a special weighting being given to rating grades with higher default risks and to sectors that are expected to be more severely affected by the coronavirus crisis. To evaluate the amount of provisions for significant, non-performing borrowers, the assumptions of the bank were evaluated as to their plausibility and consistency with respect to time and amount of the expected payment flows.

— We verified the models and their parameters to determine the provisions for nonsignificant, non-performing borrowers and analysed these for suitability for determining provisions in adequate amounts. We verified the correctness of the calculation of the risk provisions using random samples.

— For impairment charges calculated at the portfolio level (Stage 1 and 2), we evaluated the underlying calculation models including the parameters applied and macroeconomic forecasts to assess if these are suitable for adequately determining the required impairment charges. We analysed the rationale and reasoning of the management overlay as well as the underlying assumptions with respect to suitability. We used the services of internal specialists for these audit activities.

Measurement of shares in associates

Risk for the financial statements

The Oberbank Group recognises associated companies by applying the equity method. In total, the companies recognised using the equity method have a carrying value of €k 1,000,764.

In the Notes, the Management Board of Oberbank AG describes the procedure for determining charges for losses on loans and advances (see Notes "Discretionary decisions, assumptions and estimates", "Impairment charges" and "Charges for losses on loans and advances" and also “Effects of the Covid-19 Pandemic on the Group”).

The equity method is an accounting method in which equity investments are first recognised at cost, but subsequently adjusted for any changes to the share of the investor in the net assets of the investee. If there are objective grounds for impairment, the recoverable amount is determined. The determination of the recoverable amounts depends on estimates such as expected future cash flows or results, discount interest rates or assumptions for growth rates.

The risk for the financial statements derives from the circumstance that these assessments leave room for discretion within certain bandwidths and contain assessment uncertainties and this may result in a potential risk misstatement in the financial statements.

Our procedure for the audit

We conducted the following key audit activities for the measurement of associates:

— With respect to the measurement models, the assumptions underlying the projections and the measurement parameters for the valuation of the shares in associated companies, we employed our own specialists. In this context, the measurement models used were verified and an assessment conducted to ascertain their suitability for determining recoverable amounts. The measurement parameters used in the models were evaluated - primarily the interest rate components. We compared the assumptions for the interest rate used with market reference values and reference values for specific sectors to assess suitability.

— We have verified the accuracy of the calculation of the recoverable amounts.

Measurement of investments measured at FV/OCI (Level 3)

Risk for the financial statements

The Oberbank Group accounts for selected equity investments at fair value and recognises changes in fair value in other comprehensive income (FV/OCI). The investments reported in the balance sheet amount to € 241,933.

In the Notes, the Management Board of Oberbank AG describes the accounting and measurement policies (see Notes "Discretionary decisions, assumptions and estimates" and the "Fair value of financial instruments”).

The measurement of these selected investments is based on enterprise valuations by external experts or internal enterprise valuations. These are generally based on parameters that are not observable on the market (level 3 category) and therefore depend on estimates such as expected future cash flows or results, discount interest rates or assumptions for growth rates.

The risk for the financial statements derives from the circumstance that these enterprise valuations leave room for discretion within certain bandwidths and contain assessment uncertainties, and this may result in a potential risk of misstatement regarding the valuation in the financial statements.

Our procedure for the audit

We conducted the following key audit activities for the measurement of investments at FVOCI (level 3):

- We assessed the key processes for the measurement of investments at FVOCI (level 3) and assessed a selected key control to ascertain if the design and implementation are generally suitable for identifying the required impairments and potential reversals in a timely manner.

- With respect to the measurement models, the assumptions underlying the projections and the measurement parameters for the valuation of the investments at FVOCI (level 3), we employed our own specialists. In this context, the measurement models used were verified and an assessment conducted to ascertain their suitability for determining enterprise value. The measurement parameters used in the models were evaluated - primarily the interest rate components. We compared the assumptions for the interest rate used with market reference values and reference values for specific sectors to assess suitability. We checked the extent to which the company was in line with projections by comparing the preceding year's projections with the results of the current year.

- We have verified the accuracy of the calculation using test cases of enterprise value.

Legal dispute of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Risk for the financial statements

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. filed a petition with the Takeover Commission requesting an investigation of compliance with takeover law (mandatory bid).

In the Notes, the Management Board of Oberbank AG describes the status of the legal dispute of 3 Banken (Oberbank AG, BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft) with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m. b. H. as well as a current assessment of the matter (Note "Discretionary decisions, assumptions and estimates").

The Management Board must make an assessment of the legal risks and effects on the financial statements based on the estimates of external legal experts, expert opinions and the current status of proceedings.

The risk for the financial statements results from the assessment of the aforementioned factors, in particular, the further decisions taken in the ongoing proceedings and the assessment with respect to any claims of shareholders should the bank (as a member of the syndicates of BVT and BKS) be obliged to make a mandatory offer. This results in assessment uncertainties regarding the potential risk provisions required due to the legal disputes with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Our procedure for the audit

We conducted the following key auditing actions with respect to the legal dispute of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H:

- In our audit, we inspected relevant documents, verified the assessments regarding risk provisions to be set up and checked the presentation in the financial statements.
- We have verified the assessment of the Management Board, in particular, the assumptions made and the conclusions drawn for the financial reporting. To this end, we obtained and analysed the expert opinions and statements submitted by the plaintiff to the law office contracted by the bank to deal with the legal proceedings to ascertain if the assessments of the Management Board are consistent with the current status of the legal proceedings.
- Finally, an assessment was made if the pertinent information in the Notes to the consolidated financial statements are correct.

