Annual Report 2020

Oberbank

Strong for our customers

CEO Franz Gasselsberger
Chairman of the Management Board

oberbank.com

Florian Hagenauer
Management Board Member of Oberbank AG

Josef Weißl
Management Board Member of Oberbank AG

CEO Franz Gasselsberger
Chairman of the Management Board

Martin Seiter
Management Board Member of Oberbank AG

(from left to right)

This year – a tough one for many – revealed the power of Oberbank's independence. Power based on three key competitive advantages:

Regionality, Proximity, Speed

Strengths that help us serve our customers well

Oberbank
Not like any other bank

Annual Report 2020

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Key Performance Indicators

Income statement in €m	2020	2019	Change
Net interest income	336.9	345.8	-2.6%
Charges for losses on loans and advances	-41.8	-12.2	> 100.0%
Net fee and commission income	170.7	163.0	4.7%
Administrative expenses	-294.9	-288.9	2.1%
Profit/loss for the year before tax	167.5	276.2	-39.4%
Profit/loss for the year after tax	123.5	216.1	-42.8%

Balance sheet in €m	2020	2019	Change
Total assets	24,432.9	22,829.0	7.0%
Loans and advances to customers	17,264.7	16,570.2	4.2%
Primary funds	15,426.9	14,166.0	8.9%
thereof savings deposits	2,660.9	2,697.4	- 1.4%
thereof securitised liabilities incl. subordinated debt capital	2,339.8	2,185.4	7.1%
Shareholders' equity	3,038.9	2,960.5	2.6%
Customer funds under management	32,147.6	30,314.8	6.1%

Regulatory capital in €m	2020	2019	Change
Common equity tier 1 capital	2,705.2	2,659.0	1.7%
Tier 1 capital	2,755.2	2,709.0	1.7%
Own funds	3,099.3	3,058.1	1.3%
Common equity tier 1 capital ratio	17.84%	17.59%	0.24% ppt
Tier 1 capital ratio	18.17%	17.92%	0.24% ppt
Total capital ratio	20.43%	20.23%	0.20% ppt

Performance indicators	2020	2019	Change
Return on equity before tax	5.67%	9.64%	-3.97% ppt
Return on equity after tax	4.18%	7.54%	-3.36% ppt
Cost/income ratio	58.49%	50.04%	8.45% ppt
Risk/earnings ratio (credit risk/net interest)	12.42%	3.53%	8.89% ppt

Resources	2020	2019	Change
Average number of staff (weighted)	2,168	2,150	18
Number of branches	176	177	-1

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.

Key Performance Indicators

Oberbank's share	2020	2019	2018
Number of ordinary no-par shares	35,307,300	32,307,300	32,307,300
Number of preference shares*		3,000,000	3,000,000
High (ordinary/preference share) in €*	96.00	96.20/93.00	89.80/88.50
Low (ordinary/preference share) in €*	83.00	89.80/83.00	82.00/72.50
Close (ordinary/preference share) in €*	84.40	95.80/89.50	89.80/83.00
Market capitalization in €m	2,978.74	3,363.5	3,150.2
IFRS earnings per share in €	3.52	6.13	6.39
Dividend per share in €	0.58[1)]	0.18	1.10
P/E ratio, ordinary shares	24.0	15.6	14.1
P/E ratio, preference shares*		14.6	13.0

When adding up rounded figures and calculating percentage rates of change, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded.
*2020 conversion of preference shares into ordinary shares

[1)] On the condition precedent that

(i) the recommendation of the European Central Bank to restrict dividend distributions (Recommendation of the European Central Bank of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35 [ECB/2020/62]) is no longer applicable for Oberbank AG on 31 December 2021 or earlier, and

(ii) provided that at the time the aforementioned condition precedent occurs, no other legal restriction or recommendation imposed by a supervisory body is in place that would preclude an additional distribution in this amount,

the Management Board and Supervisory Board will propose to distribute additionally a dividend of EUR 0.17 on every eligible share.

Letter from the Chairman of the Management Board

FRANZ GASSELSBERGER

CEO of Oberbank AG

Letter from the Chairman of the Management Board

Dear Readers, Dear Shareholders,

Oberbank successfully mastered the extraordinary challenges of the year 2020

The outbreak of the pandemic clearly showed Oberbank's resilience to crises. We were able to meet the spike in demand from our customers at all times throughout the year and proved a reliable partner to customers also in these special times. There were no constraints on the business operations of the bank, and we were able to maintain the solid level of business of the preceding year.

The legal challenges to our independence continued, although to date the courts have in every instance upheld the legal position we have maintained for decades. The legal proceedings are likely to occupy more of our time in the year 2021 and we will persevere and make every effort to protect our autonomy. Independence is not merely an end in itself, but a requirement for the successful growth of the bank.

Pandemic and politics dominated the financial year

The first two months of the financial year 2020 saw brisk growth. In March, we were suddenly and unexpectedly confronted with the effects of the pandemic and the lockdown. After supporting customers with bridge financing and loan deferrals, demand for loans increased again strongly with the introduction of the government investment bonus scheme. This measure was the right policy instrument to stimulate the economy by supporting investment activity.

In the year 2020, the bank's employees were faced with enormous volumes of work in dealing with the surge in customer demand for advisory services and support. During this period, the high quality of the bank's advisory services clearly demonstrated its raison d'etre.

Despite the coronavirus crisis, we achieved a satisfactory operating result

Demand for loans rose by 4.2% to EUR 17.3 billion, and primary funds increased robustly by 8.9% to EUR 15.4 billion. Net interest income declined slightly by 2.6% to EUR 336.9 million due to stiffening competition, while net fee and commission income was up by 4.7% to EUR 170.7 million.

Income from equity investments recognised using the equity method was negative at EUR -8.0 million at the end of the year 2020. This was due mainly to the negative contribution to results from voestalpine. Additionally, market distortions weighed on income from trade and finance. Charges for losses on loans and advances rose to EUR 41.8 million. Administrative expenses rose moderately by 2.1%. Net profit for the year before tax was EUR 167.5 million or 39.4% lower year on year. Profit for the year after tax was EUR 123.5 million, a decline by 42.8%.

Tier 1 capital ratio puts us in top league of European banks

Equity improved by 2.6% and stood at just over EUR 3.0 billion at year-end 2020 – higher than ever before. This corresponds to a tier 1 capital ratio of 18.17% and a total capital ratio of 20.43%.

These indicators also underpin the stability and the risk-bearing capacity of Oberbank, which ranks it among the top performing European banks.

We are aiming for regular dividend distributions

Based on the satisfactory result of operations, the Supervisory Board and Management Board will propose to the Annual General Meeting a dividend distribution of EUR 0.58 per share, and, on the condition precedent that no restrictions on dividend distributions are imposed by law or under prudential supervisory measures, an additional dividend payout of EUR 0.17 per share.

Oberbank 2025 – Our self-defined path to sustainable growth

We define our strategic goals every five years. In the first half of the year 2020, our internal team completed its work on the new corporate strategy '*Oberbank 2025'* despite the ongoing coronavirus crisis. The strategy supports our principal goal of securing our independence by being a profitable business. We have defined concrete measures to steadily and sustainably increase customer satisfaction, business, earnings power and equity. Our goal for the coming years, as a strong, self-confident credit institution is to join the ranks of European banks directly under the supervision of the ECB.

Oberbank has a strong commitment to sustainability

Sustainability is a vital issue that has developed into a new challenge, and we are putting every effort into achieving our sustainability goals. For a long time now, acting sustainably has been the aspiration of most of our employees, and our customers are increasingly buying "green" investment products. What is new is that supervisory bodies and rating agencies are now assessing the extent to which a bank meets environmental, social and governance criteria (ESG) and adheres to the various sustainability standards. Our sustainability strategy developed in 2020 therefore takes an integrated approach and makes sustainability part and parcel of our corporate strategy.

We are committed to the Paris Climate Agreement goal of limiting the rise in temperature to 1.5°C. Our contribution to the attainment of this goal places the focus of our efforts on the core business of lending. We will take action to promote decarbonization by establishing exclusion and inclusion criteria for commercial loans, and will furnish proof and publish annually how many tons of CO_2 we have helped reduce by our lending policy. With respect to retail loans, we aim to grant a volume of EUR 1.5 billion in private loans for energy-efficient residential construction by 2025, a figure that corresponds to around half of all new home loans granted in this period. 50% of refinancing of our core business through the issuance of own debt securities will meet the ESG criteria (green bonds).

We believe that these measures in conjunction with the other goals we have defined for our investment business and banking operations will help us make a tangible contribution to climate protection.

On behalf of the Management Board, I would like to express my appreciation for the exceptional efforts everyone has made to be there for our customers during the crisis.

My thanks go, first of all, to our employees who during the critical phase in March showed amazing fortitude and never failed to be available to our customers. This made it possible for Oberbank to serve as a reliable partner during these especially trying times.

We would also like to thank our customers for their forbearance regarding the changes that became necessary, and I also thank the Supervisory Board members for their support to the management during the crisis and in the fight to preserve our independence. My personal thanks go to Herta Stockbauer who supported us for many years until the autumn of 2020 with highly valuable advice as Chairwoman of the Supervisory Board.

