

I
N
D
E
P
E
N
D
E
N
C
E

Interim Report to Shareholders
as at 30 June 2020

Oberbank at a Glance

Income statement in € m	HY1 2020	Change	HY1 2019
Net interest income	169.8	-0.8%	171.1
Profit from entities accounted for by the equity method	-45.0	>-100%	23.4
Charges for losses on loans and advances	-9.5	>-100%	0.9
Net commission income	86.7	8.1%	80.2
Administrative expenses	-147.5	3.6%	-142.4
Profit/loss for the period before tax	37.2	-73.9%	142.8
Profit/loss for the period after tax	17.4	-85.3%	118.4
Balance sheet in €m	30/6/2020	Change	31/12/2019
Total assets	24,203.4	6.0%	22,829.0
Loans and advances to customers	17,159.1	2.3%	16,772.2
Primary funds	14,844.9	4.8%	14,166.0
of which savings deposits	2,675.2	-0.8%	2,697.4
of which securitised liabilities			
incl. subordinated debt capital	2,272.1	4.0%	2,185.4
Equity	2,944.4	-0.5%	2,960.5
Customer funds under management	29,772.2	-1.8%	30,314.8
Own funds purs. to CRR in € m	30/6/2020	Change	31/12/2019
Common equity tier 1 capital (CET 1)	2,460.2	-7.5%	2,659.0
Tier 1 capital	2,510.2	-7.3%	2,709.0
Own funds	2,846.6	-6.9%	3,058.1
CET 1 ratio in %	16.03	-1.56% ppt	17.59
Tier 1 capital ratio in %	16.36	-1.56% ppt	17.92
Total capital ratio in %	18.55	-1.68% ppt	20.23
Regulatory liquidity indicators	30/6/2020	Change	31/12/2019
Liquidity Coverage Ratio in %	136.57	-33.81% ppt	170.38
Net Stable Funding Ratio in %	121.85	2.60% ppt	119.25
Leverage ratio in %	9.60	-1.34% ppt	10.94
Performance indicators	HY1 2020	Change	HY1 2019
Cost/income ratio in %	75.96	-25.88% ppt	50.08
Return on equity before tax in %	2.56	-7.54% ppt	10.10
Return on equity after tax in %	1.20	-7.18% ppt	8.37
Risk/earnings ratio (credit risk/net interest) in %	5.57	6.11% ppt	-0.54
Resources	30/6/2020	Change	31/12/2019
Average number of staff (weighted)	2,167	17	2,150
Number of branches	177	0	177

Development of Business of the Oberbank Group in HY1 2020

Core business develops stably during corona crisis, good second quarter supports moderate profit, stronger equity

- Stable operating business
- Credit risk stays low
- Significantly higher commission income
- Income on equity investments positive in again in Q2
- Stronger equity base

Dear Readers,

Oberbank closed the first half of 2020 with satisfactory results despite the turmoil caused by the coronavirus. The solid trend in Q2 compensated the poor performance of the first quarter, helping Oberbank return to profitable territory.

The corona crisis and the impact on our customers meant that our staff worked at maximum capacity to process the numerous applications for loan deferrals and bridge financing. More than 25,000 interviews with customers were conducted, and some 15,000 loans deferrals and bridge financing applications were processed with a volume of roughly EUR 450 million.

In addition to these exceptional challenges, we were also confronted with constant attacks from UniCredit on Oberbank's independence. **All court rulings up to now have confirmed Oberbank's legal standpoint.**

Oberbank's core business performed satisfactorily in HY1 2020.

Net interest income – boosted by a 4.6% rise in credit volume – was only slightly lower than the excellent result attained in the first half of the preceding year. Net fee and commission income rose again. The total of net interest income and net commission income was higher than in the same period of the preceding year. Administrative expenses rose moderately, and the historically low credit risk increased only marginally. The key performance ratios are still exceptionally good.

- Net interest income decreased slightly by 0.8% to EUR 169.8 million
- Net commission income rose by 8.1% to EUR 86.7 million
- Credit volume went up by 4.6% to EUR 17.2 billion
- Primary deposits expanded by 5.5% to EUR 14.8 billion
- Equity increased by 1.7% to EUR 2.9 billion. The tier 1 capital ratio was 16.4% and the total capital ratio was 18.6%, which is excellent in Austrian and European comparison.

The highly satisfactory net interest income shows the stability of the core business of Oberbank. We have a proven and sound business model which is also capable of withstanding hardship in times of crisis.

Income from equity investments, which plunged in the first quarter due to the corona crisis, was positive again in the second quarter.

The losses of the first quarter (EUR -81.7 million) were reduced by EUR 36.7 million in the second quarter. The income from equity investments was EUR -45.0 million at mid-year. This positive development was due largely to the contributions from voestalpine and our partner banks.

The solid earnings in the second quarter of 2020 were a clear improvement over the negative result of the first quarter 2020, enabling the bank to achieve a moderate profit after tax of EUR 17.4 million for the first half-year.

In the past years, Oberbank has achieved a strong level of capital adequacy backed by its excellent earnings and successful capital increases. In the first half of the year, equity increased by 1.7% to EUR 2.9 billion year on year.

The tier 1 capital ratio of 16.4% and the total capital ratio of 18.6% are excellent both in comparison within Austria and within Europe despite the deteriorated results of the first quarter.

The excellent capital base of the bank ensures its capacity to supply corporate and retail customers with the funding they need – also in difficult times.

Risk costs at low level

Impairment charges on loans and advances, which were at an all-time low at the end of the year and also in the first quarter, increased slightly in the second quarter. A volume of EUR 9.5 million was allocated to impairment charges. This is a minor amount compared to the credit volume of EUR 17 billion. We expect defaults on loans due to the corona crisis to increase in the second half of the year and, above all, in the coming year.

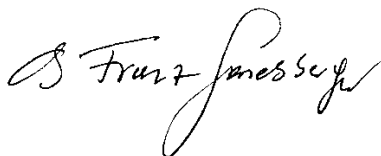
The NPL ratio, which is the ratio of non-performing loans to total credit volume, was 2.05% at mid-year – a reassuringly low ratio. For the full year 2019, it was 1.96%.

Expansion of branch network continues

Oberbank stands by its growth strategy and will continue opening new branches as planned. We have scheduled the opening of six new branches in 2020 of which four in Germany and one each in Hungary and Slovakia.

Small and medium-sized companies need advisory services for liquidity and finance structuring, and also regarding the many subsidised loan schemes – especially now. They benefit from access to local branches. We are happy that **advisory services are valued and appreciated by customers again.**

In these highly challenging times for businesses and individuals, we are seeing a renaissance of loyalty to one's principal bank.

A handwritten signature in black ink, appearing to read 'Franz Gasselsberger', written in a cursive style.

CEO Franz Gasselsberger

The Oberbank share

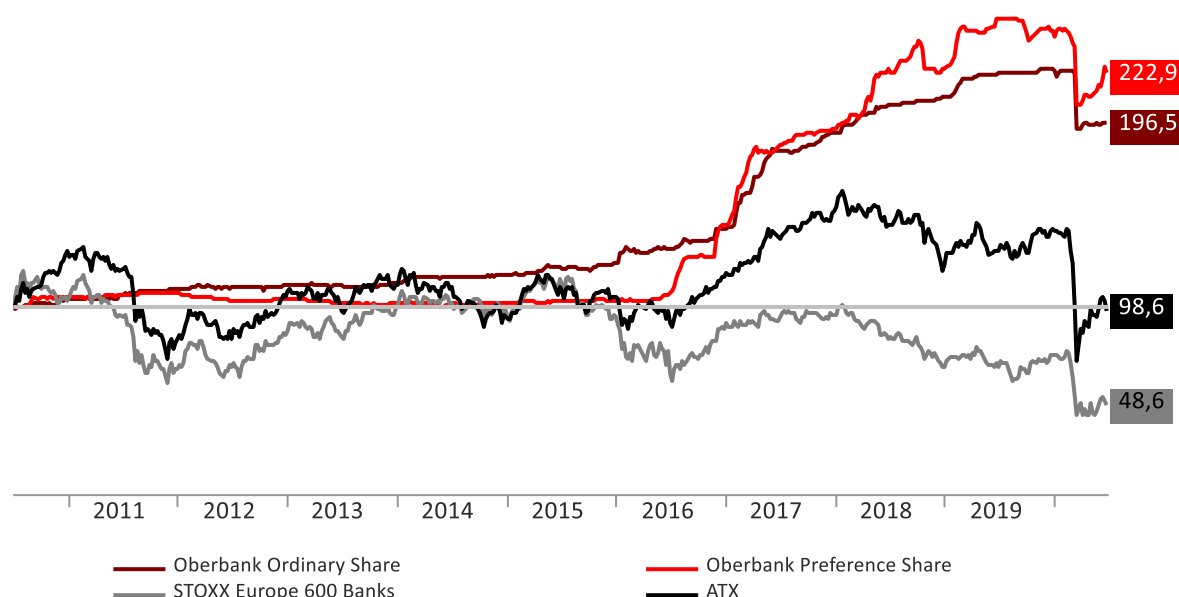
The price of Oberbank's ordinary share as well as the price of Oberbank's preference share exhibited relative stability in the first half of 2020 compared to the overall market. The performance of the ordinary shares was -12.53% and that of preference shares was -8.17%. The overall market (ATX) by contrast dropped by 29.14%. European banking shares even plunged by around 34%.

Oberbank shares – key figures	HY1 2020	HY1 2019
Number of ordinary no-par shares	32,307,300	32,307,300
Number of preference shares	3,000,000	3,000,000
High (ordinary/preference share) in €	96.00/91.00	95.40/93.00
Low (ordinary/preference share) in €	83.00/75.50	89.80/83.00
Close (ordinary/preference share) in €	83.80/82.00	95.40/93.00
Market capitalization in € m	2,953.35	3,361.12
IFRS earnings per share in € annualised	0.99*	6.71
P/E ratio, ordinary shares	84.6	14.22
P/E ratio, preference shares	82.8	13.86

*Earnings per share annualised. They are calculated as follows: profit for the period after tax in HY1 2020 (EUR 17,437,000) divided by the average number of ordinary and preference shares in circulation (35,125,812) multiplied by two (figure projected for the full year).