Other information

The legal representatives of the company are responsible for the other information. Other information refers to information other than the consolidated financial statements, the Group management report or the corresponding auditor's report.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance in this respect.

With respect to our audit of the consolidated financial statements, we have the responsibility to read the other information and assess if it contains any material inconsistency with respect to the consolidated financial statements or to the knowledge we gained during our audit or in any other way seems to be presented incorrectly.

Should we draw the conclusion based on the other information obtained in the course of our work before the date of the auditor's audit certificate indicating that there is a material misstatement of this information, we are under the obligation to report this fact. We have nothing to report in this regard.

Responsibility of the legal representatives and the Audit Committee for the consolidated financial statements

The legal representatives are responsible for the preparation of the Group's consolidated financial statements and must ensure that these are in compliance with the IFRS as applicable within the European Union, and with the additional requirements of § 245a Business Code and § 59a Banking Act and present fairly in all material respects the assets and financial position of the Group and the result of operations of the Group. The legal representatives are moreover responsible for the internal controls they deem necessary to prepare consolidated financial statements that are free from material – intentional or unintentional – misrepresentations.

When drafting the consolidated financial statements, the legal representatives are also responsible for assessing the capacity of the company to continue as a going concern, for stating the matters relating to the going concern – if relevant – and also for applying the accounting policy of going concern unless the legal representatives have the intention of either liquidating the concern or discontinuing operations or have no realistic alternative to these options.

The Audit Committee is responsible for monitoring the accounting process of the Group.

Responsibility of the auditor for the audit of the consolidated financial statements

Our objective is to obtain sufficient certainty with respect to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misrepresentations and to award an audit certificate that states this audit opinion. Sufficient certainty is a high degree of certainty, but not a guarantee that the audit of the financial statements in accordance with the EU Regulation will always reveal material misrepresentations, if any, by auditing the financial statements prepared in accordance with accounting standards applicable in Austria that stipulate the application of ISA. Misrepresentations may result from fraudulent acts or from mistakes and are considered material if it can be reasonably assumed that these, in each case or together, have an influence on the economic decisions users reach on the basis on these consolidated financial statements.

When conducting an audit in accordance with the EU Regulation and with accounting standards applicable in Austria, which require the application of ISA, we exercise due care and diligence and maintain professional scepticism throughout the entire engagement.

The following also applies:

– We identify and assess the risks of material misstatements, whether intentional or unintentional, in the financial statements; plan audit procedures in response to these risks; and perform audits that serve as a sufficient and appropriate basis for our audit opinion. The risk that material misstatements resulting from fraudulent acts will not be identified is greater than the failure to reveal misstatements resulting from errors, because fraud may include fraudulent cooperation, counterfeiting, deliberate omissions, misleading representations or the overriding of internal controls.

– We obtain an understanding of the internal control system to the extent that this is of relevance for the audit of the financial statements in order to plan the suitable audit activities under the given circumstances, but not to express an audit opinion on the effectiveness of the company's internal control system.

– We assess the suitability of the accounting policies used by the legal representatives of the company as well as the reasonableness of the estimated values presented by the company's legal representatives in the financial statements and the related information.

– We assess the appropriateness of the legal representatives' use of the going concern basis of accounting; we also determine, based on the audit evidence obtained, whether material uncertainty exists in connection with events or circumstances that may cast significant doubt on the Group's capacity to continue as a going concern. Should we reach the conclusion that there is material uncertainty, we are under the obligation to point out the relevant information in the consolidated financial statements in our audit certificate, or, if giving this information would not be reasonable, we must modify our audit certificate. We draw our conclusions on the basis of the audit evidence obtained up until the date of our audit certificate. However, future events or circumstances may cause the Group to leave the path of a going concern.

- We assess the overall presentation, the structure and the contents of the consolidated financial statements including the data and also whether the consolidated financial statements reflect the underlying transactions and events in such a manner so as to present a true and fair view of the company.
- We obtain sufficient audit evidence on the financial information of the entities or business activities within the Group so as to be able to reach an audit opinion on the consolidated financial statements. We are responsible for the management, monitoring and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinion.
- We exchange views with the Audit Committee regarding, among other things, the planned scope and the planned schedule of the audit of the financial statements as well as regarding major audit findings including any significant deficiencies in the internal control system we have discovered during our audit.
- We also give the Audit Committee a statement declaring that we have complied with the relevant professional code of conduct on the independence of the auditor and discuss with the Audit Committee all relationships or other matters that may reasonably be assumed to have an influence on our independence and – if applicable – on related protection measures.
- We decide which matters from among all those we have discussed with the Audit Committee are in our view the most significant for the audit of the consolidated financial statements in the reporting year and are therefore key audit matters. We describe these matters in our audit certificate, unless the law or other statutory provisions rule out the public disclosure of the matter, or, in very rare cases, we determine that a matter does not need to be disclosed in our audit certificate, because it may reasonably be expected that the negative effects of such a disclosure would outweigh the benefits for the public.

Other statutory and legal requirements

Report on the Group management report

According to the legislative provisions in force in Austria, the Group management report must be audited to ascertain whether it is consistent with the consolidated financial statements and to ensure that it has been drafted in accordance with the requirements of applicable law.