Linz, 3 March 2021

CEO Franz Gasselsberger
Chairman of the Management Board

New strategic objectives and our corporate values

In the first half of 2020, we completed work on the new strategic objectives for the coming five years. Under the heading *Oberbank 2025,* we defined a set of measures whose rigorous implementation will help us secure the independence of Oberbank through organic growth. In the course of our work on the strategy, which was accomplished primarily by a group of 80 employees from all business areas of the bank, we also updated Oberbank's corporate values: competence, passion, trust and a sense of community are the cornerstones of our corporate culture.

Sustainability management is part of our corporate strategy

Along with the strategies developed for the banking business and closely related to these, we also worked intensely to measure and reduce the influence of the bank's core business on the climate. This concerns primarily corporate finance and home loans which will be analysed as to the carbon footprint of the projects funded. In the future, we will be able to prove the extent to which the bank contributed to the reduction of greenhouse gases, thereby quantifying our contribution to climate protection more precisely. A similar approach will be taken in the investment business. A detailed presentation of the measures and goals of our integrated sustainability management scheme are given in the Sustainability Report.

Oberbank confronted with an array of challenges in the period up to 2025

The key goals of Oberbank up to 2025

- Increase efficacy and efficiency in the sale of products and services, and maintain customer satisfaction
- Increase profitability in the growth markets: past investments in expansion must result in higher earnings. To this end it is necessary to raise the levels of competence and skills of local employees.
- Successfully manage the upcoming generational transition in management and instil Oberbank's traditional corporate culture among the staff in our growth markets.
- Achieve a reasonable cost/benefit ratio in investments in digitization: Priority will be given to solutions that increase earnings and to the digitization of internal processes to increase efficiency and thus help lower costs.
- Master sustained regulatory pressure from the implementation of Basel IV affecting liquidity management, compliance and sustainability.
- Continuous streamlining of cost structures, which are under pressure from the prevailing interest rate and market environment, in terms of staff and administrative costs as well as the constant optimisation of processes
- Early recognition of risks as a key factor for attaining a satisfactory trend in the income statement.

Measures to increase earnings power and strengthen equity bundled into fields of action

Human resources**:** The key point of leverage for achieving our goals is modern human resources management. The expansion will require new employees and they must be trained rapidly to attain the required Oberbank quality levels. In the coming ten years, 150 management staff members will retire, which is more than two-thirds. These positions must be filled in order to establish a uniform management ethos at Oberbank. Additionally, employee satisfaction at Oberbank will be accorded the same high priority as customer satisfaction.

Efficiency in sales: It is clearly necessary to increase net fee and commission income and interest income, working with more or less unchanged resources. This is why the staff must proactively contact customers and this is only possible if they have a high degree of advisory competence. Studies have shown that customers expect and desire to be actively contacted by the bank's staff, especially in times of major changes. To give branch employees the free capacities they need to achieve this goal, digital assistants will take over routine tasks. The extension of branch opening hours has already been put in place. In future, feedback from customers will be requested more frequently and systematically, the objective being to further increase customer satisfaction.

Oberbank's Strategy 2025

Regional strategy for growth markets: Foreign markets and the Vienna business area are key sources of income and their potential must be fully exploited in the coming years. To this end, we need to significantly advance the maturity of business in these markets, and the aim here is to increase income from the provision of services alongside income from the lending business. Specific measures include raising the skills of employees and the standardization of all IT systems.

Digitization: Oberbank pursues a "smart follower" strategy, which means that only relevant services are offered digitally. The customer portal is a modern, uniform platform across all markets for retail customers and small businesses. Individual solutions are developed for corporate customers. A crucial factor will be to raise staff efficiency by digitizing internal processes. The automated analysis of customer data is designed to support early risk recognition and prevent fraud.

Credit risk: In the future, competence for lending operations will be more decentralized across the markets to enable faster decision-making. Furthermore, lending decisions – especially for retail customers – can be supported by digital systems and thus rendered more efficient. Specialist expertise for some industries such as tourism and real estate will be increased to better exploit potential and properly assess risks.

Rules, regulations and compliance*:* Regulatory pressure is not expected to diminish in the coming years. The focus will be on the implementation of Basel IV, sustainability, compliance and data governance regulations. As regards sustainability, concrete targets have been defined to support the goal of reducing carbon emissions from the bank's core business, namely lending and investment. The measures and the organisation are described in the Sustainability Report.

Costs and performance management: In addition to pursuing ambitious growth objectives, it is also necessary to focus on costs. The number of employees will be kept more or less unchanged at the 2020 level until the year 2025. However, their level of qualification will be increased by making internal changes. The assumed annual rate of increase of administrative expenses is a maximum of 3%, which, given index adjustments of many cost items, is expected to yield annual cost savings of EUR 1.5 million.

Overall, by 2025 these measures should result in a significant rise in annual profits and of return on equity as well as raising equity from currently around EUR 3 billion to almost EUR 4 billion.

Linz, 3 March 2021

CEO Franz Gasselsberger
Chairman of the Management Board

Independence

Legal interventions by UniCredit Bank Austria

Since 2019, the shareholder UniCredit Bank Austria has been filing legal actions to question the independence of Oberbank as well as that of BKS Bank and Bank für Tirol und Vorarlberg. The legal proceedings firstly raise the issue of whether the capital increases of the past 25 years were lawful, and secondly, address the question of whether the Oberbank syndicate would have had to make an offer to UniCredit for its Oberbank shares under a takeover procedure. The courts of law have already ruled in favour of Oberbank in several instances, and the 3 Banken Group expects the Supreme Court of Austria to reach a final ruling. Moreover, the proceedings before the Takeover Commission will ultimately also be heard by the Supreme Court.

The benefits of independence

Independence and the related autonomy of Oberbank are not merely self-serving. They make it possible to reach a balance of interests among key stakeholders, i.e., customers, shareholders, and employees, and enable us to be guided exclusively by the verifiable benefits we produce.

Independence makes it possible for us to define the path we will take in the future. It enables us to drive our own growth and to develop autonomously – as long as we are profitable.

Benefits for customers

Our autonomy yields concrete benefits for customers, shareholders and employees. Autonomy makes it possible to develop special relationships with customers that set us apart from other banks. Everyone at Oberbank, from our branch managers to our management board members, knows our corporate customers personally and meets with them regularly. Therefore, we are better able to assess their situation and quickly take decisions. As an independent bank that takes its decisions in the region for the region, we must stand by our decisions and commitments; we do not want to and cannot hide behind decisions taken by a central office in Munich or Milan.

Independence makes it possible for us to exploit our advantages as a regional bank. We know our customers, their interests and needs, we live in the same region; we take quick decisions and are also in a position to weather difficult phases together. Many of our customers are themselves independent and autonomous, and they appreciate the fact that we are independent and autonomous too. This creates a common understanding of what it means to run a business efficiently and profitably.

Since obtaining our independence, we have developed and refined the core competencies that are essential for our customers, such as in the field of subsidized lending schemes, export transactions and foreign payment services. This has made Oberbank a real, independent alternative on the Austrian banking market.

Our customers are sending us a clear message: they greatly appreciate our independence and autonomy. It is especially important to them that lending decisions are reached locally and close to customers. As we are committed to success, and we must pay more attention than other banks to ensure that our customers are satisfied. This is our responsibility.

Shareholders benefit from the bank's growth

The shareholders of Oberbank benefit from our commitment to living up to our responsibility. The long-term development of the value of the Oberbank share is remarkable (past price trends cannot be used to forecast future trends): the steady increase in equity capital over the past years from EUR 1,160.9 million in 2010 to EUR 3,038.9 in 2020 correlates very closely with the share's price trend (stable price/book value ratio). This is also what underpins the loyalty and continuity of our shareholders, quite a few of whom are also our customers and, in this way, express their loyalty to Oberbank.

Our shareholders also participate in decision-making, because when there are opposing interests between the two major shareholder groups (UniCredit, on the one side, and the Oberbank syndicate on the other), the votes of the shares held in free float are decisive. Neither of the two major shareholder groups holds the absolute majority at our annual general meetings. The syndicate agreements have the sole purpose of securing a relative majority over UniCredit. The voting behaviour of free float shares decides the course to be pursued, so private shareholders have the casting vote. However, there is one shareholder that profits very handsomely from our growth, namely UniCredit. The high value of the investment is not due so much to the money invested in the capital increases, but rather because the recurring profits of Oberbank are raising the enterprise value and thus the value of the investment.

Our employees achieve careers on their own merits

The independence of the bank makes it possible for employees to advance their careers based on their performance and skills acquired. Oberbank's goal is to fill at least 80% of management positions from within its own ranks.

If Oberbank were not independent, some central departments and their employees would not exist. These include treasury, specialized departments, risk management and IT, because as an appendix of another bank these structures would not be needed. And some branches would soon be closed, whereas as an independent bank we are constantly opening new ones. If Oberbank were controlled by another banking group, we would probably be limited to the markets of Upper Austria and Salzburg, and we would lose the specialized knowledge of our employees as regards structured loans and international transactions. We would become a nondescript, medium-sized and insignificant Austria regional bank engaged in a constant struggle to survive.

Further advantages for our employees are the numerous social benefits Oberbank offers. Here, special mention must be made of the private foundation for employee shares ("Mitarbeiter-Beteiligungs-Privatstiftung"). The Management Board and the Supervisory Board took the decision to allocate EUR 5 million to the foundation for the years 2020 and 2021, respectively.