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

Period: 6/30/2010 to 6/30/2020



Source: Refinitiv Datastream, 6/30/2020

The chart comparison shows the development of the Oberbank ordinary share, the Oberbank preference share, the Austrian stock index ATX, and the European banking index STOX Europe 600 Banks. The prices have been adjusted in the chart by indexing the daily closing prices of the relevant stock and the indices to 100. This means the starting prices were all set to 100% at the starting time. Therefore, the chart presents the relative percentage development.

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

Segment Developments in HY1 2020

Corporate and Business Banking

Corporate and Business Banking in € m	HY1 2020	HY1 2019	+ / - in %	+ / - in %
Net interest income	130.2	127.9	2.4	1.9%
Charges for losses on loans and advances	-5.3	4.4	-9.7	>-100%
Net commission income	44.6	42.8	1.8	4.2%
Net trading income	1.0	-0.1	1.0	
Administrative expenses	-80.9	-77.1	-3.8	4.9%
Other operating income	4.2	-3.4	7.7	
Profit/loss for the period	93.8	94.5	-0.6	-0.7%
Risk equivalent	10,583.0	10,012.6	570.4	5.7%
Average allocated equity	1,702.5	1,623.1	79.4	4.9%
Return on equity before tax (RoE)	11.0%	11.6%	-0.6% ppt	
Cost/income ratio	44.9%	46.1%	-1.2% ppt	

Earnings in Corporate and Business Banking

Profit in the Corporate and Business Banking segment was EUR 93.8 million, which is EUR 0.6 million or 0.7% lower year on year.

Net interest income rose by EUR 2.4 million or 1.9% to EUR 130.2 million.

Charges for losses on loans and advances increased from a positive EUR 4.4 million by EUR 9.7 million to a negative EUR 5.3 million.

Net commission income was up by EUR 1.8 million or 4.2% to EUR 44.6 million over the preceding year.

Administrative expenses were higher by EUR 3.8 million or 4.9% at EUR 80.9 million.

Other operating income increased from negative EUR 3.4 million by EUR 7.7 million to EUR 4.2 million.

RoE in the Corporate and Business Banking segment dropped by 0.6%-points from 11.6% to 11.0%, while the cost/income ratio improved by 1.2%-points from 46.1% to 44.9%

Commercial loans

Oberbank's commercial lending volume continued to rise and expanded by EUR 539.4 million or 4.1% from EUR 13,020.9 million to EUR 13,560.3 million.

Commercial loans		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 13,560.3 million	€ 13,020.9 million	€ 539.4 million	4.1%

Investment finance

The number of applications submitted in the first half-year 2020 in Austria, Germany, Czech Republic and Hungary and Slovakia for subsidised loans and innovation projects and to secure liquidity was a total of 1,741 projects or 125.0% higher than the already very high level of the preceding year. This significant rise in the number of applications submitted is largely due to the coronavirus financial aid schemes launched in March. The volume of subsidised finance granted through Oberbank amounted to EUR 1.205 billion as at 30 June 2020, which is almost as high as in the previous year.

Investment finance		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 9,893.9 million	€ 9,410.2 million	€ 483.7 million	5.1%

Leasing

At EUR 433.8 million in new business, the volume increased year-on-year again. The activation of real estate projects fully compensated the decline in the movables business.

Leasing receivables from customers		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 2,441.9 million	€ 2,355.6 million	€ 86.3 million	3.7%

Trade finance and international business

After the slowing of global economic activity at the start of the year, the corona crisis, which was initially limited to China, developed into a worldwide pandemic. OeNB published a study predicting the steepest plunge in economic activity since the founding of the Second Republic. The effects of the corona crisis are affecting all areas of life. OeNB expects exports to shrink in 2020 by some 11.0% and imports to decrease by 10.0%.

The interruption of global trade flows, the difficulties in serving delivery documents, and the increasing international competition in a shrinking market pose higher risks for companies with international operations. Companies that see the crisis as an opportunity for future business have a positive outlook. Digitalisation, sustainability and new sales markets offer countless possibilities. The advisory competence of Oberbank in matters relating to letters of credit, documentary collection and guarantees has proven valuable also in times of crisis. Traditional hedge transactions for trade deals were the ideal risk protection for global trade, also within Europe. Oberbank retained its positioning as a safe haven and reliable partner for exporters as shown by the market shares of Oberbank for revolving export subsidy loans of 11.4% (export finance for SMEs under the 'OeKB Exportfonds') and 10.7% (export finance for large corporates ('KRR' OeKB credit line) as at 30 June 2020. The volume stabilised significantly at over EUR 1.5 billion supported by OeKB's subsidised loans for export-based domestic investments. Based on the swift and uncomplicated availability of OeKB bridge loans, Oberbank remains a reliable partner for the exporting sector.

Factoring

In the year 2016, Oberbank expanded its product portfolio for Austria and Germany by adding factoring services, and ever since, customers have been able to choose from the complete range of working capital finance options. In the first half of 2020, the factoring volume increased by 10.0% over the same period of the preceding year.

Syndicated loans and international lending

In the second quarter, the effects of the shutdown on businesses and consequently on banks was clearly felt. Several large-volume bridge loan with Austrian and German export loan credit institutions were signed and will be available for payout in the coming months; further transactions are being prepared. Additionally, projects already prepared in the preceding months are now being finalized. The segment of borrowers' notes is still very subdued due to the current situation.

Payment services

On 30 June 2020, income on payment services in the corporate segment was 0.9% higher year on year. The entire second quarter 2020 was severely affected by the consequences of the corona crisis. Maintaining payment services for corporate customers in home office mode was one of the main issues. Oberbank excelled with its advisory offers and with services for stable systems and mobile solutions.

Structured finance

Demand for structured finance increased again slightly compared to the preceding year. The total number of projects processed rose 12.0% year on year and the project volume even expanded by around one third.

Substantial increases were seen with respect to both project volume and number of projects from the segments of real estate and acquisition financing. Additionally, there was a surge in inquiries from new customers for traditional corporate loans and also larger project volumes. The tourism sector was severely affected by the corona crisis, and new inquiries for

tourism projects dropped steeply. Therefore, the total number of tourism projects processed in the first half of 2020 was 25.0% lower year on year. However, one has to bear in mind that volumes are still at a very high level and tourism still ranks second after real estate projects as regards demand for structured loans.

Oberbank Opportunity Fund

In the first half of the year 2020, the Oberbank Opportunity Fund reported 71 queries, which is exactly the same level as in the preceding year, with the first quarter being especially strong. The Oberbank Opportunity Fund completed five transactions in the first half of 2020. Since the inception of the Oberbank Opportunity Fund, 85 transactions for equity and/or mezzanine capital or high-yield capital have been supported financially (plus external capital loans) and ten supplementary financing projects have been finalized. The volume of committed capital as at 30 June 2020 was EUR 231 million and breaks down into equity, mezzanine capital and high-yield capital.

International network of partner banks and institutions

The trend in international business triggered by the corona virus continued in the second quarter of 2020 as well. Apart from the restrictions caused by the diverse lockdowns in some countries and the related interruptions of global supply chains, the main driver behind the heightened risk awareness was widespread insecurity. The consequences included a steep drop in international foreign trade revenues and higher demand for hedge transactions to secure trade deals. Furthermore, banks that offer payment services for transactions significantly tightened their audit requirements and due diligence obligations.

Primary deposits

Despite the turmoil caused by the corona crisis, primary deposits increased by 4.8% in the first half of 2020 as compared to year-end 2019. The main driver behind this development was the higher volume of sight deposits in the corporate and retail segments. Moreover, the volume of savings deposits expanded steeply in the first half-year 2020. These are all consequences of the ECB's monetary policy which is still supporting extremely high liquidity with all of the entailing consequences.

Currency risk management

After a rather subdued start into the year, volatility on currency markets was high, above all, in March and April. The recession that affected all major economic regions resulted in wider fluctuations on currency markets. The strong currency fluctuations and the market turmoil posed a major challenge for companies engaged in international business. Payments were delayed or were made only partially on the due dates. It became clear during this phase that customer advice provided by experts was extremely valuable. During this period, customers advised directly were interested, above all, in classical hedge products for foreign currency transactions.

Personal Banking

Personal Banking in €m	HY1 2020	HY1 2019	+ / - in %	+ / - in %
Net interest income	31.2	31.5	-0.2	-0.7%
Charges for losses on loans and advances	-1.1	-1.4	0.3	-18.6%
Net commission income	42.1	37.4	4.7	12.4%
Net trading income	0.0	0.0	0.0	0.0%
Administrative expenses	-46.2	-46.2	0.0	0.0%
Other operating income	2.5	2.5	-0.1	-2.2%
Profit/loss for the period	28.4	23.8	4.6	19.5%
Risk equivalent	1,917.4	1,840.0	77.4	4.2%
Average allocated equity	308.5	298.3	10.2	3.4%
Return on equity before tax (RoE)	18.4%	16.0%	2.4% ppt	
Cost/income ratio	61.0%	64.7%	-3.7% ppt	

Earnings in Personal Banking

Profit in the Personal Banking segment was EUR 28.4 million, which is EUR 4.6 million or 19.5% higher year on year. Net interest income decreased by EUR 0.2 million or 0.7% to EUR 31.2 million.

Charges for losses on loans and advances dropped by EUR 0.3 million from EUR 1.4 million to EUR 1.1 million.

Net commission income was up by EUR 4.7 million or 12.4% to EUR 42.1 million over the preceding year.

Administrative expenses were at the same level of the preceding year at EUR 46.2 million.

Other operating income decreased by 2.2% to EUR 2.5 million.

RoE in Personal Banking rose from 16.0% by 2.4%-points to 18.4%, while the cost/income ratio improved from 64.7% by 3.7%-points to 61.0%.