The company's legal representatives are responsible for preparing the consolidated financial statements in accordance with accounting standards applicable to companies in Austria.

We have conducted our audit in accordance with the principles of professional conduct applicable to the audit of the Group Management Report.

Audit opinion

In our opinion, the Group management report has been drafted in accordance with the requirements of applicable law in Austria; it contains the correct information pursuant to § 243a Business Code and is consistent with the consolidated financial statements.

Statement

Based on our findings from the audit of the consolidated financial statements and the understanding gained of the Group and its environment, we did not find any material misstatements in the Group management report.

Additional information pursuant to Article 10 EU Regulation

We were appointed as auditors of the financial statements at the Annual General Meeting of 20 May 2020, and on 10 June 2020, we were contracted by the Supervisory Board to conduct an audit of the consolidated financial statements of Oberbank AG for the year ended on 31 December 2021.

We have been the auditors of the consolidated financial statements of the company for over 20 years.

We hereby declare that the audit opinion in the section "Report on the audit of the consolidated financial statements" with the additional report to the Audit Committee is in compliance with Article 11 of the EU Regulation.

We hereby declare that we have not provided any prohibited non-audit services (Article 5 (1) EU Regulation) and that we retained our independence from the Group company in the conduct of our audit of the financial statements.

Auditor responsible for the audit mandate

The auditor responsible for the audit mandate is Christian Grinschgl.

Linz, 11 March 2022

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

qualified electronic signature:
Christian Grinschgl
Certified Public Accountant

This document has been qualified and electronically signed and is only valid in this version. The publication or reproduction bearing our certified audit opinion shall only be permitted in the version we have certified. This audit opinion refers exclusively to the German version and the complete financial statements including the group management report. The provisions of § 281 (2) Business Code apply to any divergent versions.

Profit distribution proposal

Distributable profit is determined on the basis of the single-entity financial statements of the parent of the Group, Oberbank AG. Net profit for the 2021 financial year of Oberbank AG was EUR 122.5 million. After the allocation of EUR 87.2 million to reserves and including the profit brought forward of EUR 0.2 million, the profit available for distribution amounts to EUR 35.5 million.

Subject to approval by the Annual General Meeting, the Management Board proposes to distribute a dividend of EUR 1.00 per eligible share. This results in a distribution amount of EUR 35.3 million at 35,307,300 ordinary shares. Furthermore, the Management Board proposes to carry the remainder of EUR 214,578.02 forward to new account.

Linz, 25 February 2022

The Management Board

CEO	Management Board Member	Management Board Member	Management Board Member
Franz Gasselsberger	Josef Weißl	Florian Hagenauer	Martin Seiter
Remit	Remit	Remit	Remit
Personnel and Accounting	Personal Banking	Overall Risk Management	Corporate and Business Banking

Preamble

Dear shareholders,

The past financial year 2021 was overshadowed worldwide by the coronavirus pandemic and its severe impact on economic conditions. Oberbank has demonstrated that it is a reliable partner for customers despite the extraordinarily challenging circumstances. This is reflected in the excellent earnings for the year. The success of Oberbank is founded on the work of the Management Board and the dedication of the staff. The professionalism, speed and flexibility with which the Management Board and staff responded to the special challenges in the financial year 2021 enormously impressed the Supervisory Board. The Supervisory Board played a key role in defining the strategic orientation (business and risk strategy) and in monitoring compliance with the requirements resulting from legislation and the company's articles of association also taking into account the rules of the Austrian Code of Corporate Governance valid for the reporting year. Each member of the currently 15-member Supervisory Board contributes their knowledge and experience to the discussions during the Supervisory Board meetings. I would especially like to thank my deputy, Martin Zahlbruckner, who as my predecessor as Chairman of the Supervisory Board skilfully headed the Annual General Meeting 2021 in his customary calm and objective manner.

Mode of operation of the Supervisory Board

In addition to the four scheduled meetings, the Supervisory Board held one extraordinary meeting in the financial year 2021 at which it dealt with the legal matter relating to UniCredit Bank Austria (UCBA) and the final decision of Oberlandesgericht Linz (Higher Regional Court) on the reduction of the number of members of the Supervisory Board. The Supervisory Board also passed a resolution by circular vote to charge the law firm Haslinger Nagele Rechtsanwälte GmbH to act as legal counsel for the proceedings in the lawsuit filed by UCBA on 22 July 2021. The matters contested at these proceedings are first, the known issues relating to past capital increases, and second, a new claim demanding that no capital increases be carried out in the future. The Supervisory Board reached the decisions it is responsible for by law and pursuant to the Articles of Association, and conducted the reviews that are its remit and mandated in the provisions of the Austrian Stock Corporation Act. The Supervisory Board regularly communicated with the Management Board regarding the development of business the risk situation both in writing and orally. As Chairman of the Supervisory Board, I was in regular contact with the Chairman of the Management Board to discuss the Company's strategy, business development and risk management activities. Prior to the meetings, I also regularly spoke to the Head of Internal Audit who informed me about the results of the audits since the last meeting and the implementation status of the recommendations. The concept for conducting training courses on specific supervisory and banking issues within the framework of the Supervisory Board meetings for the implementation of the "fit & proper" rules was revised in the year 2020. Based on this concept, two half-day training courses were held in the reporting year on selected or new regulations and special topics. To this end, external experts as well as internal experts were held the courses on their special topics.