Where we operate

Our independence is also a valuable asset for the places and regions in which we operate, because we are the only unique and excellently-performing alternative to other market players. If we were to lose our independence, the banking market would lose its diversity and the region its competitive edge and prosperity factor. It would leave a real gap if Oberbank and the 3 Banken Group were to disappear, a gap that would impact all of our markets. The process of consolidation in Austria's banking sector will continue, but Oberbank and the 3 Banken Group will not be affected – as long as we remain independent.

Independence is a core value of Oberbank – a prerequisite for our business success and the basis of our existence – and losing it would have a massive effect on all our other key values. It would destroy the foundation upon which our strategy, our self-image and our future rest. Passion would dissipate into lethargy, competence into incompetence, and our sense of community and common strategy would deteriorate into individual egoism.

Independence is the foundation of economic success

The Management Board and management staff will always do their utmost to preserve the independence of Oberbank. Because the bank's independence from any single controlling shareholder and the autonomy of the management to act in the balanced interests of all stakeholders constitute the basis for the bank's long-term success. Sustainable growth is impossible without independence.

Linz, 3 March 2021

CEO Franz Gasselsberger
Chairman of the Management Board

Oberbank AG's Effects on the Economy

Oberbank plays a key role for the economy

Oberbank is firmly anchored in the regional and also national value chain with its strong economic position and plays a key role for the national economy. These are the findings of a study conducted by "Industriewissenschaftliche Institut IWI" on Oberbank's impact on the economy in Austria.

The so-called "enabler effects" of Oberbank were investigated, i.e., the effects of our lending activity for the Austrian economy. The bank made a volume of EUR 3.55 billion in investment finance available in the year 2020. The loans helped generate a macroeconomic output value (= revenues) of EUR 6.02 billion in Austria, and also secured or created more than 38,000 jobs with remuneration amounting to EUR 1.53 billion. The value added achieved by the loans granted was EUR 2.92 billion and the fiscal effects amounted to EUR 890 million.

In other words: for every euro granted for investment finance, two euros in revenues are achieved, 11 jobs are secured or created, and EUR 0.82 in added value generated.

Furthermore, we want to stress the many multiplier effects which measure the economic impulses contributed by Oberbank. The production value has a multiplication factor of 2.19, and this means that the operating output of Oberbank in Austria triggers a total of EUR 916 million in production output (comparable to corporate revenues). The resulting value added is EUR 482 million, and therefore, 2.13 higher than the added value at the bank itself. Finally, 4,339 jobs in Austria may be attributed to the activities of the bank; which is a factor of 2.9 in relation to the employment effects of Oberbank. In other words: one job at Oberbank secures almost two additional jobs in Austria's economy.

Corporate Governance Report for the Group

Corporate Governance Report for the Group

Preamble

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

The information required was integrated into the appropriate sections of the corporate governance report. The report has been produced in accordance with the principles published by the Austrian Financial Reporting and Auditing Committee (AFRAC) for the drafting and auditing of corporate governance reports.

Corporate Governance

The commonly applied national and international standards of good corporate governance aim to guarantee the long-term and sustainable creation of added value for listed companies to safeguard the interests of all stakeholders involved.

This goal of long-term and sustainable value added creation is also a strategic goal of Oberbank, and therefore, the establishment of effective corporate governance is a matter of course for us.

In its internal corporate governance principles, Oberbank takes guidance in this endeavour from the Guidelines of the **European Banking Authority** (**EBA**) on internal governance and from the rules of the Austrian Code of Corporate Governance (ÖCGK).

Austrian Code of Corporate Governance (Österreichischer Corporate Governance Kodex, ÖCGK) / Conformity Declaration

As a listed company, Oberbank is committed to the Austrian Code of Corporate Governance (ÖCGK), as amended. The Code of Corporate Governance is available for downloading from the website of Oberbank at www.oberbank.at and serves as valuable guidance for developing internal mechanisms and rules. The Supervisory Board of Oberbank made its first declaration of conformity at its meeting of 26 November 2007.

Ever since, the respective current version of the Austrian Code of Corporate Governance has been applied by implementing the relevant rules or giving explanations for any departures from the rules; this was also reviewed and confirmed at the first meeting of the Supervisory Board of the year in March.

Reasons given by Oberbank for non-compliance with certain C Rules

The Austrian Code of Corporate Governance requires companies to state the reasons for any non-compliance with the so-called C Rules ("comply or explain") clearly, precisely and comprehensively (ÖCFK 2020, Annex 2b). Oberbank complied with the Code in the financial year by giving explanations for the following departures from the rules:

Rule 2 C: Based on a resolution of the Annual General Meeting of 15 April 1991, Oberbank, besides ordinary shares, also issued preference shares. With the resolution of the Annual General Meeting of 20 May 2020, the conversion of preference shares into ordinary shares was decided by a simple majority vote of the shareholders represented in accordance with the provisions of COVID-19 Company Law Act (COVID-19-GesG) in conjunction with COVID-19 Company Law Decree (COVID-19-GesV). This resolution was confirmed at a virtual meeting of shareholders of preference shares on 9 June 2020 in accordance with COVID-19-GesV with the required three-quarters majority vote of the holders of preference shares represented. The registration of the amendment regarding the conversion in the Companies Register was done on 7 November 2020. Since the conversion, there have only been Oberbank ordinary shares. The ordinary shares issued by Oberbank carry one vote each; therefore, no shareholder has a disproportionately high share of voting rights. Therefore, Oberbank has been in compliance with Rule 2 C of ÖCGK (comply) since 7 November 2020 and will no longer have to explain this Rule (explain).

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

The statutory obligations of the members of the Supervisory Board ensure that the legitimate interests of Oberbank are protected to the fullest extent.

Rule 52a C: The Supervisory Board of Oberbank had more than ten shareholder representatives, specifically eleven, until the resolution to reduce the number to ten shareholder representatives was passed at the extraordinary general shareholders' meeting of 4 February 2020. Oberbank values the expert knowledge of its supervisory body comprising senior members and leading experts from the Austrian business community. As the Supervisory Board now complies with the maximum number of ten shareholder representatives as recommended by ÖCGK (comply), this C-Rule (explain) will no longer have to be explained in future.

Regulatory changes

Apart from the new regulations on the remuneration of management board and supervisory board members (see Chapters "Remuneration of the Management Board" and "Remuneration of the Supervisory Management"), the Second Shareholder Rights Directive II of the EU enacted in Austria in 2019 introduced the following relevant new rules effective as of 2020:
Exchange-listed joint-stock companies such as Oberbank may demand from intermediaries such as custodians that hold company shares in custody for certain shareholders to identify shareholders that hold more than 0.5% of shares or voting rights. This is to facilitate direct communication between the company and its shareholders, for example, on the Annual General Meeting or other corporate actions. Up to now, it had not been possible for a company that issued bearer shares to easily to identify its shareholders.

Due to the fact that a large percentage of shareholders have their custody accounts with Oberbank, Oberbank has been able to send personal invitations to the Annual General Meeting to known shareholders in the past. This also explains the quite high degree of attendance at the Annual General Meetings of Oberbank and fully complies with the intentions of the new regulation.

Transactions of exchange-listed companies with related parties, so-called "related-parties transactions" must be approved by the Supervisory Board in advance if the value of the transaction exceeds 5% of total assets. These must also be published on the website of the company if the value exceeds 10% of the total assets.

The Supervisory Board of Oberbank has adopted the corresponding guidelines which also specify the relevant and necessary processes. The limits defined in the internal rules of procedure for the Management Board and Supervisory Board for the approval of transactions by the Supervisory Board are far below these limits, and therefore, compliance is guaranteed.

Further obligations, in particular, to increase transparency for shareholders were created for institutional investors, asset managers and proxy advisors.

Oberbank will, of course, comply with the greater transparency rights of shareholders.

Information on the ÖCGK and the Oberbank share on the internet	Website
Austrian Code of Corporate Governance	www.corporate-governance.at
Oberbank AG Share	www.oberbank.at/oberbank-aktien
Shareholder Structure	www.oberbank.at/aktionarsstruktur
Financial Calendar	www.oberbank.at/finanzkalender
Annual General Meeting	www.oberbank.at/hauptversammlung

Corporate Governance • Compliance Statement of Oberbank AG • Independence Criteria • Report of Oberbank AG on the Austrian Code of Corporate Governance • Publications pursuant to § 65 Banking Act regarding Corporate Governance and Remuneration • Internal Rules of Procedure of Oberbank AG • Articles of Association of Oberbank AG • Directors' Dealings	www.oberbank.at/corporate-governance
Key Ratios and Reports of Oberbank AG: • Annual, Financial and Sustainability Reports • Letter to Shareholders • Single-entity financial statements	www.oberbank.at/kennzahlen-berichte
Ad-hoc reports	www.oberbank.at/ad-hoc-meldungen

Composition and mode of operation of the Management Board

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

In the case of the fully consolidated companies (see also Chapter "Consolidated Financial Statements, note 41), apart from the managing directors of the direct leasing subsidiaries in Austria (Oberbank LEASING GESELLSCHAFT MBH, Linz, 3 Banken Kfz-Leasing GmbH, Linz), Germany (Oberbank Leasing GmbH Bayern, Neuötting), Czech Republic (Oberbank Leasing spol. s.r.o., Prague), Hungary (Ober Lizing Kft, Budapest) and Slovakia (Oberbank Leasing s.r.o., Bratislava), the mandates of the management board members, managing directors and, if required, supervisory boards are assumed by current or former management board members and heads of department of Oberbank or one of its partner banks (e.g. 3 Banken Wohnbaubank AG). Regular reports on the development of business of the operational subsidiaries are sent to the Management Board. These subsidiaries are also covered by the Group rules on money laundering and compliance.