Personal accounts

The portfolio of personal accounts grew year on year by 1,564 to 190,370 accounts. Digital and mobile solutions such as the Oberbank customer portal, the Oberbank banking app, the Oberbank wallet app complete the range of payment services. New digital payment options such as the digital debit cards of Garmin Pay and Apple Pay are also very popular.

Personal accounts		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
190,370	188,806	1,564	0.8%

Personal loans

The volume of personal loans increased by EUR 220.6 million or 6.5% to EUR 3,598.8 million compared to 30 June 2019, with the volume of new retail loans granted in the first half-year 2020 rising 3.6% above the level of same period of the previous year. Supported by current interest rates, demand for housing loans remains robust. The share of foreign currency loans in the personal loan portfolio of Oberbank is now only 2.5%. In the spirit of sustainability, Oberbank informs borrowers also of possible funding schemes and develops suitable project finance strategies together with customers.

Personal loans		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 3,598.8 million	€ 3,378.2 million	€ 220.6 million	6.5%

Savings deposits

The volume of savings deposits decreased by EUR 21.3 million or 0.8% to EUR 2,675.2 million compared to 30 June 2019. Money is still being left on accounts or in daily callable investment forms. Online savings products continue to grow in significance and increased by EUR 153.5 million or 22.1% since the start of the year.

Savings deposits		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 2,675.2 million	€ 2,696.5 million	- € 21.3 million	0.8%

Securities business

In the first half of 2020, income from securities fees and commissions increased by 27.1% over the same period of the preceding year. This is an increase by EUR 6.5 million to EUR 30.5 million. Performance in both the first and the second quarters of 2020 reached an all-time high in the history of Oberbank regarding income from securities fees and commissions. The sustained high level of sales of investment funds sold to the general public together with livelier customer activity in share transactions resulted in the increase in commission income.

Commissions income from securities		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 30.5 million	€ 24.0 million	€ 6.5 million	27.1%

Market value on custody accounts

Year on year, the decline was steep by 6.2% or EUR 980.3 million to EUR 14,927.3 million. This change is due to the negative price trend on stock markets in the first six months.

Market value on custody accounts		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 14,927.3 million	€ 15,907.6 million	€ 980.3 million	-6.2%

Oberbank issues

In the first half-year 2020, a volume of EUR 307.9 million were issued of which EUR 4.3 million were subordinated bonds. The de facto zero-interest level had a strong influence on demand. Demand for investments is still high among institutional customers. This is why a covered bond with a volume of EUR 250 million was floated.

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

3 Banken-Generali Investment Gesellschaft m.b.H. was unable to decouple from general market trends, but nonetheless attained a very good result. The market share of the company as at 30 June 2020 was 5.6%. The total fund volume decreased in the first half-year 2020 by -5.1% to EUR 9.9 billion. The overall Austrian market dropped in the same period by -4.3%. This decline was driven primarily by the negative price trends on international stock markets. The share held by Oberbank did not drop as much in the first half-year, decreasing by EUR -145.9 million or -3.3% to EUR 4,264.9 million. However, the volume of investment funds increased substantially year on year. This positive increase was EUR 68.5 million or 1.6%. Oberbank accounted for 42.9% of the total volume of the company.

Public investment funds and special funds		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 4,264.9 million	€ 4,196.4 million	€ 68.5 million	1.6%

Private banking

Assets under management in private banking rose year on year by EUR 196.4 million or 2.1% to EUR 9,442.1 million. The increase in volume was driven by performance effects and net fund inflows. Rising demand from customers for broadly diversified asset management products contributed enormously to this success. The decline in stock prices on international stock markets in the first half of 2020 had a negative influence on assets under management.

Assets under management		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 9,442.1 million	€ 9,245.7 million	€ 196.4 million	2.1%

Building and loan associations

In the first half of 2020, Oberbank brokered 4,860 building and loan association contracts, which is 18.5% or 1,105 contracts less than the result of preceding year. This also reflects the general market situation. With respect to Wüstenrot loans, Oberbank was clearly above projections in the first half-year 2020 with a volume of EUR 18.1 million in brokered loans.

Insurance services

In the insurance business, total production (life insurance and non-life insurance) declined by 5.3% year on year. The effects of the corona crisis were clear.

Insurance contracts - premium volume		YoY change	
As at 30/6/2020	As at 30/6/2019	absolute	in %
€ 57.9 million	€ 61.0 million	- € 3.1 million	5.3%

Financial Markets

Financial Markets in € m	HY1 2020	HY1 2019	+ / - in %	+ / - in %
Net interest income	8.3	11.7	-3.5	-29.4%
Profit from entities accounted for by the equity method	-45.0	23.4	-68.4	>-100%
Charges for losses on loans and advances	-3.0	-2.1	-0.9	43.6%
Net commission income	0.0	-0.1	0.1	-100.0%
Net trading income	-0.2	4.5	-4.7	>-100%
Administrative expenses	-5.0	-4.8	-0.2	3.9%
Other operating income	-11.1	17.8	-28.9	>-100%
Profit/loss for the period	-56.1	50.5	-106.5	>-100%
Risk equivalent	5,585.5	5,596.8	-11.3	-0.2%
Average allocated equity	898.6	907.3	-8.7	-1.0%
Return on equity before tax (RoE)	n.a.	11.1%	n.a.	
Cost/income ratio	n.a.	8.4%	n.a.	

n.a. = not applicable

Earnings in the Financial Markets segment

The result in Financial Markets dropped by EUR 106.5 million from a positive 50.5% to a negative EUR 56.1 million. Net interest income decreased by EUR 3.5 million or 29.4% to EUR 8.3 million. Income from equity investments decreased from positive EUR 23.4 million by EUR 68.4 million to negative EUR 45.0 million. Impairment charges increased by EUR 0.9 million from EUR 2.1 million to EUR 3.0 million. Net trading income decreased by EUR 4.7 million from a positive EUR 4.5 million to a negative EUR 0.2 million. At EUR 5.0 million, administrative expenses were EUR 0.2 million higher year on year. Other operating income decreased by EUR 28.9 million from a positive EUR 17.8 million to a negative EUR 11.1 million. Both RoE and the cost/income ratio are not indicative due to the segment result.

Proprietary trading

The first half of the year 2020 will go down in history as one of the most turbulent periods ever on financial markets. If one compares stock prices at the start of the year with the prices at the end of the half-year, it does not look like there was much movement. Nonetheless, the first half year was marked by massive plunges on stock markets and distortions of exchange rates due to the corona crisis. However, in the second quarter, it was possible to compensate most losses on stock markets and foreign exchange markets. Government financial aid schemes, liquidity injections by central banks and hopes of swift economic recovery motivated investors to take more risks again. This trend is also reflected in the results for the Financial Market segment. In the first quarter of 2020, contributions were negative from the valuations of existing positions and of the trading book. The decline was largely offset in the second quarter of 2020.

Liquidity

The current over-liquidity on markets was aggravated by the massive volumes pumped into the market by central banks in the first half-year 2020. As these funds exceeded demand for loans, the large volumes deposited with the central banks remained unused and were penalized in Europe with a negative interest rate of -0.5%. This burden impacts banks, therefore, it is necessary to pass these costs on to customers who hold large volumes on deposit. The volume of customer deposits increased again in the second half of the year 2020 and the rise in sight deposits reached almost EUR 800 million. This clearly exceeded demand for loans and further increased over-liquidity, which is driving up costs.

Own funds

Own funds stood at EUR 2,846.6 million as at 30 June 2020, which is a ratio of 18.55%. Tier 1 capital was EUR 2,510.2 million and the tier 1 capital ratio was 16.36%. Common equity tier 1 capital was EUR 2,460.2 million, which corresponds to a ratio of 16.03%.

Risk

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

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

When assessing creditworthiness and in collateral policy, Oberbank can rely on decades of know-how. Moreover, its business model as a regional bank, professional credit management and a balanced distribution of overall debt across customer segments helped to contain the threat to Oberbank's overall result from this risk exposure. Therefore, it may be assumed that there will not be any extraordinary counterparty risk events in the full year 2020.

The other risk categories are equity risk (risk of loss in value or foregone profits in the equity portfolio), market risk (risk of losses due to fluctuating interest rates, foreign exchange rates or equity prices), operational risk and liquidity risk. These risks are also covered by the corresponding funds in line with the principle of conservatism. In the case of liquidity risk, the sound position of Oberbank is also supported by the fact that it can refinance the entire credit volume of EUR 17.2 billion (as at 30 June 2020) with the primary deposits of customers, own issues and deposits from 'Förderbanken' (OeKB, LfA, KfW) amounting to EUR 17.5 billion (as at 30 June 2020). Additionally, Oberbank has a permanent risk controlling system in place as well as a strict process management process and other efficient control and management instruments.