Andreas König

Chairman of the Supervisory Board

Committees of the Supervisory Board

The **Working Committee** passed five resolutions by way of written circular in 2021. Business matters decided by the Working Committee were subsequently reported at the next meeting of the full Supervisory Board. The business cases were also discussed in detail.

The **Credit Committee** approved a total of 91 loan applications by way of written circular in 2021. Business matters decided by the Credit Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

In accordance with banking law, the **Risk Committee** held a meeting in the presence of the Head of Department responsible for independent risk management at Oberbank and the competent State Commissioner. At this meeting, the Committee dealt in detail with the risk strategy of Oberbank and other issues required by law. The full Supervisory Board was informed in detail of the topics discussed at its following meeting.

The **Nominations Committee** held three meetings in 2021 also with attendance of the State Commissioner and fulfilled all of its tasks as stipulated by law. At its meeting of 16 March 2021, the Nominations Committee confirmed the target ratio of 30% defined by law for the underrepresented gender on the Supervisory Board and confirmed target ratio for the Management Board. Since 1 January 2018, the law has defined a minimum ratio of 30% women and 30% men on the Supervisory Board. Shareholder representatives and employee representatives agreed at the Supervisory Board meeting of 25 September 2017 to work together to fulfil the ratio. They waived any objections in this respect until 31 December 2022. As at 31 December 2021, with six female Supervisory Board members of a total of 15, Oberbank exceeded the mandated statutory ratio of 30% by reaching 40%.
The Nominations Committee plays a key role in the replacement of vacant supervisory board mandates and for appointing new members or reappointments to management board positions in a timely manner. At its meeting of 16 March 2021, the Nominations Committee, chaired by Barbara Leitl-Staudinger, reviewed the certified fit & proper statements of all Management Board and Supervisory Board members. The collective as well as the individual suitability of all current members and members up for election was confirmed by the Nominations Committee and, with regard to the members of this committee, by the full Supervisory Board.
The Supervisory Board mandate of Ludwig Andorfer expired at the end of the Annual General Meeting 2021. His career began in 1969 when he joined the bank, and he was appointed to the Management Board in 2002. From 2011, Ludwig Andorfer contributed his expertise and experience to the Supervisory Board, but was no longer available for re-election in 2021. The Supervisory Board would like to convey its sincere appreciation to Ludwig Andorfer for the many years and valuable work he contributed to Oberbank AG. At an extraordinary meeting of the Nominations Committee held of 10 May 2021 in the presence of the State Commissioner, it dealt with the premature prolongation of the mandate on the Management Board of CEO Franz Gasselsberger and recommended this to the Supervisory Board on the following day.
On the evening before the fourth regular meeting of the Supervisory Board in November, the Nominations Committee held a meeting at which it approved the Fit & Proper Policy revised to comply with the new EBA guidelines.

At its meeting of 16 March 2021, the **Remuneration Committee** dealt in detail with the variable remuneration components of the Management Board members for the financial year 2020 based on documented long-term goals and, in compliance with the EBA Guidelines on Sound Remuneration Policies, voted to pay this component at a ratio of 50% in equity instruments and 50% in cash, with the respective equity instruments being subject to a holding period of three years and the portion to be deferred for a period of five years having to consist in equal parts of equity instruments and cash.

Applying the Policy governing the internal process for identifying so-called risk buyers, an assessment was made of the applicability of the aforesaid remuneration principles to employees below management board level and the variable remuneration to be granted to these employees for the financial year 2020.
The variable remuneration to employees at levels below the Management Board with an impact on the risk profile of the bank is minor. Therefore, the payout modalities decided are limited to the Management Board members as set out the EBA Guidelines for Sound Remuneration Policy. At this meeting, the Committee worked intensely on the Remuneration Report for the Management Board and for the Supervisory Board to be presented to the Annual General Meeting for the first time. The report was adopted and recommended to the full Supervisory Board for presentation to the Annual General Meeting, which was also decided at the meeting of 17 March 2021. The Nominations Committee also recommended to the full Supervisory Board that the remuneration policy for the Management Board and the Supervisory Board be resubmitted to the Annual General Meeting due to adjustments decided at the Remuneration Committee meeting, and this was also adopted by the Annual General Meeting. In the extraordinary meeting of 10 May 2021, the Remuneration Committee, in the presence of the State Commissioner, dealt intensively with the Management Board contract for CEO Franz Gasselsberger in preparation for the Supervisory Board meeting on 11 May, and reached the decision to approve it in the event the premature prolongation was adopted. At the extraordinary meeting on 22 November 2021, the general remuneration policy applicable to all employee categories was approved in a revised version based on the new EBA Guidelines.

The **Audit Committee** held two meetings in 2021 and fulfilled all tasks stipulated by law. The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.