Members of the Management Board

In the 2020 financial year, the Management Board of Oberbank consisted of three members until 30 September. At its meeting of 15 September 2020, the Supervisory Board adopted the resolution to appoint Martin Seiter as a fourth member to the Management Board effective 1 October 2020. The initial appointment is for three years.

	Year of birth	Initial appointment	End of period of office
Franz Gasselsberger	1959	28 April 1998	12 May 2022
Josef Weißl	1959	1 May 2005	30 April 2025
Florian Hagenauer	1963	1 December 2009	30 November 2024
Martin Seiter	1985	1 October 2020	30 September 2023

Franz Gasselsberger, CEO

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

In April 1998, the Supervisory Board appointed him to the Management Board of Oberbank AG; on 1 May 2002, he was appointed Board Spokesman; on 1 May 2005, he was designated Chairman of the Management Board with the title "Generaldirektor" (CEO).

In November 2007, the German Federal President appointed Franz Gasselsberger Honorary Consul of the Federal Republic of Germany in Upper Austria. He is also a member of the Management Board of the Federation of Austrian Industries (IV), the Austrian Bankers Association (VOeBB), the Federation of Austrian Industries in Upper Austria, the Austrian Society for Bank Research (BWG), President of the LIMAK Austrian Business School and Chairman of the Sector Conference of the Economic Chamber of Upper Austria - Finance, Credit and Insurance Section.

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

Member of the Supervisory Board of Lenzing Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft (Chairman until 10 June 2020)

Member of the Supervisory Board of BKS Bank AG (Vice Chairman until 29 May 2020)

Member of the Supervisory Board of voestalpine AG

All upper limits regarding mandates pursuant to ÖCGK, Joint Stock Companies Act and the Banking Act are complied with.

Josef Weißl, Management Board Member

Upon his graduation from the University of Linz, where he studied business management and law, Josef Weißl started his career at Oberbank in 1983. Concurrently with his management function in the Bank's Salzburg operations, he completed the LIMAK General Management Programme in 2002 and the LIMAK MBA Programme in 2005. The Supervisory Board appointed him to the Management Board of Oberbank AG in May 2005.
In addition, he is a member of the Austro-American Society and President of its regional organisation for Upper Austria.

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

Chairman of the Supervisory Board of Gasteiner Bergbahnen AG

Member of the Supervisory Board of BRP-Powertrain Gmbh & Co.KG

Functions in companies included in the consolidated financial statements:

None

All upper limits regarding mandates pursuant to ÖCGK, Joint Stock Companies Act and the Banking Act are complied with.

Florian Hagenauer, Management Board Member

Upon his graduation from the University of Linz, where he studied business management and law, Florian Hagenauer started his career at Oberbank in 1987. In 1987 he joined Oberbank where he worked in what was then the Foreign Department, later renamed the "Bank Relations and Payment Systems" department; since 1994 he was appointed Prokurist (authorised signatory) for the entire bank, and in 1999 became Deputy Head of the Organisation department. He completed the LIMAK General Management Programme in 1999 and completed the LIMAK MBA Programme in 2005. In 2005, Florian Hagenauer was appointed Managing Director of Drei-Banken-EDV Gesellschaft (today: 3 Banken IT GmbH). In 2008, he returned to Oberbank, taking over the function of Head of Organisation. In 2009, the Supervisory Board appointed him to the Management Board of Oberbank AG.
He is also Vice President of 'Verein der Förderer der OÖ Landmuseen' and member of the Federation of Austrian Industries in Upper Austria.

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

Member of the Supervisory Board of Wüstenrot Wohnungswirtschaft registrierte Genossenschaft mit beschränkter Haftung

Member of the Supervisory Board of Energie AG Oberösterreich

Member, and since 19 August 2020, Chairman of the Supervisory Board of VA Intertrading Aktiengesellschaft

Functions in companies included in the consolidated financial statements:

Chairman of the Supervisory Board of 3-Banken Wohnbaubank AG

Advisory Council member for 3 Banken IT GmbH

Advisory Council member of Oberbank Service GmbH

All upper limits regarding mandates pursuant to ÖCGK, Joint Stock Companies Act and the Banking Act are complied with.

Martin Seiter, Management Board Member

After graduating from upper secondary school and completing his civil service year, Martin Seiter joined Oberbank in 2006. After completing the Oberbank Ausbildungsakademie (Training Academy), he worked initially as a retail customer advisor at the Gmunden Salzkammergut Branch at the time, and in 2011 took over as head of the Gmunden Rathausplatz Branch. He worked in further positions in Sales and at the Main Branch Salzburg as Head of Main Branch Salzkammergut and as joint head for the Main Branch Upper Austria South created by the combination of the Main Branches of Salzkammergut and Wels.

Martin Seiter was Gesamtprokurist (general authorized signatory) at Headquarters and from December 2017 until December 2018 he worked as Deputy Head of Personal Banking. From 2018 to 2020, he completed an MBA course of studies at the LIMAK Business School, and graduated with a Master of Business Administration (MBA).

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

None

Functions in companies included in the consolidated financial statements:

None

All upper limits regarding mandates pursuant to ÖCGK, Joint Stock Companies Act and the Banking Act are complied with.

Mode of operation of the Management Board

The Management Board has the obligation to uphold the interests of the company in its work in order to optimally achieve the sustainable value added defined in the corporate strategy for the benefit of all involved stakeholders.

The mode of operation of the Management Board is defined by the legal framework and the Articles of Association in addition to the defined areas of competence in the Internal Rules of Procedure of the Management Board. Cooperation within the Management Board is based on regular Management Board meetings, usually held weekly. Resolutions are usually reached unanimously even though the areas of responsibility are clearly defined in the remits for each individual member of the Management Board. In the case of major decisions with an impact on risk, it is customary to inform the Supervisory Board by the latest at the next subsequent meeting unless approval is mandatory anyway under the Articles of Association, the law or the Internal Rules of Procedure of the Management Board and of the Supervisory Board. Additionally, the individual members of the Management Board cooperate closely with the second management level of the Bank which must also report to the Management Board in connection with the extensive internal reporting duties.

Current Management Board Remits

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

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

Composition and mode of operation of the Management Board

Members of the Supervisory Board

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

	Year of birth/initial appointment Scheduled end of period of office
Presidency:	
Martin Zahlbruckner (Chairman since 15 November 2020)	1966 / 18 May 2016 / AGM 2023
Ludwig Andorfer, Vice-Chairman	1944 / 24 May 2011/ AGM 2021

Shareholder representatives:

Herta Stockbauer (Chairwoman until 15 November 2020) 1960 / 13 May 2014 / AGM 2024

Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG (until 10 June 2020 Vice Chairman); member of the Supervisory Board of Österreichische Post Aktiengesellschaft (until 17 June 2020);

Gerhard Burtscher (until 20 May 2020, 2nd Vice-Chairman) 1967 / 18 May 2016/ AGM 2021

Chairman of the Supervisory Board of BKS Bank AG

Gregor Hofstätter-Pobst (until 20 May 2020) 1972 / 16 May 2017 / AGM 2020

Member of the Supervisory Board of Bank für Tirol und Vorarlberg AG (until 10 June 2020); member of the Supervisory Board of BKS Bank AG (until 29 May 2020)

Stephan Koren 1957/15 May 2018; AGM 2024

Barbara Leitl-Staudinger 1974 / 13 May 2014 / AGM 2022

Alfred Leu 1958 / 18 May 2016 / AGM 2023

Peter Mitterbauer (until 20 May 2020) 1942 / 15 April 1991 / AGM 2020

Karl Samstag (resigned on 20 May 2020) 1944 / 22 April 2002/AGM 2022

Member of the Supervisory Board of BKS Bank AG (until 29 May 2020); member of the Supervisory Board of Bank für Tirol und Vorarlberg Aktiengesellschaft (until 10 June 2020)

Barbara Steger 1980 / 13 May 2014 / AGM 2022

Hannes Bogner (since 20 May 2020) 1959; 20 May 2020; AGM 2022

Member of the Supervisory Board of BKS Bank AG; member of the Supervisory Board of Bank für Tirol und Vorarlberg AG; member of the Supervisory Board of PALFINGER AG

Franz Peter Mitterbauer (since 20 May 2020) 1975; 20 May 2020; AGM 2025

Honorary president for life:

Hermann Bell *(since 13 May 2014)*

Representatives of the Works Council:

Wolfgang Pischinger, first delegated: 28 Jan. 1993; Chairman of the Central Works Council of Oberbank AG

Susanne Braun, first delegated: 15 May 2018, Oberbank Baden bei Wien

Alexandra Grabner, first delegated: 26 March 2014; Central Works Council of Oberbank AG

Elfriede Höchtel, first delegated: 22 May 2007; Oberbank Wels

Doris Pirner, first delegated: 1 Jan. 2018, Internal Audit Dept. **(until 20 May 2020)**

Sven Zeiss first delegated: 1 Jan. 2019; Oberbank Main Branch Salzburg

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

Criteria for the assessment of the independence of a member of the Supervisory Board
In compliance with Rule C 53 of the Austrian Code of Corporate Governance (ÖCGK), the Supervisory Board defined the following criteria to ensure its members' independence and also published it on its website at www.oberbank.at:

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

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

Mode of operation of the Supervisory Board
The Supervisory Board has had ten shareholder representatives since the Annual General Meeting of 20 May 2020, and five representatives of the Works Council after the extraordinary Annual General Meeting of 4 February 2020 adopted the resolution to reduce the number of members from eleven to ten.