Outlook 2020

At present, it is not possible to give an outlook for the development of the bank for the full year. There is no reliable outlook. Nonetheless, we are confident because Oberbank has an excellent foundation: **a solid equity base and a sound business model.**

Consolidated Interim Financial Statements pursuant to IFRS for 1/1/2020 to 30/6/2020

Consolidated income statement in €k	1/1 to 30/6/202	1/1 to 30/6/201	Change in €k	Change in %
1. Interest and similar income	210,202	222,542	-12,340	-5.5
a) Interest income based on the effective interest rate	199,675	206,465	-6,790	-3.3
b) Other provisions for liabilities and charges	10,527	16,077	-5,550	-34.5
2. Interest and similar expenses	-40,441	-51,476	11,035	-21.4
Net interest income (1)	169,761	171,066	-1,305	-0.8
3. Profit from entities accounted for by the equity method (2)	-44,980	23,422	-68,402	>-100.0
4. Charges for losses on loans and advances (3)	-9,462	925	-10,387	>-100.0
5. Net commission income	97,313	88,751	8,562	9.6
6. Net commission expenses	-10,604	-8,561	-2,043	23.9
Net commission income (4)	86,709	80,190	6,519	8.1
7. Net trading income (5)	726	4,409	-3,683	-83.5
8. Administrative expenses (6)	-147,500	-142,396	-5,104	3.6
9. Other operating income (7)	-18,035	5,223	-23,258	> 100.0
a) Net income from financial assets - FV/PL	-10,786	15,989	-26,775	>-100.0
b) Net income from financial assets - FVOCI	-211	208	-419	>-100.0
c) Net income from financial assets - AC	160	1,617	-1,457	-90.1
d) Other operating income	-7,198	-12,591	5,393	-42.8
Profit/loss for the period before tax	37,219	142,839	-105,620	-73.9
10. Income taxes (8)	-19,782	-24,390	4,608	-18.9
Profit/loss for the period after tax	17,437	118,449	-101,012	-85.3
of which attributable to the owners of the parent company and the owners of additional equity components	16,902	117,995	-101,093	-85.7
of which attributable to non-controlling interests	535	454	81	17.8

Other comprehensive income in €k	1/1 to 30/06/2020	1/1 to 30/06/2019
Profit/loss for the period after tax	17,437	118,449
Items not reclassified to profit or loss for the year	2,911	5,667
+/- Actuarial gains/losses IAS 19	438	-3,795
+/- Deferred taxes on actuarial gains/losses IAS 19	-109	949
+/- Share from entities recognised using the equity method	5,111	-6,866
+/- Value changes in own credit risk recognised in equity IFRS 9	38,885	2,350
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	-9,721	-587
+/- Value changes in equity instruments recognised in equity IFRS 9	-42,260	18,155
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	10,567	-4,539
Items reclassified to profit or loss for the year	-15,050	2,908
+/- Value changes recognised in equity for debt securities IFRS 9	-2,741	-733
Amounts recognised in equity	-2,756	-633
Reclassification adjustments	15	-100
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	685	183
Amounts recognised in equity	689	158
Reclassification adjustments	-4	25
+/- Exchange differences	-4,173	130
+/- Share from entities recognised using the equity method	-8,821	3,328

	1/1 to 30/6/2020	1/1 to 30/6/2019
Total income and expenses recognised directly in equity	-12,139	8,575
Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss	5,298	127,024
of which attributable to the owners of the parent company and the owners of additional equity components	4,763	126,570
of which attributable to non-controlling interests	535	454

Performance indicators	1/1 to 30/6/2020	1/1 to 30/6/2019
Cost/income ratio in % ¹⁾	75.96	50.08
Return on equity before tax in % ²⁾	2.56	10.10
Return on equity after tax in % ³⁾	1.20	8.37
Risk/earnings ratio (credit risk/net interest income) in % ⁴⁾	5.57	-0.54
Earnings per share in € ^{5/6)}	0.99	6.71

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) Impairment charge on loans and advances in relation to net interest income

5) Profit/loss for the year after tax in relation to average number of shares in circulation

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

Consolidated Interim Financial Statements pursuant to IFRS for 1/4/2020 to 30/06/2020

Consolidated income statement in €k		1/1 to 30/06/20	1/1 to 30/06/20	Change in €k	Change in %
1. Interest and similar income		101,114	112,338	-11,224	-10.0
a) Interest income based on the effective interest rate		96,495	103,856	-7,361	-7.1
b) Other provisions for liabilities and charges		4,619	8,482	-3,863	-45.5
2. Interest and similar expenses		-17,367	-26,637	9,270	-34.8
Net interest income	(1)	83,747	85,701	-1,954	-2.3
3. Profit from entities accounted for by the equity method	(2)	36,700	20,975	15,725	75.0
4. Charges for losses on loans and advances	(3)	-4,453	-719	-3,734	> 100.0
5. Net commission income		44,733	43,727	1,006	2.3
6. Net commission expenses		-4,421	-4,328	-93	2.1
Net commission income	(4)	40,312	39,399	913	2.3
7. Net trading income	(5)	3,163	3,513	-350	-10.0
8. Administrative expenses	(6)	-74,657	-72,524	-2,133	2.9
9. Other operating income	(7)	27,388	7,037	20,351	> 100.0
a) Net income from financial assets - FV/PL		23,369	6,686	16,683	> 100.0
b) Net income from financial assets - FVOCI		-221	155	-376	>-100.0
c) Net income from financial assets - AC		160	0	160	
d) Other operating income		4,080	196	3,884	> 100.0
Profit/loss for the period before tax		112,200	83,382	28,818	34.6
10. Income taxes	(8)	-21,039	-13,393	-7,646	57.1
Profit/loss for the period after tax		91,161	69,989	21,172	30.3
of which attributable to the owners of the parent company		90,965	69,781	21,184	30.4
and the owners of additional equity components					
of which attributable to non-controlling interests		196	208	-12	-5.8

Other comprehensive income in €k	1/4 to 30/06/2020	1/4 to 30/06/2019
Profit/loss for the period after tax	91,161	69,989
Items not reclassified to profit or loss for the year	4,950	-4,504
+/- Actuarial gains/losses IAS 19	438	-3,795
+/- Deferred taxes on actuarial gains/losses IAS 19	-109	949
+/- Share from entities recognised using the equity method	4,610	-4,088
+/- Value changes in own credit risk recognised in equity IFRS 9	9,440	760
+/- Deferred taxes on changes recognised in equity for own credit risk IFRS 9	-2,360	-190
+/- Value changes in equity instruments recognised in equity IFRS 9	-9,425	2,480
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	2,356	-620
Items reclassified to profit or loss for the year	-12,139	1,912
+/- Value changes recognised in equity for debt securities IFRS 9	723	-886
Amounts recognised in equity	702	-842
Reclassification adjustments	21	-44
+/- Deferred tax on value changes recognised in equity for debt instruments IFRS 9	-181	221
Amounts recognised in equity	-175	210
Reclassification adjustments	-6	11
+/- Exchange differences	-5,260	-72
+/- Share from entities recognised using the equity method	-7,421	2,649
	1/4 to 30/06/2020	1/4 to 30/06/2019
Total income and expenses recognised directly in equity	-7,189	-2,592
Total comprehensive income for the period from net profit and income/expenses not recognised in profit or loss	83,972	67,397
of which attributable to the owners of the parent company and the owners of additional equity components	83,776	67,189
of which attributable to non-controlling interests	196	208

Consolidated balance sheet as at 30/6/2020 / Assets

in €k		30/6/2020	31/12/2019	Change in €k	Change in %
1.	Cash and balances at central banks (10)	1,984,607	371,557	1,613,050	> 100
2.	Loans and advances to credit institutions (11)	782,017	1,522,984	-740,967	-48.7
3.	Loans and advances to customers (12)	17,159,131	16,772,172	386,959	2.3
4.	Loan loss provisions (13)	-205,497	-203,669	-1,828	0.9
5.	Trading assets (14)	50,196	40,949	9,247	22.6
6.	Financial investments (15)	3,716,090	3,644,639	71,451	2.0
	a) Financial assets - FVPL	574,459	533,355	41,104	7.7
	b) Financial assets - FVOCI	432,343	498,185	-65,842	-13.2
	c) Financial assets - AC	1,842,036	1,699,022	143,014	8.4
	d) Interest in entities accounted for using the equity method	867,252	914,077	-46,825	-5.1
7.	Intangible assets (16)	1,680	1,673	7	0.4
8.	Property, plant and equipment (17, 18)	414,617	414,794	-177	0.0
	a) Investment property	91,198	92,739	-1,541	-1.7
	b) Other property, plant and equipment	323,419	322,055	1,364	0.4
9.	Other assets (19)	300,604	263,930	36,674	13.9
	a) Deferred tax assets	31,849	25,367	6,482	25.6
	b) Positive fair values of closed out derivatives in the banking book	148,536	118,657	29,879	25.2
	c) Other	120,219	119,906	313	0.3
Total assets		24,203,445	22,829,029	1,374,416	6.0

Consolidated balance sheet as at 30/6/2020 / Equity and liabilities

in €k		30/6/2020	31/12/2019	Change in €k	Change in %
1.	Amounts owed to credit institutions (20)	5,480,144	4,795,833	684,311	14.3
	a) Refinance allocated for customer loans	2,683,200	2,561,437	121,763	4.8
	b) Other amounts owed to credit institutions	2,796,944	2,234,396	562,548	25.2
2.	Amounts owed to customers (21)	12,572,783	11,980,651	592,132	4.9
3.	Securitised liabilities (22)	1,803,359	1,662,863	140,496	8.4
4.	Provisions for liabilities and charges (23)	380,719	381,362	-643	-0.2
5.	Other liabilities (24)	553,294	525,268	28,026	5.3
	a) Trade liabilities (25)	42,880	38,092	4,788	12.6
	b) Tax liabilities	25,696	3,997	21,699	> 100
	ba) Current tax liabilities	21,522	250	21,272	> 100
	bb) Deferred tax liabilities	4,174	3,747	427	11.4
	c) Negative fair values of closed out derivatives in the banking book	33,588	35,030	-1,442	-4.1
	c) Other	451,130	448,149	2,981	0.7
6.	Subordinated debt capital (26)	468,732	522,515	-53,783	-10.3
7.	Equity (27)	2,944,414	2,960,537	-16,123	-0.5
	a) Equity after minorities	2,886,751	2,901,840	-15,089	-0.5
	b) Share of non-controlling shareholders	7,663	8,697	-1,034	-11.9
	c) Additional equity capital components	50,000	50,000	0	0.0
Total equity and liabilities		24,203,445	22,829,029	1,374,416	6.0