At its meeting of 17 March 2021, the Audit Committee reviewed the annual financial statements, the (consolidated) non-financial information report (sustainability report) and the (consolidated) corporate governance report of Oberbank AG, and reported thereon to the Supervisory Board. The Supervisory Board endorsed the findings of the review, agreed with the annual financial statements and management report as submitted by the management board, including the proposed appropriation of profit, the non-financial information report and the corporate governance report and approved the financial statements for 2020, which are thus final for the purposes of § 96 (4) of the Stock Corporation Act. The Audit Committee examined the consolidated financial statements for the financial year 2020 and the group management report and reported thereon to the Supervisory Board. The Supervisory Board concurred with the findings of the audit.
At its meeting of 17 March 2021, the dividend proposal for 2020 was also approved by the Supervisory Board as recommended considering the urgent recommendation of the ECB regarding restrictions to dividend payouts. Initially only EUR 0.58 per share were to be paid out unconditionally on the net profit of EUR 31 million. However, based on the resolution on the appropriation of profits adopted by the Annual General Meeting in May 2021, a further EUR 0.17 per share were to be paid out in dividends in the fourth quarter of 2021 after the dividend restrictions of the ECB ceased to apply, and thus the shareholders ultimately received the originally announced total of EUR 75.0 per share.

Due to the obligation to externally rotate the auditors for the audit of the single-entity financial statements and the consolidated financial statements for the 2022 financial year, the Audit Committee initiated a tender in 2020 in accordance with Article 16 of the EU Audit Regulation and closely analysed the candidates in this context. At the Audit Committee meeting held in Q1 2021, a well-founded recommendation was adopted by the Supervisory Board for the appointment of auditors at the 2021 Annual General Meeting, which included two proposals for the audit mandate and the Audit Committee's preference. After detailed discussion, the Supervisory Board concurred with the recommendation of the Audit Committee and decided to propose to the Annual General Meeting, the firm Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, with a preference for Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, as auditors of the financial statements and bank auditors for the single-entity and consolidated financial statements for the 2022 financial year.

Legal Committee

On account of the lawsuit filed by UniCredit Bank Austria, the Supervisory Board took the decision to set up a special committee at its meeting of 17 September 2019 to deal with the legal matters and the legal proceedings filed by UniCredit Bank Austria. This became necessary because confidential information from the Supervisory Board was passed on to the lawyers of the major shareholder filing the lawsuit, a fact confirmed by a court ruling. The Legal Committee held 5 meetings in the reporting year, each in the presence of the State Commissioner or her deputy. Four of these five meetings were held regularly to prepare the subsequent Supervisory Board meeting at which the full Supervisory Board was also informed about the status of the proceedings.

The attorney from the law firm Saxinger, Chalupsky & Partner Rechtsanwälte GmbH who was invited to the meeting held on 21 May 2021 to clarify issues relating to the final ruling of Oberlandesgericht Linz to reduce the number of members of the Supervisory Board at the Annual General Meeting 2019 confirmed at both the extraordinary meeting of the Supervisory Board on 12 July 2021 and also at the meeting of the Legal Committee on 27 September 2021 that the ruling did not contain anything indicating the need for the Management Board or the Supervisory Board to take action. With respect to the other proceedings which have been filed by UniCredit Bank Austria AG since 2019 not only against Oberbank AG but also against BTV and BKS, all court rulings handed down to date have rejected the central legal positions of UniCredit Bank Austria AG, with some of the rulings already being final and legally binding.

Annual General Meeting

The Annual General Meeting was held on 11 May 2021 in the form of a virtual meeting due to the coronavirus pandemic. The associated technical and organisational challenges were mastered excellently. The mandates of Ludwig Andorfer and Gerhard Burtscher ended due to expiry of period of office. Gerhard Burtscher was re-elected by the Annual General Meeting; I was newly elected to the mandate being vacated by Ludwig Andorfer. I would like cordially thank the shareholders for their trust. There were no challenges to the resolutions of the 2021 Annual General Meeting.

Bank auditor

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the financial statements 2021 of Oberbank AG and the group management report. The audit did not give rise to any objections and the legal requirements were fully complied with; therefore the auditors awarded an unqualified opinion.
KPMG Austria KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2021 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the group management report, prepared in accordance with the provisions of the Austrian Business Code.

The audit did not give rise to any objections and all requirements of the law were satisfied. In the opinion of the bank auditors, the consolidated financial statements present a true and fair view of the assets and financial position of the Group for the year ended on 31 December 2021 as well as of the result of operations and cash flows during the year from 1 January to 31 December 2021. The auditors confirm that the Group management report is consistent with the consolidated financial statements and that the legislative requirements for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been satisfied.

The employees of Oberbank AG are hard-working and highly qualified. They are exceptionally committed and exhibit a high degree of personal engagement. Their dedication together with the Management Board, which ensures the right framework, made it possible to achieve the excellent results again despite the challenging environment. The Supervisory Board recognises this as a special achievement and thanks the Management Board, management staff and all employees.

Linz, in March 2022

The Supervisory Board

Dr. Andreas König

Chairman of the Supervisory Board

Supervisory Board

Honorary President:	**Hermann BELL**
Chairman:	**Andreas König** *(since 11 May 2021)*
Vice Chairman:	**Martin Zahlbruckner** (Chairman until 11 May 2021)
Members:	**Gerhard Burtscher**
	Hannes Bogner
	Stephan Koren
	Barbara Leitl-Staudinger
	Alfred Leu
	Peter Mitterbauer
	Barbara Steger
	Herta Stockbauer
State Commissioners:	**Angelika Schlögel, State Commissioner**
	Jutta Raunig, Deputy State Commissioner
Staff representatives:	**Wolfgang Pischinger, Chairman of the Central Works Council of Oberbank AG**
	Alexandra Grabner
	Susanne Braun
	Elfriede Höchtel
	Sven Zeiss
Management Board:	**Franz Gasselsberger, Chairman**
	Josef Weißl
	Florian Hagenauer
	Martin Seiter