In the financial year 2020, four regular and two extraordinary supervisory board meetings were held at which the supervisory board performed its supervisory functions (see also Report of the Supervisory Board).
At the extraordinary Supervisory Board meeting of 20 April 2020, the dividend distribution proposal adopted at the March meeting was adjusted due to the European Central Bank's recommendation to refrain from making discretionary dividend distributions. At the extraordinary supervisory board meeting of 28 April 2020, an amendment was made to the election ballot for the elections to the supervisory board due to the resignation notified by letter of 14 April 2020 of Karl Samstag from his mandate on the supervisory board effective as of the close of the regular Annual General Meeting of 20 May 2020.

Until his resignation at the close of the Annual General Meeting 2020 in the reporting year, Karl Samstag did not take part personally in more than half of the three meetings of the Supervisory Board (Rule 58 C Austrian Code of Corporate Governance).

The Supervisory Board monitors how the Management Board manages the company, discusses the business and risk strategy with the Management Board, monitors the efficacy of the main processes such as accounting, risk management, internal audit and the internal control system; it reviews the single-entity and consolidated financial statements, monitors the independence of the auditors of the financial statements, defines the items to be decided at the Annual General Meeting regarding the election of the auditor and the election of new Supervisory Board members; it discusses and decides jointly with the Management Board the common proposals for resolutions for all other items of the agenda; it examines conformity with the law and compliance with the remuneration guidelines and is responsible for the appointment and removal of the Management Board members and for many other matters.
At the November meeting in 2018, the Supervisory Board approved the new Fit & Proper Rules based on the new Fit & Proper Policy of Oberbank; these Rules are the basis on which starting as of 2019, a Fit & Proper evaluation of the members of the Management Board, the Supervisory Board members and the collective suitability of the full Supervisory Board and its Committees is evaluated.
This evaluation was conducted in the reporting year at the meetings of the nominations committee and of the full supervisory board in March 2020.
Apart from expert knowledge and the personal qualification of the individual members of the Supervisory Board as well as an assessment of their independence and of any potential conflicts of interest, the issue in hand is an evaluation of the collective suitability of the full supervisory board and all of its committees regarding the criteria for composition, age and diversity. The strict rules of the Banking Act are complied with. A policy on how to deal with potential conflicts of interests has been defined.
The Supervisory Board conducted a re-evaluation of the qualification of the two members of the nominations committee at its meeting of 18 March 2020 and confirmed their qualification of fit and proper.
Based on the extensive materials and with the help of a preparatory questionnaire, the Supervisory Board also conducted the self-evaluation of its activities pursuant to C Rule 36 of the ÖCGK.

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

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

The Audit Committee (since 20 May 2020, previously 5), the Risk Committee (since 20 May 2020, previously 3), the Remuneration Committee (since 15 Nov. 2020, previously 3) and the Legal Committee (since 15 Nov 2020, previously 3) consist of four shareholder representatives each; the Credit Committee, the Working Committee (since 20 May 2020, previously 4) and the Nominations Committee (since 20 May 2020, previously 2) are made up of three shareholder representatives each.
With the exception of the Nominations Committee, employee representatives are members of the committees in accordance with legal provisions.

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

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

With the entry into force on 17 June 2016 of the new Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public interest entities, the Audit Committee was assigned additional monitoring obligations regarding auditor independence; the Audit Committee also discussed this topic at its meetings of 18 March 2020 and 15 September 2020.
The Audit Committee convened twice during the reporting year. Both meetings were held in the presence of the auditor and the State Commissioner and the Deputy State Commissioner.
The auditor presented the findings of the audit conducted in accordance with the auditing assignment defined in the audit contract on the economic position (single-entity and consolidated financial statements) and on the risk situation of the bank to the Management Board and to the chairperson of the Supervisory Board. The chairperson then presented the findings to the Audit Committee, which discussed the matter at length directly with the auditors.
The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.
In accordance with Rule 83 of the Austrian Code of Corporate Governance, the bank auditor was also charged with a review of the functioning of the risk management system in the reporting year. The bank auditor’s report to the Audit Committee presented at the meeting of 15 September 2020 confirmed that the risk management system established is fully functional in all material aspects.
Pursuant to Rule 62 of ÖCGK an external review of compliance with the C Rules must be conducted at least every three years. The same as three years ago, the review in the reporting year was conducted by KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz.

Based on its audit activities, KPMG did not gain knowledge of any matters that would lead it to believe that the statement of the Management Board in the Corporate Governance Report fails to present a true view of the implementation of and compliance with the relevant rules of ÖCGK.
Pursuant to Article 16 of Regulation (EU) No. 537/2014, the Audit Committee must conduct the procedure for the selection of the auditor for the single-entity financial statements (consolidated financial statements), also considering the appropriateness of the fee, and must recommend to the Supervisory Board an auditor to be appointed for the audit of the single-entity (consolidated financial statements).
The Audit Committee adopted the resolution unanimously by circular vote of 23 March 2020 to conduct a two-tiered selection procedure for the appointment of a new auditor for the single-entity financial statements (consolidated financial statements) for the financial year 2022.
The tender documents, the selection criteria, the evaluation procedure and the enlarged project team for the administrative execution of the task was also approved.

All bidders that met the pre-qualification criteria and submitted their tenders in time had an opportunity of presenting to the members of the Audit Committee. A pre-evaluation of the tenders conducted at the meeting of the Audit Committee on 15 September 2020 narrowed number of the bidders to two audit firms. A well-founded recommendation for the appointment of an auditor will probably be reached by the Audit Committee at its meeting of the first quarter 2021 and made to the Supervisory Board for presentation to the Annual General Meeting 2021.
Committee Members: Ludwig Andorfer (Chairman since 20 May 2020), Herta Stockbauer (Chairwoman and member until 20 May 2020), Gerhard Burtscher, Stephan Koren, Alfred Leu (until 20 May 2020), Martin Zahlbruckner (since 20 May 2020), Wolfgang Pischinger, Alexandra Grabner (until 20 May 2020), Susanne Braun

With Ludwig Andorfer, Gerhard Burtscher and Stephan Koren, there are three persons on the Committee with specialist knowledge and practical experience in banking operations in the areas of finance and accounting (financial experts). All member of the Committee meet the independence criteria defined in § 63a (4) Banking Act.

Working Committee

The Working Committee is not a committee required by law.
The Working Committee takes decisions on matters of special urgency which are not assigned to either the plenary meeting of the Supervisory Board or the Credit Committee under the Rules of Procedure. These include, in particular, the acquisition and divestment of shareholdings of significant size and the acquisition, sale or encumbrance of real estate and investments exceeding defined threshold amounts, which are exactly specified in the Rules of Procedure of the Management Board and the Supervisory Board. In urgent matters requiring prompt decisions, the Working Committee, in accordance with the Articles of Association, exercises its decision-making power by resolutions reached by written circular, and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone.
In 2020, the Working Committee approved two time-critical resolutions. Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.
Oberbank relies on the banking expertise of the members of the Committee for all decisions that usually have to be reached by written circular due to urgency.

Committee Members: Ludwig Andorfer (Chairman) Herta Stockbauer (until 20 May 2020), Gerhard Burtscher, Stephan Koren, Wolfgang Pischinger, Susanne Braun

Credit Committee

The Credit Committee is not a committee required by law.
The approval of the Credit Committee is required for every loan exceeding the threshold amount specified in the Rules of Procedure of the Management Board unless such loan is approved directly by the full Supervisory Board at one of its meetings. Large exposures in the meaning of Article 392 of EU Regulation No. 575/2013 (CRR) must be presented to the Supervisory Board and the Credit Committee for a decision. In urgent matters requiring prompt decisions, the Credit Committee exercises

its decision-making power by resolutions reached by written circular, and, in addition to the reports written in preparation of such decisions, has the right to request information from the Management Board by telephone. In 2020, the Credit Committee approved 74 time-critical resolutions. It also dealt with two direct motions approved by the plenary meeting of the Supervisory Board. Transactions decided by the Credit Committee are subsequently reported and discussed in detail at the next plenary meeting of the Supervisory Board.