Consolidated statement of changes in equity as at 30/6/2020

	Subscribed capital	Capital reserves	Retained earnings	Exchange differences	Revaluation reserve			Actuarial gains/losses under IAS 19	Associates	Equity after minorities	Shares of non-controlling shareholders	Additional equity capital components	Shareholders' equity
					Reclassified debt securities IFRS 9	Equity instruments IFRS 9 not reclassified	Change in own credit risk IFRS 9 not reclassified						
in €k													
As at 01/01/2019	105,769	505,523	1,441,376	-769	2,337	112,535	-11,189	-32,580	618,457	2,741,459	6,437	50,000	2,797,896
Consolidated net profit			103,996	130	-550	13,616	1,763	-2,846	10,461	126,570	454		127,024
Net profit/loss for the year			103,996						13,999	117,995	454		118,449
Other comprehensive income				130	-550	13,616	1,763	-2,846	-3,538	8,575			8,575
Dividend distribution			-38,811							-38,811			-38,811
Coupon payments on additional equity components			-1,725							-1,725			-1,725
Capital increase													
Issuance of additional equity components													
Repurchased own shares	69		1,776							1,845			1,845
Other changes not recognised in income			-434						8,588	8,154	-260		7,894
As at 30/6/2019	105,838	505,523	1,506,178	-639	1,787	126,151	-9,426	-35,426	637,506	2,837,491	6,631	50,000	2,894,122
As at 1/1/2020	105,844	505,523	1,605,472	-1,365	1,414	126,729	-9,522	-48,552	616,297	2,901,840	8,697	50,000	2,960,537
Consolidated net profit			65,989	-4,173	-2,056	-31,693	29,164	329	-52,797	4,763	535		5,298
Net profit/loss for the year			65,989						-49,087	16,902	535		17,437
Other comprehensive income				-4,173	-2,056	-31,693	29,164	329	-3,710	-12,139			-12,139
Dividend distribution			-529							-529			-529
Coupon payments on additional equity components			-1,725							-1,725			-1,725
Capital increase													
Issuance of additional equity components													
Repurchased own shares	-668		-17,863							-18,531			-18,531
Other changes not recognised in income			851						82	933	-1,569		-636
As at 30/6/2020	105,176	505,523	1,652,195	-5,538	-642	95,036	19,642	-48,223	563,582	2,886,751	7,663	50,000	2,944,414

Consolidated statement of cash flows in €k	1/1 to 30/6/2020	1/1 to 30/06/2019
Profit/loss for the period	17,437	118,449
Non-cash items in profit/loss for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	92,176	-14,179
Change in provisions for staff benefits and other provisions	-971	5,625
Change in other non-cash items	-4,792	11,649
Gains and losses on financial investments, property, plant and equipment, and intangible assets	-1,459	-1,728
Subtotal	102,391	119,816
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	755,645	420,148
- Loans and advances to customers	-383,398	-525,033
- Trading assets	-11,035	-7,763
- Financial assets for operating activities ¹⁾	34,056	27,414
- Other assets from operating activities	19,185	24,314
- Amounts owed to credit institutions	675,322	-161,773
- Amounts owed to customers	591,280	-386,747
- Securitised liabilities	132,641	202,086
- Other liabilities from operating activities	-74,334	-85,988
Cash flow from operating activities	1,841,754	-373,526
Proceeds from the sale of		
- Financial assets for operating activities ²⁾	244,858	210,198
- Property, plant and equipment, and intangible assets	0	5,619
Outlay on purchases of		
- financial investments	-380,490	-328,500
- Property, plant and equipment, and intangible assets	-20,308	-14,019
Cash flow from investing activities	-155,940	-126,702
Capital increase	0	0
Dividend distributions	-529	-38,811
Coupon payments on additional equity components	-1,725	-1,725
Cash from subordinated liabilities and other financing activities		
- Issues	15,780	46,296
- Other	0	3,763
Fund outflows from subordinated debt capital and other financing activities		
- Redemptions	-58,810	-71,500
- Other	-27,479	-454
Cash flow from financing activities	-72,763	-62,431
Cash and cash equivalents at the end of preceding period	371,557	828,685
Cash flow from operating activities	1,841,754	-373,526
Cash flow from investing activities	-155,940	-126,702
Cash flow from financing activities	-72,763	-62,431
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	1,984,607	266,026
Interest received	204,104	208,424
Dividends received	9,495	21,469
Interest paid	-74,233	-69,691
Coupon payments on additional equity components	-1,725	-1,725
Income tax paid	-20,933	-25,758

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

1) Financial investments not intended to be held long term

2) Financial investments intended to be held long term

Notes to the consolidated financial statements

Summary of accounting policies

The consolidated financial statements of Oberbank AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as in force and as adopted by the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC). The consolidated financial statements cover the first half-year 2020 (1 January 2020 until 30 June 2020) and compare the results with the corresponding period of the preceding year. This interim report for the first quarter of 2020 complies with IAS 34 ("Interim Reports"). The abbreviated interim report has not been audited. We have not applied standards and interpretations that will take effect as of the financial year 2021 or later.

Changes to accounting policies 2020

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

The following standards and interpretations, as amended, have been mandatory since January 2020.

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

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

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

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

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

Actuarial assumptions

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

	30/6/2020	31/12/2019
Interest rate	1.00%	1.00%
Increase under collective agreements	2.83%	2.91%
Pension increase	1.68%	1.65%

Oberbank group of consolidated companies

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

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

1) Background

The coronavirus pandemic has been a predominant theme for months with curfews, closed restaurant and shops as well as production standstills that have caused as of yet inconceivable, severe changes to the public and private lives of people in Austria and worldwide. Hardly anyone can reliably assess the effects of this global crisis at present. Many companies are affected by collapsing sales markets despite the meanwhile eased restrictions. In many countries, various measures have been initiated and aid packages adopted to support the economy and private households as best as possible during this crisis that is threatening their existence. The following explanations present updated information and the key aspects of the current effects of the coronavirus pandemic on the interim financial statements of Oberbank AG.

2) Discretionary decisions, assumptions and estimates

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

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

Updated discretionary decisions, assumptions and estimates contained in these consolidated financial statements generally refer 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. Further details are given in 3) Risks of financial instruments.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be measured using current stock market prices because no publicly quoted market prices are available, model values are used. The valuation models, input parameters, the fair value hierarchy and the fair values of financial instruments are described in detail in Note 32 Fair value of financial instruments and other items regarding reconciliation as at 30 June 2020.

Impairment losses on investments accounted for using the equity method

If there is objective evidence for impairment of an investment accounted for using the equity method, a value in use is calculated on the basis of the estimated future cash flows. Details regarding the effects of the coronavirus pandemic are given in 3) Risks of financial instruments.

3) Risk of financial instruments

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

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

Despite widespread uncertainty with respect to the duration and depth of the crisis for the real economy, it is clear that a significant downturn of the economy lies ahead, which, among other things, will result in reduced credit quality, and therefore, raise the level of impairment charges to be recognised.

The measures taken, especially by national governments, also include far-reaching payment deferrals passed into law. The European Banking Authority (EBA) clarified the following points in its Guidelines:

- The government-declared payment moratoria in response to COVID-19 pandemic are not to be automatically classified as forbearance.
- The broad sectoral private measures are not to be classified as forbearance if they meet the criteria of the EBA Guidelines.

With these clarifications, the national and European supervisory authorities provide banks with eased conditions as a way to avoid excessive pro-cyclicality when allocating risk provisions. In all other instances, a case-by-case examination is conducted to check if forbearance is given, and consequently, a qualitative trigger for an ECL stage transfer model. Before this backdrop, the payment deferrals applicable due to the COVID-19 crisis mostly do not trigger any SICR events (Significant Increase in Credit Risk) at Oberbank.

Furthermore, EBA and ESMA have also stated that payment defaults in connection with the COVID-19 measures do not necessarily represent a qualitative trigger event for a stage transfer. In fact, when modifications to payment terms are agreed with borrowers, this automatically results in a new payment plan. Only if these new payment modalities are breached would the trigger “30-day payment default” of the stage transfer model become effective.

The third material aspect refers to the consideration of “forward-looking information” (FLI) in the impairment model. The substantial downward corrections of economic forecasts by many institutions automatically resulted in effects on the point-in-time default probabilities (PIT-PD). The macroeconomic forecasts were revised downwards several times during the COVID-19 crisis and are now indicating a deep recession for the economic year 2020, however, with a clear recovery for the coming year. Therefore, after the government support measures expire, we expect a significant influence on the default rates, albeit with a certain delay, in the overall portfolio in the coming 12 months.

The ECL calculation as at 30 June 2020 takes into account the following macroeconomic forecasts of exposure-weighted countries with Oberbank subsidiaries in a normal scenario:

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

Compared to the start of the year, the amount of the impairment charges for performing loans (stage 1 and stage 2) increases by EUR 6.3 million, with the effect of the PIT adjustment reaching EUR 6.9 million due to the changed economic outlook.

Therefore, the ratings of the underlying portfolio have not yet deteriorated, but the financial statements of companies are certainly expected to be worse and thus also the rating hard facts. The extent to which the final ratings and default probabilities of borrowers will be impacted is a critical factor for the further development of risk provisions under IFRS 9.

Development of impairment charges

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

Movements in loan loss provisions (income statement view)

in €k	1/1 to 30/6/2020	1/1 to 31/12/2019	1/1 to 30/6/2019
Additions to charges for losses on loans and advances	-44,968	-98,748	-54,874
Reversals of loan loss provisions	36,690	83,875	55,262
Direct write-offs of receivables	-776	-1,101	-592
Recoveries of written-off receivables	1,103	2,860	1,352
Result from non-significant modifications	8	2	-17
Impairment gains/losses from POCI	-1,519	902	920
Reconciliation from entities accounted for by proportionate consolidation	0	0	-1,126
Total	-9,462	-12,210	925

Movements in impairment provisions (balance sheet view)

in €k	As at 31/12/2019	Additions	Reversals	Used	Other effects ²⁾	As at 30/6/2020
for receivables from credit institutions, stage 1 + 2	827	24	-365			486
for receivables from credit institutions, stage 3:						
for receivables from customers, stage 1 + 2	37,610	3,510			-1	41,119
for receivables from customers, stage 3	164,360	27,736	-25,112	-2,308	-1,737	162,939
for debt securities, stage 1 + 2	872	45	-59		95	953
Loan loss provisions¹⁾	203,669	31,315	-25,536	-2,308	-1,643	205,497
for off-balance sheet items, stage 1 + 2	11,542	3,290	-269			14,563
for off-balance sheet items, stage 3	110,222	10,363	-10,885		3,837	113,537
Total risk provisions	325,433	44,968	-36,690	-2,308	2,194	333,597

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

2) Thereof from ALGAR consolidation +€k 3,791; from securites measured at OCI + €k 94; from gains/losses on exchange rate fluctuations €k - 1,780.