Service Information

Organisational Structure of Oberbank
Structure of the Oberbank Group
Business Areas and Branches
Shareholders of the 3 Banken Group by Voting Share

Organisational Structure of Oberbank AG

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Service Information

Business Areas and Branches

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Austria

Main Branch Linz Nord, A-4020 Linz, Untere Donaulände 36

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Affiliated branches A-4040 Linz – Dornach, Altenberger Straße 9
A-4040 Linz – Harbach, Leonfeldner Straße 75 a
A-4020 Linz – Stadthafen, Industriezeile 56
A-4040 Linz – Urfahr, Hinsenkampplatz 1
A-4070 Eferding, Stadtplatz 32
A-4240 Freistadt, Linzer Straße 4
A-4210 Gallneukirchen, Hauptstraße 4
A-4060 Leonding, Mayrhansenstraße 13
A-4100 Ottensheim, Hostauerstraße 87
A-4320 Perg, Herrenstraße 14
A-4150 Rohrbach, Stadtplatz 16

Main Branch Linz Süd, A-4020 Linz, Landstraße 37

Klaus Hofbauer, Phone +43/(0)732/774211 ext. 31322, klaus.hofbauer@oberbank.at

Affiliated branches: A-4030 Linz – Kleinmünchen, Wiener Straße 382
A-4020 Linz – Neue Heimat, Wegscheider Straße 1 – 3
A-4020 Linz – Spallerhof-Bindermichl, Einsteinstraße 5
A-4020 Linz – Weißenwolffstraße, Weißenwolffstraße 1
A-4020 Linz – Wiener Straße, Wiener Straße 32
A-4470 Enns, Hauptplatz 9
A-4400 Steyr – Münichholz, Punzerstraße 14
A-4400 Steyr – Stadtplatz, Stadtplatz 25
A-4400 Steyr – Tabor, Ennser Straße 29
A-4050 Traun, Linzer Straße 12
A-4050 Traun – St. Martin, Leondinger Straße 2

Main Branch Salzburg, A-5020 Salzburg, Alpenstraße 98

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Affiliated branches: A-5020 Salzburg, Alter Markt 4
A-5020 Salzburg – Lehen, Ignaz-Harrer-Straße 40 a
A-5020 Salzburg – Liefering, Münchner Bundesstraße 106
A-5020 Salzburg – Maxglan, Neutorstraße 52
A-5020 Salzburg – Schallmoos, Sterneckstraße 55
A-5020 Salzburg – Südtirolerplatz, Südtirolerplatz 6
A-5640 Bad Gastein, Böcksteiner Bundesstraße 1
A-5630 Bad Hofgastein, Kurgartenstraße 27
A-5500 Bischofshofen, Bodenlehenstraße 2 – 4
A-5400 Hallein, Robertplatz 4
A-5310 Mondsee, Rainerstraße 14
A-5760 Saalfelden, Leoganger Straße 16
A-5201 Seekirchen, Bahnhofstraße 1

Business Areas and Branches

Main Branch Innviertel, A-4910 Ried im Innkreis, Friedrich-Thurner-Straße 9
Erich Brandstätter, Phone: +43/(0)7752/680 ext. 52214, erich.brandstaetter@oberbank.at

Affiliated branches: A-4950 Altheim, Stadtplatz 14
A-5280 Braunau, Stadtplatz 40
A-5230 Mattighofen, Stadtplatz 16
A-4780 Schärding, Silberzeile 12

Main Branch OÖ Süd, A-4600 Wels, Ringstraße 37
Wolfgang Pillichshammer, Phone: +43/(0)7242/481 ext. 200, wolfgang.pillichshammer@oberbank.at

Affiliated branches: A-4600 Wels – Nord, Oberfeldstraße 91
A-4600 Wels – West, Bauernstraße 1, WDZ 9
A-4710 Grieskirchen, Pühringerplatz 3
A-4560 Kirchdorf, Bahnhofstraße 9
A-4550 Kremsmünster, Marktplatz 26
A-4614 Marchtrenk, Linzer Straße 30
A-4810 Gmunden, Esplanade 24
A-4800 Attnang – Puchheim, Dr. Karl-Renner-Platz 2
A-8990 Bad Aussee, Parkgasse 155
A-4820 Bad Ischl, Kaiser-Fr.-Josef-Straße 4
A-4802 Ebensee, Alte Saline 9
A-4663 Laakirchen, Gmundner Straße 10
A-4860 Lenzing, Atterseestraße 20
A-4690 Schwanenstadt, Huberstraße 1
A-4840 Vöcklabruck, Stadtplatz 31 – 33

Main Branch Lower Austria, St. Pölten, A-3100 St. Pölten, Linzertor 1
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Affiliated branches: A-3300 Amstetten, Hauptplatz 1
A-7000 Eisenstadt, Esterhazyplatz 6 a
A-3500 Krems, Sparkassengasse 6
A-2000 Stockerau, Schießstattgasse 3 A
A-3430 Tulln, Hauptplatz 9
A-3340 Waidhofen a. d. Ybbs, Unterer Stadtplatz 17
A-2700 Wiener Neustadt, Wiener Straße 25
A-3910 Zwettl, Kuenringer Straße 3