Committee Members: Herta Stockbauer (Chairwoman), Ludwig Andorfer, Gerhard Burtscher, Wolfgang Pischinger, Susanne Braun

Risk Committee

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

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

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

Committee Members: Stephan Koren (Chairman until 20 May 2020), Herta Stockbauer, Ludwig Andorfer (Member and Chairman until 20 May 2020), Gerhard Burtscher (until 20 May 2020), Martin Zahlbruckner (since 20 May 2020), Hannes Bogner (since 20 May 2020), Wolfgang Pischinger, Susanne Braun

Apart from Chairman Stephan Koren, Herta Stockbauer - who before being appointed Chairwoman of BKS Bank AG was responsible for risk management there - all have the required expertise for monitoring implementation of the bank's risk strategy as required by law.
All member of the Risk Committee meet the independence criteria of § 39d (3) Banking Act.

Nominations Committee

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

- Find candidates for an appointment to any vacant positions on the Management Board and to present the relevant proposals to the Supervisory Board;
- If required by the respective legal form of the credit institution, provide support to the Supervisory Board in preparing proposals for the Annual General Meeting for appointments to vacant positions on the Supervisory Board;
- Within the scope of its tasks pursuant to nos 1 and 2, consider the aspect of achieving a balance on the Committee and the differences in the levels of knowledge, skills and experience of all members of a relevant entity, prepare a description of the tasks and an applicant job profile and state the time required for the tasks;
- Within the scope of its tasks pursuant to nos. 1 and 2, define a target ratio for the underrepresented gender on the Management Board and on the Supervisory Board and also develop a strategy to achieve this target; the target ratio, strategy and progress achieved must be published pursuant to Article 435(2)(c) of Regulation (EU) No 575/2013;

- Within the scope of its tasks pursuant to nos 1 and 2, ensure that when decisions are being reached by the Management Board or the Supervisory Board, no individual or a small group of persons is able to dominate those bodies in such a manner than is contrary to the interests of the bank;
- Regularly, but in any case, when events occur that indicate the need for a re-assessment, evaluate the structure, size, composition and performance of the Management Board and the Supervisory Board, and, if necessary, present proposals for changes to the Supervisory Board;
- Regularly, but in any case, at least yearly, conduct an assessment of the knowledge, skills and experience of both the Management Board members and of each of the members of the Supervisory Board as well as of the respective body as a whole and report its findings to the Supervisory Board;
- Review the policy of the Management Board with respect to the selection of senior management staff and support the Supervisory Board in preparing recommendations to the Management Board.

Among other things, the Nominations Committee governs - unless the matter is the remit of the Remuneration Committee - the relations between the company and the members of the Management Board, submits proposals regarding appointments to management board positions (vacancies) and takes care of addressing succession planning issues. The full Supervisory Board takes decisions on these proposals.

In November 2013, the Nominations Committee adopted a resolution by circular vote in compliance with the statutory provisions applicable as of 1 January 2014 according to which it prepared task descriptions and applicant profiles for management board and supervisory board members to be newly appointed, defined a target quota for the underrepresented gender on the management and supervisory boards, and developed strategies to attain the quota.

At its meeting of 28 November 2018, the Supervisory Board adopted a new Fit & Proper Policy based on the EBA’s new Fit & Proper Guidelines; the Policy is the basis for the re-evaluation by the Nominations Committee of the suitability of current members of the Supervisory Board and also of the collective suitability of the entire Supervisory Board and its Committees conducted in 2019.

This was adopted in 2020 at the meeting of 17 March 2020 at which a resolution was also adopted for own Guidelines for the mode of procedure for replacements and new appointments to the management and supervisory boards. The full Supervisory Board was subsequently informed comprehensively of the outcome at its meeting of 18 March 2020.

Despite the extensive measures taken by the Supervisory Board to prevent conflicts of interest by Gregor Hofstätter-Pobst, member of the Supervisory Board until 20 May 2020, there were several incidents of breaches by this member of the obligation of supervisory board members to maintain secrecy.

Therefore, the Nominations Committee decided that this member in his function as member of the management board of UniCredit Bank Austria AG (“UCBA”) was trapped in an irresolvable conflict of interest. The Supervisory Board therefore voted against any prolongation of this member’s mandate that was due to expire.

By letter of 18 May 2020, the Financial Market Authority (FMA) clarified that for the duration of the court proceedings between UCBA and Oberbank there were no further measures that could be taken to effectively and lastingly mitigate the existing conflict of interest. Furthermore, it stated that it was therefore no longer possible to consider the member of the Supervisory Board Mr. Hofstätter-Pobst as unprejudiced, thereby creating a situation in which the fit & proper requirements of the law were no longer met that a member of a supervisory board must meet at all times. Therefore, the Supervisory Board was no longer in a position to guarantee the proper execution of its tasks as supervisory board.

When Karl Samstag sent his letter of resignation of 14 April 2020 stating that he would be resigning effective as of the close of the Annual General Meeting, it became necessary to add a further candidate to the ballot. The largest single shareholder, UCBA, to which Karl Samstag also belonged, named Hannes Bogner as a candidate.

Subsequently, at an extraordinary meeting of the Nominations Committee of 27 April 2020, the fit & properness of Hannes Bogner was examined, and ascertained, albeit under certain conditions. At the extraordinary meeting of the Supervisory Board of 28 April 2020, the proposal for the enlarged ballot for the elections was approved by the Supervisory Board.

After the routine exploratory talk between the Chairman of the Nominations Committee and the Management Board in accordance with the Guidelines for “appointments of additional members and for filling vacancies on management and supervisory boards”, a hearing was held on 8 September 2020 by the members of the Nominations Committee with Martin Seiter as a candidate for an additional mandate on the management board.

On the basis of this hearing, the resolution was adopted at the meeting of the Nominations Committee of 14 September 2020 in the presence of the State Commissioner to propose to the Supervisory Board at its September meeting to appoint Martin Seiter as fourth member of the Management Board. The appointment for three years as of 1 October 2020 was approved by the full Supervisory Board at the meeting of 15 September 2020.

Committee Members: Barbara Leitl-Staudinger (Chairwoman since 20 May 2020), Herta Stockbauer (Chairwoman until 20 May 2020) and Ludwig Andorfer
There are no separate independence criteria defined in the Banking Act for the Nominations Committee.

Legal Committee
The Legal Committee is not a committee required by law.
On account of the lawsuit filed by the largest individual shareholder (represented on the Supervisory Board of Oberbank by two members until 20 May 2020) against Oberbank that contests the resolution passed by the Annual General Meeting to reduce the number of shareholder representatives from twelve to eleven, the Supervisory Board set up a special committee at its meeting of 17 September 2019 to deal with this legal dispute with UniCredit Bank Austria and all related pending proceedings. The committee also has the power to commission external service providers (in particular, lawyers) with the representation of the company by the Supervisory Board externally, to make any required statements of the Supervisory Board in court proceedings or proceedings before authorities as well as to take decisions in these matters (decision-making competence) unless it is mandatory for the full Supervisory Board itself to reach a decision.
This became necessary because confidential information from the Supervisory Board was passed on to the lawyers of the shareholder filing the lawsuit. The step was taken to prevent further violations of the Supervisory Board of Oberbank's policy on conflicts of interests.
In such proceedings, the company is represented by the management board and supervisory board, which may require swift decisions in some circumstances by circular vote that would otherwise take too long in the full supervisory board. This Committee was made as compact as possible to enable quick responses and is composed of independent, experienced members of the Supervisory Board with legal expertise. The Legal Committee met eight times in 2020 in the presence of the State Commissioners.

Committee Members: Herta Stockbauer (Chairwoman), Barbara Leitl-Staudinger, Barbara Steger, Martin Zahlbruckner (since 15 November 2020), Wolfgang Pischinger, Susanne Braun

Remuneration Committee
The Remuneration Committee performs the tasks assigned to it by law. Apart from defining the basic parameters of the remuneration policy, the Remuneration Committee in its function must also perform a proportionality analysis and document it in writing regarding the members of the Management Board. It also defines the parameters for the measurement and review of the variable remuneration for staff members subject to the provisions of § 39b Banking Act with regard to the application of the proportionality principles of § 39b Banking Act and the appertaining Annex.
In compliance with the relevant legal provisions, the Remuneration Committee annually examines the practical implementation of the remuneration policy approved by the Committee and reports on the results to the full Supervisory Board at its next meeting.
In November 2013, the Remuneration Committee adjusted the proportionality assessment process in compliance with the statutory regulations applicable from 1 January 2014.
At its meeting of 29 March 2016, the Remuneration Committee identified the group of persons to which the Remuneration Guidelines apply based on the policy implemented for the identification of risk buyers pursuant to Delegated Regulation (EU) No. 604/2014. Due to the low volume of variable remuneration for employees at the level below the management board with an influence on the risk profile of the bank, the payout modalities usually only apply to the management board of the bank in accordance with margin no 260 of the Guidelines on sound remuneration policies (EBA/GL/2015/22).

The new EBA Guidelines on sound remuneration policies (EBA/GL/2015/22) that entered into force on 1 January 2017 have already been integrated into the Remuneration Policy of Oberbank. The material effects of these Guidelines have limited effects in their implementation for Oberbank due to the very sound remuneration policy already in place at Oberbank.
In accordance with the new provisions of the Joint Stock Companies Act §§ 78a to 78e and 98a based on the Shareholder Rights Directive regarding the remuneration policy for the Management Board and the Supervisory Board, the Supervisory Board must define principles for the remuneration of the Management Board and Supervisory Board.