As regards the non-performing loan portfolio (stage 3), there were no material effects from the coronavirus pandemic perceptible as at 30/6/2020.

Fair Value Measurement

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

Impairment loss on our equity investment in voestalpine AG

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

Based on the impairment test for the stake held in voestalpine AG, an impairment charge of €k 80,597 was recognised in Q1 2020, and a write-up of €k 26,106 in Q2 2020. As the recoverable amount, a right-of-use value of €k 399,866 was

recognised as at 30 June 2020 (31 March 2020: €k 372,377) as the higher value from the comparison of the right-of-use value and the fair value minus cost of sale. The determination of the right-of-use value is based on the present value of the expected payment flows likely to be earned by voestalpine AG. The discount rate used as at 30 June 2020 in the terminal value is the WACC (Weighted Average Cost of Capital) of 7.47% (31 March 2020: 7.67%; 31 Dec. 2019: 6.50%). A change to the discount rate by +/- 25 basis points would result in a reduction in the right-of-use value by 7.84% or an increase by 8.51%, while a change to the discount interest rate by +/- 50 basis points would reduce the right-of-use value by 15.10% or increase it by 17.78%.

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

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

Oberbank has non-financial assets in intangible assets; property, plant and equipment; investment property; and right-of-use assets on leased objects. Assets are accounted for at amortised costs. There were no indications for impairment losses such as branch closures, declining demand for banking products, significant changes to right-of-use assets and reassessment of usable life. The fair value of investment property was €k 104,920 (31 Dec. 2019: €k 107,450). The decline is due to the depreciation over time. Currently there are no signs of additional market adjustments on the real estate market due to the effects of the coronavirus pandemic.

Oberbank AG capitalised deferred tax assets on loss carryforwards to a minor extent of around €k 697 (31 Dec. 2019: €k 740). The coronavirus pandemic has not changed the earnings situation of the group companies from which the loss carryforwards result. The tax loss carryforwards remain unchanged.

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

5) Presentation of the effects essentially caused by the coronavirus pandemic

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

in €k	1/1 to 30/6/2020
Profit from entities accounted for by the equity method	
Expenses from impairments and income from additions	-54,491
Charges for losses on loans and advances	
Additions to charges for losses on loans and advances stage 1 and stage 2	-6,300
Administrative expenses	
Other administrative expenses ¹⁾	-399
Other operating income	
Net income from financial assets - FV/PL	-10,786

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

The profit/loss on financial assets measured at fair value in the income statement results mainly from the market valuation of the OBK APM Special Fund. The fund policy generally specifies investments in bonds, shares, gold and commodities, with shares representing the main portion. The market valuation of the Special Fund therefore depends on the

development of stock markets, which have suffered heavy losses since 24 February 2020 due to the global coronavirus pandemic (start of plunging prices on international capital markets). Thus, for example, the Austrian leading index, ATX, lost around 38% in the course of 2020 until 31 March 2020 and around 30% until 30 June 2020.

Moreover, reduced dividend distributions from equity investments are expected for which the reductions due to the coronavirus cannot be clearly quantified.

6) Material events since the close of the financial year

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

Details of the income statement in €k

1) Net interest income	1/1 to 30/6/2020	1/1 to 30/6/2019
Interest income from		
Credit and money market operations	181,196	183,027
Shares and other variable-yield securities	1,870	3,260
Other equity investments	3,190	5,814
Subsidiaries	328	2,971
Fixed-interest securities and bonds	23,618	27,470
Interest and similar income	210,202	222,542
Interest expenses for		
Deposits	-22,850	-30,522
Securitised liabilities	-9,479	-10,535
Subordinated liabilities	-8,112	-10,419
Interest and similar expenses	-40,441	-51,476
Net interest income	169,761	171,066

2) Income from entities recognised using the equity method	1/1-30/6/2020	1/1-30/6/2019
Net amounts from proportionately recognised income	4,592	23,422
Expenses from operating leases	-80,597	0
Income from write-ups	26,106	0
Income from write-ups due to purchases	4,919	0
Profit from entities accounted for by the equity method	-44,980	23,422

3) Charges for losses on loans and advances	1/1 to 30/6/2020	1/1 to 30/6/2019
Additions to charges for losses on loans and advances	-44,968	-56,000
Direct write-offs	-776	-592
Reversals of charges for losses on loans and advances	36,690	55,262
Recoveries of written-off receivables	1,103	1,352
Result of non-significant modifications	8	-17
Result of POCI financial instruments	-1,519	920
Charges for losses on loans and advances	-9,462	925

4) Net commission income	1/1 to 30/6/2020	1/1 to 30/6/2019
Net commission income:		
Payment services	29,817	30,488
Securities business	34,748	27,923
Foreign exchange, foreign bank notes and precious metals	8,062	8,231
Credit operations	20,200	19,939
Other service and advisory business	4,486	2,170
Total net commission income	97,313	88,751
Net commission expenses:		
Payment services	2,095	2,349
Securities business	4,262	3,863
Foreign exchange, foreign bank notes and precious metals	290	271
Credit operations	2,338	1,848
Other service and advisory business	1,619	230
Total commission expenses	10,604	8,561
Net commission income	86,709	80,190

5) Net trading income	1/1-30/6/2020	1/1-30/6/2019
Gains/losses on interest rate contracts	-376	941
Gains/losses on foreign exchange, foreign bank note and coins	3,068	3,923
Gains/losses on derivatives	-1,966	-455
Net trading income	726	4,409

6) Administrative expenses	1/1 to 30/6/2020	1/1 to 30/6/2019
Staff costs	88,521	86,368
Other administrative expenses	44,188	42,116
Write-offs and impairment allowances	14,791	13,912
Administrative expenses	147,500	142,396

7) Other operating income	1/1 to 30/6/2020	1/1 to 30/6/2019
a) Net income from financial assets - FVTPL	-10,786	15,989
there of from designated financial instruments	2,690	3,674
there of financial instruments with mandatory measurement at FVPL	-13,476	12,315
b) Net income from financial assets - FVOCI	-211	208
there of from the measurement of debt instruments	-321	32
there of from the sale and derecognition of debt instruments	110	176
c) Net income from financial assets - AC	160	1,617
d) Other operating result	-7,198	-12,591
Other operating income	24,501	18,520
Income from operational risks	6,752	1,351
Gains from the sale of land and buildings	289	0
Income from private equity investments	2,496	1,035
Income from operating leases	7,891	8,662
Other income from the leasing sub-group	3,167	3,075
Brokerage fees from third parties	2,216	2,078
Other	1,690	2,319
Other operating expenses	-31,699	-31,111
Expenses from operational risks	-2,013	-4,242
Stability tax	-3,009	-2,354
Contributions to the resolution fund and deposit protection scheme	-14,230	-12,392
Expenses from operating leases	-5,881	-7,591
Other income from the leasing sub-group	-4,006	-3,418
Other	-2,560	-1,114
Balance of other operating income net/other operating expenses	-18,035	5,223

8) Income taxes	1/1 to 30/6/2020	1/1 to 30/6/2019
Current income tax expense	24,296	16,463
Deferred income tax expenses (income)	-4,514	7,927
Income taxes	19,782	24,390

9) Earnings per share in €	1/1 to 30/6/2020	1/1 to 30/6/2019
Number of shares as at 30/6	35,307,300	35,307,300
Average number of shares in issue	35,125,812	35,284,286
Profit/loss for the period after tax	17,437	118,449
Earnings per share in €	0.50	3.36
Annualised values	0.99	6.71

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

Details of the balance sheet in €k

10) Cash and balances at central banks	30/6/2020	31/12/2019
Cash in hand	103,358	98,007
Credit balances with central banks of issue	1,881,249	273,550
Cash and balances with central banks	1,984,607	371,557

11) Loans and advances to credit institutions	30/6/2020	31/12/2019
Loans and advances to Austrian credit institutions	217,579	130,624
Loans and advances to foreign credit institutions	564,438	1,392,360
Loans and advances to credit institutions	782,017	1,522,984

12) Loans and advances to customers	30/6/2020	31/12/2019
Loans and advances to domestic customers	10,230,943	9,952,209
Loans and advances to foreign customers	6,928,188	6,819,963
Loans and advances to customers	17,159,131	16,772,172
13) Impairment charges on loans and advances	30/6/2020	31/12/2019
Impairment charges for banks	486	827
Impairment charges for customers	204,058	201,970
Impairment charges for debt securities	953	872
Impairment charges on loans and advances	205,497	203,669
14) Trading assets	30/6/2020	31/12/2019
Bonds and other fixed-interest securities		
Listed	0	0
Shares and other variable-yield securities		
Listed	1,080	1,975
Positive fair values of derivative financial instruments		
Currency contracts	5,529	2,696
Interest rate contracts	43,587	36,278
Other contracts	0	0
Trading assets	50,196	40,949
15) Financial investments	30/6/2020	31/12/2019
Bonds and other fixed-interest securities		
Listed	2,268,480	2,089,681
Unlisted	64,182	77,480
Shares and other variable-yield securities		
Listed	57,458	96,186
Unlisted	198,614	207,822
Equity investments/shares		
In subsidiaries	92,038	92,673
Entities accounted for using the equity method		
Banks	467,386	449,932
Non-banks	399,866	464,145
Other equity investments		
Banks	39,990	39,990
Non-banks	128,076	126,730
Financial investments	3,716,090	3,644,639
a) Financial assets - FVPL	574,459	533,355
b) Financial assets FVOCI	432,343	498,185
there of equity instruments	290,258	327,400
there of debt instruments	142,085	170,785
c) Financial assets - AC	1,842,036	1,699,022
d) Interest in entities accounted for using the equity method	867,252	914,077
Financial investments	3,716,090	3,644,639
16) Intangible assets	30/6/2020	31/12/2019
Other intangible assets	1,317	1,281
Customer base	363	392
Intangible assets	1,680	1,673