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Affiliated branches: A-1090 Wien – Alsergrund, Porzellangasse 25
A-1190 Wien – Döbling, Gatterburggasse 23
A-1220 Wien – Donauspital, Zschokkegasse 140
A-1220 Wien – Donaustadt, Wagramer Straße 124
A-1100 Wien – Favoriten, Sonnwendgasse 13
A-1210 Wien – Floridsdorf, Brünner Straße 42
A-1170 Wien – Hernals, Hernalser Hauptstraße 114
A-1130 Wien – Hietzing, Lainzer Straße 151
A-1080 Wien – Josefstadt, Josefstädter Straße 28
A-1030 Wien – Landstraße, Landstraßer Hauptstraße 114
A-1020 Wien – Leopoldstadt, Taborstraße 11 a
A-1230 Wien – Liesing, Lehmanngasse 9

A-1120 Wien – Meidling, Meidlinger Hauptstraße 33 – 35
A-1070 Wien – Neubau, Neubaugasse 28 – 30
A-1140 Wien – Penzing, Linzer Straße 413
A-1010 Wien – Schottengasse, Schottengasse 2
A-1230 Wien – Süd, Laxenburger Straße 244
A-1180 Wien – Währing, Gersthofer Straße 10
A-1040 Wien – Wieden, Rilkeplatz 8
A-1100 Wien – Wienerberg, Wienerbergstraße 9
A-2120 Wien – Wolkersdorf, Wienerstraße 5
A-2500 Baden bei Wien, Beethovengasse 4 – 6
A-3400 Klosterneuburg, Kierlinger Straße 1
A-2100 Korneuburg, Hauptplatz 21
A-2340 Mödling, Hauptstraße 33
A-2380 Perchtoldsdorf, Wiener Gasse 12
A-2320 Schwechat, Franz Schubert Straße 2a

Regional Division Germany

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Affiliated branches: D-73430 Aalen, Bahnhofstraße 10
D-86150 Augsburg, Maximilianstraße 55
D-84307 Eggenfelden, Fischbrunnenplatz 11
D-85354 Freising, Johannisstraße 2
D-82110 Germering, Therese-Giehse-Platz 2
D-85053 Ingolstadt, Erni-Singerl-Straße 2
D-84028 Landshut, Altstadt 391
D-84453 Mühldorf am Inn, Brückenstraße 2
D-85521 Ottobrunn, Rosenheimer Landstraße 39
D-94032 Passau, Bahnhofstraße 10
D-93047 Regensburg, Bahnhofstraße 13
D-83022 Rosenheim, Heilig-Geist-Straße 5
D-94315 Straubing, Stadtgraben 93
D-85716 Unterschleißheim, Alleestraße 13
D-82515 Wolfratshausen, Bahnhofstraße 28
D-87700 Memmingen, Roßmarkt 5

Regional Division Germany Central, D-90443 Nürnberg, Zeltnerstraße 1
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Affiliated branches: D-63739 Aschaffenburg, Weißenburger Straße 16
D-96047 Bamberg, Franz-Ludwig-Straße 7 a
D-95444 Bayreuth, Kanalstraße 17
D-09111 Chemnitz, An der Markthalle 3 – 5
D-01067 Dresden, Wallstraße 8
D-99084 Erfurt, Krämpferstraße 6
D-06108 Halle, Große Steinstraße 82 – 85
D-63450 Hanau, Nussallee 7a
D-07743 Jena, Kirchplatz 6
D-04109 Leipzig, Dittrichring 18 – 20
D-55116 Mainz, Große Bleiche 17-23

D-92318 Neumarkt i. d. Oberpfalz, Ringstraße 5
D-14467 Potsdam, Berliner Str. 122
D-92637 Weiden, Sedanstraße 6
D-97070 Würzburg, Schweinfurterstraße 4

Regional Division Germany Southwest, D-73728 Esslingen am Neckar, Küferstraße 29
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D-71032 Böblingen, Stuttgarter Straße 10
D-79104 Freiburg, Merianstraße 16
D-74072 Heilbronn, Lohtorstraße 27
D-76133 Karlsruhe, Kaiserstraße 182
D-68165 Mannheim, Friedrichsplatz 8
D-88212 Ravensburg, Eichelstraße 14
D-72764 Reutlingen, Gartenstraße 8
D-74523 Schwäbisch Hall, Neue Straße 19
D-89073 Ulm, Walfischgasse 12

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CZ-15000 Praha 5 – Smíchov, Portheimka Center náměstí 14 října 642/17
CZ-17000 Praha 7 – Holešovice, Dukelských hrdinů č. 407/26
CZ-18600 Praha 8 – Karlín, Křižíkova 52/53
CZ-27201 Kladno, Osvobozených politických vězňů 339
CZ-60200 Brno, Lidická 20
CZ-60200 Brno, Trnitá 491/3
CZ-37001 České Budějovice, nám. Přemysla Otakara II. 6/3
CZ-50002 Hradec Králové, Gočárova tř. 1096
CZ-38101 Český Krumlov, Panská 22
CZ-58601 Jihlava, Masarykovo nám. 10
CZ-37701 Jindrichuv Hradec, Jarošovská 53
CZ-46001 Liberec, Soukenné nám. 156
CZ-77100 Olomouc, Dolni nám. 1
CZ-70200 Ostrava, Stodolní 1
CZ-39701 Písek, Budovcova 2530
CZ-30100 Plzeň, Prešovská 20
CZ-39001 Tábor, Pražská 211
CZ-40001 Ústí nad Labem, Hrnčířská 4
CZ-76001 Zlín, Osvoboditelů 91