The Remuneration Policy

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

The Remuneration Policy was discussed by the Remuneration Committee at its meeting of 17 March and presented and explained to the Supervisory Board at its meeting of 18 March 2020. The Supervisory Board subsequently adopted the resolution to present the Remuneration Policy to the Annual General Meeting on 20 May 2020. The Remuneration Policy was explained at this Annual General Meeting as a separate item of the agenda and approved. The variable remuneration components for the individual members of the management board for the financial year 2020 must be defined based on this Remuneration Policy and presented in a Remuneration Report that is drafted in clear and easy to understand language, and published.

This Remuneration Report must be presented to the Annual General Meeting every year. However, votes on the Remuneration Policy and on the Remuneration Report are only recommendations and cannot be contested.
Additionally, the Remuneration Policy (first time at AGM 2020) and the Remuneration Reports presented (first time at AGM 2021) must be published on the website of the company.

At the extraordinary meeting of 14 September 2020, the Remuneration Committee defined the framework for the management contract with Martin Seiter for the event that he is elected.

<u>Committee Members:</u> Martin Zahlbruckner (Member and Chairman since 15 November 2020), Herta Stockbauer (Chairwoman until 15 November 2020), Ludwig Andorfer, Stephan Koren (until 20 May 2020), Franz Peter Mitterbauer (since 20 May 2020), Wolfgang Pischinger

On account of his many years of experience as CEO of a globally operating company group, the Chairman has sufficient expert knowledge and experience in remuneration policy. He is supported by three long-serving managers who also have vast experience in this area.
All members of the Committee meet the criteria of the EBA Guidelines referred to.

Remuneration of the Management Board

At its meeting on 24 November 2010, the Supervisory Board resolved to delegate all matters regarding the remuneration of the Management Board to the Remuneration Committee. The Remuneration Committee designed the remuneration system of Oberbank so that it complies with the proportionality test pursuant to § 39b of the Austrian Banking Act and the appertaining Annex in respect of companies of a comparable size, industry and complexity and the risk inclination of the business model, and, moreover, in such a way as to ensure that the remuneration of the members of the Management Board is commensurate with their scope of activities and responsibilities.

It provides for a well-balanced relationship between fixed and variable components, with the variable remuneration being oriented on a reference value of a maximum of 40% of the fixed remuneration component. The fixed base income takes into account the respective areas of responsibility. Joint and personal performance elements as well as the overall performance of Oberbank are taken into account in the variable component.

The success of the company is measured by how it reaches its medium-term and long-term goals defined in accordance with the selected concrete indicators in the new Remuneration Policy to be presented at the Annual General Meeting 2020: the sustainable achievement of the financial goals based on the defined strategy and the multi-year projections of the bank; sustained compliance with strategic risk allocation in accordance with the overall bank management strategy (ICAAP Internal Capital Adequacy Assessment Process); sustained achievement of the strategic (also non-financial) goals in general.

In compliance with the updated circular of the Austrian Financial Market Authority (FMA) of December 2012, the Remuneration Committee determined that Oberbank, on the basis of the parameters defined by the FMA (total assets), is to be viewed as a highly complex institution and that the guidelines on remuneration policies and practices therefore fully apply. This means that the variable remuneration components of management board members for the financial year 2020 - the amount of which is determined by the Remuneration Committee on the basis of the "Parameters for the Assessment of Variable Remuneration Components for Management Board Members" - must be paid 50% in equity instruments and 50% in cash. The equity instruments are subject to a holding period of three years and the portion that must be deferred for a period of five years must be paid in equal parts in equity instruments and in cash with respect to 40% of variable remunerations and with respect to 60% of variable remunerations in amounts larger than EUR 150,000 in accordance with margin no 260 et seq of the EBA Guidelines on sound remuneration policies (EBA/GL/2015/22).

The total remuneration paid to the Management Board members in the reporting year was EUR 2,467,000 of which EUR 1,956,000 were attributable to fixed salary components and EUR 511,000 constituted variable remuneration components for the financial year 2019.

The remuneration to be paid out in 2021 for the year 2020 is €k 240 and is recognised in the balance sheet at 31/12/2020. The concrete decision will be taken by the Remuneration Committee at its March meeting in 2021 and will take implement the new Remuneration Policy accordingly.

Total remuneration:		**2019**	**2020**
	Franz Gasselsberger	€k 1,090[2)]	€k 1,164
		thereof fixed	€k 914
		thereof variable	€k 250
	Josef Weißl	€k 630[1)2)]	€k 653[1)]
		thereof fixed	€k 518[1)]
		thereof variable	€k 135
	Florian Hagenauer	€k 546[1)2)]	€k 576[1)]
		thereof fixed	€k 450[1)]
		thereof variable	€k 126
	Martin Seiter	n.a. [3)]	€k 73[1)]
		thereof fixed as Management Board Member	€k 73[1)] EUR[1)]
		thereof variable	n.a. [3)]

1) Including pension fund contributions

2) Including the variable remuneration paid in 2020 for 2019

3) Was not on the Management Board in 2019

Side-line business activities pursued by members of the Management Board require approval by the Supervisory Board in accordance with the Rules of Procedure of the Management Board. Accordingly, the above-listed mandates of the individual board members have all been approved by the Supervisory Board and are in compliance with the limits that have been applicable pursuant to the Austrian Banking Act since 1 July 2014.

The amount of the benefits from the contractually-agreed company pension scheme for members of the Management Board depends on the respective member's period of service. Benefits are calculated on the basis of a progressive scale of 40 years and the fixed salary at the time of retirement. For members of the Management Board appointed in or after 2005, a company pension is accumulated under a contractual scheme based on monthly contributions to a pension fund. If a Board mandate is not extended or is prematurely terminated, the respective Management Board member is entitled to termination benefits in the maximum amount of two annual salaries, provided that no cause for termination exists attributable to the respective Board member pursuant to Rule 27a ÖCGK.

All members of the Management Board and the Supervisory Board are covered by a Directors and Officers Insurance policy, the costs of which are borne by the Company. In the case of fully consolidated companies (see Chapter "Consolidated Financial Statements, note 41), only the direct leasing subsidiaries in Austria (incl. car leasing), Germany, Czech Republic, Hungary and Slovakia have managing directors that receive remunerations worthy of mention. In the risk identification process, these were identified as risk buyers and were analysed by the Remuneration Committee regarding their variable remuneration.

Given the low volume of variable remuneration, which is below the relevant threshold defined by the FMA, and the lack of autonomous decision-making powers, the payout methods defined in margin no 260 of the EBA Guidelines on sound remuneration policies (EBA/GL/2015/22) applied in only two cases. With respect to two management board members, a carry agreement slightly higher than the internal thresholds became effective. A postponement of five years was decided for 40% of the premium, with the decision on the payouts of one-fifth of the amount to be decided annually. At the meeting of the Remuneration Committee of 17 March 2020, after a review the decision was taken to pay out the first one-fifth to these two management members.

Remuneration of the Supervisory Board

The members of the Supervisory Board receive an annual remuneration that is defined at the Annual General Meeting also for work on the Committees. There are no variable remuneration components, no emolument per meeting and no share-linked remuneration.

The total amount of the remuneration was approved by the Annual General Meeting 2017 for the financial year 2017 and subsequent years until further notice as follows and were also valid for the reporting year: EUR 24,000 for the chairperson, EUR 20,000 for each deputy chairperson, and EUR 18,000 for the other board members.

The Annual General Meeting of 16 May 2017 defined the annual emoluments for work on committees effective as of the financial year 2017 as follows and were also valid for the reporting year: for members of the Audit Committee, the Risk Committee and the Credit Committee per person and year EUR 6,000; for members of the Remuneration Committee per person and year EUR 3,000; for members of the Working Committee per person and year EUR 2,000, and for members of the Nominations Committee per person and year EUR 1,000.

Due to the separation of the Risk/Credit Committee into a Risk Committee and a Credit Committee, the Annual General Meeting of 20 May 2020 passed the resolution applicable to the full financial year to divide the EUR 6,000 remuneration per person decided in 2017 for the Credit/Risk Committee as follows: EUR 2,000 per person on the Risk Committee and EUR 4,000 per person on the Credit Committee.

For the Legal Committee created in 2019 on account of the legal dispute with UCBA, the Annual General Meeting of 20 May 2020 passed the resolution effective as of the financial year 2020 to pay EUR 6,000 to each person on the Committee. Additionally, the Annual General Meeting also approved a special remuneration for the members of the Legal Committee for their work in the financial year 2019 at EUR 2,000 per person. At the same Annual General Meeting, the emoluments for meeting attendance were abolished.

Remuneration of the Supervisory Board for the reporting year of the Group came to €k 264. The remuneration is payable after the Annual General Meeting has discharged the committee members for the respective business year retroactively from liability.