17) Property, plant and equipment	30/6/2020	31/12/2019
Investment property	91,198	92,739
Land and buildings	95,019	93,212
Business equipment and furnishings	59,642	63,067
Other property, plant and equipment	18,657	25,193
Right of use for leased objects	150,101	140,583
Property, plant and equipment	414,617	414,794

18) Lease contracts in which Oberbank is lessee

The lease contracts entered into by Oberbank relate mainly to rentals for branch premises and office space as well as to building rights and tenancy right for plots of land, garages, business equipment and furnishings, and vehicles. The leasing contracts do not involve any significant restrictions or commitments. There were no sale-and-leaseback transactions. The results in the consolidated balance sheet, consolidated income statement and consolidated statement of cash flows for Oberbank as a lessee are presented below for the first half-year 2020/as at 30 June 2020:

Leasing in the consolidated balance sheet	30/6/2020	31/12/2019
Property, plant and equipment	150,101	140,583
Right of use for land and buildings	145,063	135,800
Right of use for business equipment and furnishings	612	534
Right of use for other property, plant and equipment	1,225	1,530
Right of use in investment property	3,200	2,719
Other liabilities		
Leasing liabilities	150,746	140,991

Additions to rights of use in the first half-year of 2020 were €k 20,718. Cash outflows for leasing liabilities amounted to €k 7,722.

Leasing in the consolidated income statement	1/1 to 30/6/2020	1/1 to 30/6/2019
Interest expenses for leasing liabilities	432	430
Administrative expenses	7,530	8,485
Depredation/amortisation for rights of use to land and buildings	6,707	6,319
Depr./amort. for rights-of-use to business equipment and furnishings	123	119
Depr./amort. for rights-of-use to other property, plant and equipment	381	411
Depredation/amortisation for rights of use and investment property	319	300
Other expenses from lease contracts	733	1,336
Other operating income		
Income from subleasing rights of use	400	418

Leasing in the consolidated statement of cash flows	1/1 to 30/6/2020	1/1 to 30/6/2019
Repayment of leasing liabilities from finance activities	-7,722	-7,370
Interest expenses for leasing liabilities from operating activities	432	430

19) Other assets	30/6/2020	31/12/2019
Deferred tax assets	31,849	25,367
Other assets	116,471	112,406
Positive fair values of closed out derivatives in the banking book	148,536	118,657
Deferred items	3,748	7,500
Other assets	300,604	263,930

20) Amounts owed to credit institutions	30/6/2020	31/12/2019
Amounts owed to Austrian banks	3,714,233	2,824,684
Amounts owed to foreign banks	1,765,911	1,971,149
Amounts owed to credit institutions	5,480,144	4,795,833

21) Amounts owed to customers	30/6/2020	31/12/2019
Savings deposits	2,675,205	2,697,443
Other	9,897,578	9,283,208
Amounts owed to customers	12,572,783	11,980,651
22) Securitised liabilities	30/6/2020	31/12/2019
Bonds issued	1,789,840	1,649,309
Other securitised liabilities	13,519	13,554
Securitised liabilities	1,803,359	1,662,863
23) Provisions for liabilities and charges	30/6/2020	31/12/2019
Provisions for termination benefits and pensions	197,110	199,541
Provisions for anniversary bonuses	15,075	14,962
Provisions for credit risks	128,100	121,764
Other provisions	40,434	45,095
Provisions for liabilities and charges	380,719	381,362
24) Other assets	30/6/2020	31/12/2019
Trading liabilities	42,880	38,092
Tax liabilities	25,696	3,997
Current tax liabilities	21,522	250
Deferred tax liabilities	4,174	3,747
Leasing liabilities	150,746	140,991
Other liabilities	244,374	238,459
Negative fair values of closed out derivatives in the banking book	33,588	35,030
Deferred items	56,010	68,699
Other liabilities	553,294	525,268
25) Other liabilities (trading liabilities)	30/6/2020	31/12/2019
Currency contracts	604	2,877
Interest rate contracts	42,276	35,215
Other contracts	0	0
Trading liabilities	42,880	38,092
26) Subordinated debt capital	30/6/2020	31/12/2019
Subordinated bonds issued incl. tier 2 capital	468,732	522,515
Hybrid capital	0	0
Subordinated debt capital	468,732	522,515
27) Equity	30/6/2020	31/12/2019
Subscribed capital	105,176	105,844
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,274,180	2,288,601
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minorities	7,663	8,697
Equity	2,944,414	2,960,537
28) Contingent liabilities and commitments	30/6/2020	31/12/2019
Other contingent liabilities (guarantees and letters of credit)	1,272,903	1,275,336
Contingent liabilities	1,272,903	1,275,336
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,011,226	4,045,352
Credit risks	4,011,226	4,045,352

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

n.a. – not applicable

Segment report as at 30/6/2019 Core business segments in €m	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	31.5	127.9	11.7		171.1
Profit from entities accounted for by the equity method			23.4		23.4
Charges for losses on loans and advances	-1.4	4.4	-2.1		0.9
Net fee and commission income	37.4	42.8	-0.1		80.2
Net trading income		-0.1	4.5		4.4
Administrative expenses	-46.2	-77.1	-4.8	-14.2	-142.4
Other operating income	2.5	-3.4	17.8	-11.7	5.2
Profit/loss for the period before tax	23.8	94.5	50.5	-25.9	142.8
Average risk-weighted assets	1,840.0	10,012.6	5,596.8		17,449.4
Average allocated equity	298.3	1,623.1	907.3		2,828.6
RoE (return on equity before tax)	16.0%	11.6%	11.1%		10.1%
Cost/income ratio	64.7%	46.1%	8.4%		50.1%

30) Human resources	30/6/2020	31/12/2019
Salaried employees	2,167	2,150
Blue-collar	8	9
Total	2,175	2,159

31) Regulatory Capital pursuant to Part 2 of Regulation (EU) No 575/2013 - Pillar I in €k	30/6/2020	31/12/2019	30/6/2019
Subscribed capital	98,722	99,622	99,622
Capital reserves	505,523	505,523	505,523
Retained earnings	2,130,575	2,181,127	2,053,508
Minority interests	0	0	0
Accumulated other comprehensive income	65,813	70,069	83,086
Regulatory adjustments	-22,784	6,530	6,344
Deductions from common equity tier 1 capital items	-317,629	-203,899	-200,527
COMMON EQUITY TIER 1 CAPITAL	2,460,220	2,658,972	2,547,556
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs. to national implementation rules	0	0	0
Deductions from AT1 capital items	0	0	0
Additional tier 1 capital	50,000	50,000	50,000
TIER 1 CAPITAL	2,510,220	2,708,972	2,597,556
Qualifying supplementary capital instruments	342,906	352,382	361,369
Nominal capital preference shares purs. to transition rules	7,200	6,300	6,300
AT1 capital instruments purs. to transition rules	0	0	0
Supplementary capital (tier 2) items purs. to national impl. rules	5,492	9,406	11,928
General credit risk adjustments	0	0	0
Deductions from tier 2 capital items	-19,196	-18,992	-20,253
Supplementary capital (tier 2)	336,402	349,096	359,344
OWN FUNDS	2,846,622	3,058,068	2,956,900
Total risk exposure purs. Art. 92 CRR			
Credit risk	14,215,960	13,978,718	13,850,545
Market risk, settlement risk and CVA risk	47,542	52,758	59,103
Operational risk	1,083,459	1,083,459	1,055,408
Total exposure	15,346,961	15,114,935	14,965,056
Own funds ratio purs. Art. 92 CRR			
Common equity tier 1 capital ratio	16.03%	17.59%	17.02%
Tier 1 capital ratio	16.36%	17.92%	17.36%
Total capital ratio	18.55%	20.23%	19.76%
Regulatory requirements own capital ratios purs. to transition rules in %			
Common equity tier 1 capital ratio	7.10%	7.13%	7.11%
Tier 1 capital ratio	8.60%	8.63%	8.61%
Total capital ratio	10.60%	10.63%	10.61%
Regulatory capital requirements purs. to transition rules in €k			
Common equity tier 1 capital	1,089,634	1,078,299	1,064,449
Tier 1 capital	1,319,839	1,305,023	1,288,925
Total capital	1,626,778	1,607,322	1,588,226
Free capital components			
Common equity tier 1 capital	1,370,586	1,580,673	1,483,107
Tier 1 capital	1,190,381	1,403,949	1,308,631
Total capital	1,219,844	1,450,746	1,368,674

32) Fair value of financial instruments and other items regarding reconciliation as at 30/6/2020	AC	FVTPL	thereof	HFT	FVOCI	thereof equity instruments FVOCI	thereof debt instruments FVOCI	AC/ liabilities	Other	Total
Cash and balances with central banks								1,984,607		1,984,607
								1,984,607		1,984,607
Loans and advances to credit institutions								782,017		782,017
								784,615		784,615
Loans and advances to customers	26,878	56,939	39,295		40,672		40,672	17,034,641		17,159,131
	28,087	56,939	39,295		40,672		40,672	17,271,505		17,397,202
Loan loss provisions								-205,497		-205,497
								-205,497		-205,497
Trading assets				50,196						50,196
				50,196						50,196
Financial investments	1,842,035	574,459	332,217		432,343	290,258	142,085		867,252	3,716,090
	1,904,930	574,459	332,217		432,343	290,258	142,085			
Intangible assets									1,680	1,680
Property, plant and equipment									414,617	414,617
Other assets				148,536					152,068	300,605
				148,536						
of which closed out derivatives positions in the banking book				148,536						148,536
				148,536						
Total assets	1,868,914	631,399	371,512	198,732	473,014	290,258	182,756	19,595,769	1,435,618	24,203,445
	1,933,017	631,399	371,512	198,732	473,014	290,258	182,756	19,835,229		
Amounts owed to banks		29,730	29,730					5,450,414		5,480,144
		29,730	29,730					5,410,585		5,440,315
Amounts owed to customers		442,592	442,592					12,130,191		12,572,782
		442,592	442,592					12,145,246		12,587,837
Securitised liabilities		876,013	876,013					927,347		1,803,359
		876,013	876,013					977,262		1,853,275
Provisions for liabilities and charges									380,719	380,719
Other liabilities				76,469					476,825	553,294
				76,469						
of which closed out derivatives positions in the banking book				33,588						33,588
				33,588						33,588
Subordinated debt capital		392,213	392,213					76,519		468,732
		392,213	392,213					89,822		482,035
Capital									2,944,414	2,944,414
Total equity and liabilities	-	1,740,548	1,740,548	76,469	-	-	-	18,584,470	3,801,958	24,203,445
	-	1,740,548	1,740,548	76,469	-	-	-	18,622,915		

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

In the first half-year 2020, there were no reclassifications with respect to financial assets from the measurement category recognised at fair value plus or minus through other comprehensive income (FVOCI) to the measurement category at amortised cost (AC) and no reclassification from the measurement category at fair value through profit or loss (FVPL) to the category at amortised cost (AC) or at fair value plus or minus through other comprehensive income (FVOCI).