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H-1095 Budapest Dél, Soroksári út 30-32
H-1143 Budapest, Hungária körút 17 – 19
H-4026 Debrecen, Bem tér 14
H-9024 Gyõr, Hunyadi u. 16
H-6000 Kecskemét, Kisfaludy utca 8
H-3530 Miskolc, Mindszent tér 3

H-8800 Nagykanizsa, Erzsébet tér 23
H-7621 Pécs, Tímár u.2
H-6720 Szeged, Klauzál tér 2
H-8000 Székesfehérvár, Rákóczi út 1
H-9700 Szombathely, Berzsenyi Dániel tér 2
H-2800 Tatabánya, Győri út 23

Main Branch Slovakia, SK-821 09 Bratislava, Prievozská 4/A
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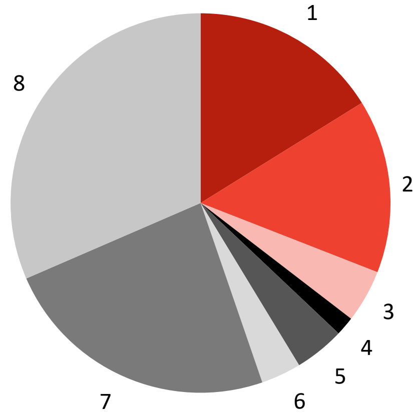
SK-010 01 Žilina, Jána Kalinčiaka 22
SK-04001 Košice, Továrenská 8

Service Information

Shareholders of 3 Banken Group by voting share

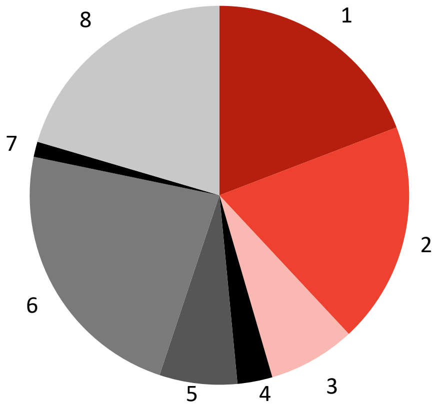
Oberbank

1	Bank für Tirol und Vorarlberg AG (incl. BTV 2000*)	16.15 %
2	BKS Bank AG, Klagenfurt (incl. subordinating syndicate with BVG**)	14.79%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.50%
4	Generali 3 Banken Holding AG, Wien	1.62%
5	Employees	4.26%
6	UniCredit Bank Austria AG, Wien	3.41%
7	CABO Beteiligungsgesellschaft m. b. H., Wien	23.76%
8	Free float	31.51%



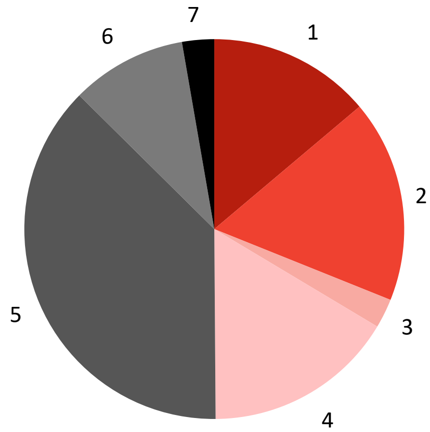
BKS

1	Oberbank AG, Linz (incl. subordinating syndicate with BVG**)	19.17%
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	18.89%
3	Generali 3 Banken Holding AG, Wien	7.44%
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.98%
5	UniCredit Bank Austria AG, Wien	6.63%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	23.15%
7	BKS - Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	1.30%
8	Free float	20.44%



BTV

1	Oberbank AG, Linz	13.85%
2	BKS Bank AG, Klagenfurt***	17.23%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.50%
4	Generali 3 Banken Holding AG, Wien	16.31%
5	CABO Beteiligungsgesellschaft m. b. H., Wien	37.53%
6	UniCredit Bank Austria AG, Wien	9.85%
7	Free float	2.73%



* BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H.(BTV 2000), a 100% consolidated subsidiary of Bank für Tirol und Vorarlberg Aktiengesellschaft, owns 2.62% of Oberbank AG.

** Beteiligungsverwaltung Gesellschaft m.b.H. ("BVG") owns 0.58% of Oberbank AG and 0.65% of BKS.

There is a syndicate agreement with each of the shareholders shown in shades of red.

*** Including subordinating syndicate members: BTV Privatstiftung, Doppelmayr Seilbahnen GmbH, Vorarlberger Landes-Versicherung V.a.G

Publication Information

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This Annual Report contains statements and forward-looking statements regarding Oberbank AG's future development. These forward-looking statements often use the expressions "estimates", "expects", "plans", "predicts", "targets" and similar. The forecasts are our estimates based on the information at our disposal on the copy deadline date. Should the assumptions regarding such forward-looking statements prove incorrect or the risks mentioned in the risk report materialize, the actual results may vary from those currently expected.

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A separate glossary has not been included in this Annual Report, as the terms used are either common terminology or, where required, explained directly in the text. This English version of the Annual Report is prepared for the convenience of English-speaking readers.