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to change in own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 30/6/2020	in HY1 2020	Cumulated	as at 30/6/2020
Amounts owed to banks	-85	191	1,308	1,308
Amounts owed to customers	14,011	-2,875	52,947	52,947
Securitised liabilities	12,113	-12,918	18,797	18,797
Subordinated debt capital	150	-2,064	22,063	22,063

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

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to change in own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 31/12/2019	in the financial year 2019	cumulated	as at 31/12/2019
Amounts owed to banks	-101	786	1,514	1,514
Amounts owed to customers	-850	-10,894	64,933	64,933
Securitised liabilities	-2,868	-5,003	20,860	20,860
Subordinated debt capital	-8,878	-531	27,821	27,821

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

Assets designated at fair value through profit or loss as at 30/6/2020		Reduction due to related credit derivatives or similar instruments Financial instruments	Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
	Maximum default risk		in HY1 2020	Cumulated	in HY1 2020	Cumulated
Loans and advances to customers	39,295	-	-	-	-	-
Financial investments	332,217	-	-	466	-	-

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

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

	30/6/2020	31/12/2019
Loans and advances to customers FVTPL	56,939	56,684
Financial investments FVTPL	574,459	533,355
Financial investments FVOCI	290,258	327,399
Trading assets	50,196	40,949
Derivatives positions in the banking book	148,536	118,657
Total	1,120,389	1,077,044

Fair value hierarchy of financial instruments as at 30/6/2020

	AC Carrying value	FVTPL Carrying value	HFT Carrying value	FVOCI Carrying value	AC/liabilities carrying value	Other carrying value	Total carrying value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Financial instruments carried at fair value in €k										
Loans and advances to customers		56,939		40,672			97,611		45,030	52,581
Trading assets			50,196				50,196	1,075	49,121	
Financial assets - FVPL		574,459					574,459	353,865	220,595	
Financial assets - FVOCI				432,343			432,343	190,473	3,968	237,902 ¹⁾
Other assets			148,536				148,536		148,536	
of which closed out derivatives positions in the banking book			148,536				148,536		148,536	
Financial assets not carried at fair value										
Loans and advances to credit institutions					782,017		782,017		784,615	
Loans and advances to customers	26,878				17,034,641		17,061,520		28,087	17,271,505
Financial assets - AC	1,842,035						1,842,035	1,843,174	61,757	
Financial assets carried at fair value										
Amounts owed to credit institutions		29,730					29,730		29,730	
Amounts owed to customers		442,592					442,592		442,592	
Securitised liabilities		876,013					876,013		876,013	
Other liabilities			76,468				76,468		76,468	
of which closed out derivatives positions in the banking book			33,588				33,588		33,588	
Subordinated debt capital		392,213					392,213		392,213	

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 of company valuation.

Fair value hierarchy of financial instruments as at 30/6/2020

	AC Carrying value	FVTPL Carrying value	HFT Carrying value	FVOCI Carrying value	AC/ liabilities carrying value	Other carrying value	Total carrying value	Level 1 Fair value	Level 2 Fair value	Level 3 Fair value
Liabilities not carried at fair value										
Amounts owed to credit institutions					5,450,414		5,450,414		5,410,585	
Amounts owed to customers					12,130,191		12,130,191		12,145,246	
Securitised liabilities					927,347		927,347		977,262	
Other liabilities										
Subordinated debt capital					76,519		76,519		89,822	

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. Moreover, model prices of derivatives are compared with the model values of the partner banks. The management is sent a daily update on risk positions and the valuation results based on entire trading book positions. The fair value of financial instruments not carried in the trading book is measured on a quarterly basis.

Valuation methods for measuring fair values

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

Input factors for the fair value measurement

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

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

The fair values of non-listed securities are obtained from the Geos system. The fair value of investment fund units is obtained from the fund management companies. The present value method (discounted cash flow method) is used to calculate the fair value of securitised liabilities, subordinated capital and amounts owed to banks and customers, with the cash flows of own issues being calculated using the contractual interest rate. The interest rates used for discounting are derived from the discount curve applicable to the respective currency, adding a premium in the form of a credit spread corresponding to the seniority of the issue. The credit rating premiums are adjusted regularly to the respective market conditions.

The fair value of **level 3** assets is measured using generally-accepted valuation models. The fair value measurement of receivables from banks and customers is based on the discounted contract cash flow (based on contractually-agreed repayment structures) and the discounted expected credit loss cash flows (considers the credit rating of the customer and collateral). The exchange rates used are the reference rates published by the ECB.

The effects of the COVID-19 pandemic on interest rates is minor. Rather, the sustained phase of low interest rates was aggravated, because the major central banks lowered key lending rates and/or took measures to boost liquidity to support the economy. Central bank purchasing schemes and low inflationary expectations kept long-term interest rates low. Therefore, there is no increased influence of the interest rate component on financial instruments measured at fair value due to the COVID-19 pandemic. An economic downswing triggered by the COVID-19 pandemic and the resultant potential downgrading of credit ratings of customers has an influence on the calculation of fair values of level 3 financial instruments. If measurements based on risk premiums were to increase by 50 bp, receivables from customers valued at fair value would decline by EUR 0.7 million (31. Dec. 2019 € 0.6 million), and if risk premiums were to increase by 100 bp the fair values of these receivables would drop by € 1.4 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 equity investments and shares in affiliated companies is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation.

Movements in €k	Equity investments FVOCI
Carrying value as at 01/01/2020	238,761
Additions (purchases)	0
Disposals (sales)	-859
Value changes recognised in equity	0
Value changes recognised in income	0
Carrying value as at 30/6/2020	237,902

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

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

Movements in €k	Loans and advances to customers
Carrying value as at 1/1/2020	52,253
Transfer to level 2	0
Additions	2,678
Disposals	-1,961
Changes in fair value	-389
of which disposals	-110
of which portfolio instruments	-279
Carrying value as at 30/6/2020	52,581

There were no transfers between Level 1 and Level 2.

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

Associated companies	€k 0
Subsidiaries	€k 0
Other related parties	€k 26.430

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

The Management Board confirms that

- these condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) currently in force and published by the International Accounting Standards Board (IASB) as applicable in the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC); they furthermore present a true and fair view of the assets, liabilities, financial position and result of operations of the Oberbank Group.
- These consolidated interim financial statements cover the first half-year 2020 (1 January 2020 to 30 June 2020) and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

The undersigned members of the Management Board in their function as legal representatives of Oberbank confirm that

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

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

Linz, 27 August 2020

The Management Board



CEO

Franz Gasselsberger

Remit

Corporate and Business Banking Personal Banking



Director

Josef Weißl

Remit



Director

Florian Hagenauer

Remit

Overall Banking Risk Management

Current Management Board Remits

CEO Franz Gasselsberger	Management Board Member Josef Weißl	Management Board Member Florian Hagenauer
General Business Policy		
Internal Audit		
Compliance		
Business and Service Departments		
CIF (Corporate & International Finance)	PKU (Personal Banking)	KRM (Credit Management)
RUC (Accounts & Controlling)	PAM (Private Banking & Asset Management)	RIS (Strategic Risk Management)
TRE (Treasury & Trade)		OSG2 ¹⁾ (Payment Systems and Central Production)
HRA (Human Resources)		SEK (Corporate Secretary & Communication)
		ORG (Organisational Development, Strategy and Process Management)
		ZSP (Payment Systems and Central Production CEE ¹⁾ , securities settlement)
		GFI (Global Financial Institutions)
Regional Business Divisions		
Upper Austria South	Linz South	
Linz North	Innviertel	
Vienna	Salzburg	
Germany South	Lower Austria	
Germany Central	Slovakia	
	Czech Republic	
	Hungary	

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

2) Banken DL Servicegesellschaft m.b.H., 100% subsidiary of Oberbank

Notes

The forecasts that refer to the future development of Oberbank are estimates made on the basis of all the information available to us on the reporting data. Should the assumptions regarding such forward-looking statements prove incorrect or should risks materialise to an extent not anticipated, the actual results may vary from those currently expected. Information provided on market shares are based on the most recent data available at the copy deadline.

When adding up rounded figures and calculating percentage rates of change, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded.

The abbreviation 'n.a.' in the charts and tables means that the respective provision was not applicable in the relevant financial year.

Financial calendar 2020

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

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

Publication Details

Media owner and publisher: Oberbank AG, 4020 Linz, Untere Donaulände 28

Internet: www.oberbank.at , E-Mail: sek@oberbank.at

Editing: Corporate Secretary and Communication, phone +43 732 78 02-0

Translation: Edith Vanghelof