Presentation of total remuneration for the reporting year 2020

Payments to the Supervisory Board for the year 2020 (payout in May 2021) in €

Name	Emoluments	Working Committee	Credit Committee	Risk Committee	Nominations Committee	Remuneration Committee	Audit Committee	Legal Committee	Total
Stockbauer	23,408	767	4,000	2,000	1,000	3,000	2,301	6,000	42,477
Andorfer	20,000	2,000	4,000		1,000	3,000	6,000		36,000
Burtscher:	18,767	2,000	4,000				6,000		30,767
Hofstätter-Pobst (until 20 May 2020)	0								0
Leu	18,000						2,301		20,301
Leitl-Staudinger	18,000				616			6,000	24,616
Mitterbauer (until 20 May 2020)	6,904								6,904
Mitterbauer jun. (from 20 May 2020)	11,096					1,849			12,945
Samstag (until 20 May 2020)	6,904								6,904
Bogner (from 20 May 2020)	11,096			1,233					12,329
Steger	18,000							6,000	24,000
Zahlbruckner:	18,592			1,233		296		592	20,712
Koren:	18,000	2,000		1,233		1,151	3,699		26,082
Total									**264,038**

The individual amounts were rounded for the per day calculation, which explains the EUR 38 in “excess pay” in the total amount. As a member of the management board of UCBA, Gregor Hofstätter-Pobst does not receive any remuneration under an internal rule of the UCBA. The remuneration for Alfred Leu is not paid to him, but to Generali Holding Vienna AG due to its internal Group rule. Members delegated by the Works Council do not receive any emoluments. These members of the Supervisory Board are not entitled to a fixed remuneration or to any fees per meeting.

Measures to promote women (§ 243c (2) no. 2 Business Code) and diversity concept (§ 243c (2a) Business Code)

At a share of around 60% women of the total staff, Oberbank has an excellent starting situation for the development of women for executive positions.

Management positions below Board level

As at 31 December 2020, the Oberbank Group (including Leasing) employed 108 women in executive positions (up to and including team leader level); this corresponds to a share of 24.1% (2019: 98 women or 22.6%).

As developments lagged behind expectations because of the age structure of the three board members at the time and of one third of the second level management staff, and because a generation change must be prepared in the upcoming years, the project "Chance 2030, Gender Balance - Next Generation" was launched with external support in 2018. Implementation started in 2019.

Within the scope of this project, a detailed survey was conducted for the first time of all departments to ascertain the management positions that will have to be filled with successors in the coming years.

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

This quota regime is supported by a wide range of measures in recruiting, leave of absence policy and human resources management as well as internal and external communication.

Certification as a family-friendly company that was started in 2011 with the "Grundzertifikat Audit berufundfamilie" ("Basic Certificate Audit berufundfamilie") awarded by the Federal Ministry for Economy, Family and Youth for a period of three years continues to be externally evaluated by TÜV SÜD Landesgesellschaft Österreich GmbH. In 2014, 2017 and 2020, this government quality certificate was awarded for a further three years.

Members of the Management Board

At present, the Management Board (governing body) has four male members. In the past, recruiting from within the ranks of higher management has been successful. Therefore, it must be the aim of the bank to steadily increase the share of women in management positions already at the second management level, to which the aforementioned project will greatly contribute.

The goal of the Nominations Committee is 25% (for a 4-person Board) or 33% (for a 3-person Board).

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

Supervisory Board (shareholder representatives)

When filling expiring mandates, the Chairperson of the Supervisory Board and the Nominations Committee of Oberbank always endeavour to find qualified women to fill Supervisory Board mandates. Since the target quota of 25% was defined for the first time in 2013 – at the time there was one woman on the board as a shareholder representative – this figure has tripled. Due the statutory regulation that defines a total share of at least 30% women on supervisory boards, the long-term goal is to meet this ratio for the shareholders representatives despite an agreement defining an overall view that includes employee representatives in the ratio.

Supervisory Board (employee representatives)

As at 31 December 2020, the group of employee representatives consisted of three women and two men.

Target ratios and implementation strategy

The Management Board and Supervisory Board of Oberbank have developed a diversity concept which includes measures to promote women.

As at 31 December 2020:

Governing body	Number of women	Number of men	Minority ratio
Management Board	0	4	0%
Supervisory Board (shareholder representatives)	3	7	30%
Supervisory Board (employee representatives)	3	2	40%
Supervisory Board (total)	6	9	40%

The Management Board of Oberbank currently consists of four male Austrian citizens. Three Management Board members are in charge of sales and share responsibility for the regional sales units in the bank's five country markets. Sales units report to these Management Board members in line with those members' main remits, i.e. Corporates and Personal Banking respectively. The fourth Management Board member is in charge of back office matters and the relevant departments dealing with these. The Supervisory Board consists of three female shareholder representatives and seven male shareholder representatives. All are specialists in their fields, with the board exhibiting a broad diversification (banks, insurance, industry, academia). In accordance with the strategic goal of preserving the independence of Oberbank, there is no political influence on the Supervisory Board.

With respect to the age of the members of the Supervisory Board, we would like to state that the Supervisory Board members have many years of professional experience, which is also highly appreciated, and that this guarantees good supervision. However, in the past years there have been several elections and appointments of shareholder representatives and employee representatives which brought younger members onto the Supervisory Board without detracting from quality. Bearing in mind the responsibility to be assumed, the Works Council also does not delegate young and unexperienced colleagues.

The majority of the shareholder representatives hold university degrees, with the qualifications ranging from business and law to technical specialties. The other members of the Supervisory Board also have sufficient experience, especially in the area of banking, to ensure proper supervision.

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

As regards compliance with the statutory ratio requiring at least 30% women and at least 30% men on the Supervisory Board, the shareholder representatives and employee representatives agreed at the Annual General Meeting of 25 September 2017 to meet the ratio together and also waived any objections in this respect for five years. With six female Supervisory Board members in total, Oberbank met the mandated statutory ratio as of 31 December 2020 (30% of 15 = 4.5), and is currently at 40% for 2020.

Evaluation of Compliance with the C Rules pursuant to Rule 62 ÖCGK (Austrian Code of Corporate Governance)

In accordance with Rule 62 of the Austrian Code of Corporate Governance that requires an external evaluation of compliance with the C Rules at least once every three years, the Supervisory Board charged KPMG also in 2020 with the task of evaluating Oberbank AG's compliance with C Rule 62 of ÖCGK on the basis of the Corporate Governance Report for the financial year 2019 and to assess if the statement of compliance by the Management Board presented an essentially true view of the implementation and compliance with the relevant C Rules of ÖCGK.

Audit activities:

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

Findings of the audit

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

As KPMG also served as auditor of the financial statements for the financial year 2019, under the terms of the contract, the audit did not include a review of compliance with C Rules 77 to 83 of ÖCGK.

This audit will be conducted again in the financial year 2023.

Linz, 3 March 2021

The Management Board

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

Investor Relations and Compliance

The Oberbank share and shareholders

Autonomy and independence have the highest priority for Oberbank. This is achieved by robust earnings, pursuing a sound risk policy and having shareholders who are committed to preserving the independence of Oberbank. No single shareholder of Oberbank AG is in a position to acquire a direct or indirect controlling interest. A syndicate agreement between BKS, BTV and Wüstenrot Genossenschaft specifically aims at ensuring Oberbank's independence. A further stabilising element of the shareholder structure is the fact that the employees as well as long-time business partners like Generali also own shares.

Oberbank ordinary share 2020

At the Annual General Meeting of Oberbank shareholders of 20 May 2020 and at the general meeting of preference shareholders of 9 June 2020, the resolution was adopted to convert all existing preference shares into ordinary shares of Oberbank AG. Bearing this in mind, the following sections will refer only to data regarding ordinary shares for the year 2020.
In 2020, the price trend of the Oberbank ordinary share posted a decline of -11.90%. As the dividend of EUR 0.18 per share for the financial year 2019 was paid retroactively in January 2021 – the conditions precedent of the recommendation of the European Central Bank occurred on 15 December – the price development in 2020 corresponded with the performance (price + dividend). Market capitalisation of Oberbank AG was EUR 2,978.74 million at the end of 2020.

The Oberbank share – key figures	2020	2019	2018
Number of ordinary no-par shares	35,307,300	32,307,300	32,307,300
Number of preference shares*		3,000,000	3,000,000
High ordinary/preference share in €*	96.00	96.20/93.00	89.80/88.50
Low (ordinary/preference share) in €*	83.00	89.80/83.00	82.00/72.50
Close (ordinary/preference share) in €*	84.40	95.80/89.50	89.80/83.00
Market capitalization in €m	2,978.74	3,363.5	3,150.2
IFRS earnings per share in €	3.52	6.13	6.39
Dividend per share in €	0.58[1)]	0.18	1.10
P/E ratio, ordinary shares	24.0	15.6	14.1
P/E ratio, preference shares*		14.6	13.0

*2020 conversion of preference shares into ordinary shares

[1)] Under the condition precedent that

(i) the recommendation of the European Central Bank to restrict dividend distributions (Recommendation of the European Central Bank of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35 (ECB/2020/62) is no longer applicable to Oberbank AG on 31 December 2021 or earlier, and

(ii) provided that at the time the aforementioned condition precedent occurs no other legal restriction or recommendation imposed by a supervisory body is in place that would preclude an additional distribution in this amount,

the Management Board and Supervisory Board will propose to distribute additionally a dividend of EUR 0.17 on every eligible share.

Steadily rising valuation, constant dividends

Oberbank ordinary shares have been listed on the Vienna Stock Exchange since 1 July 1986. Ever since, the value of the share has been on a steady trend: shareholders who acquired Oberbank shares in 1986 and participated in all capital increases have earned an average yield of 8.82% per year taking into account dividend distributions (before withholding tax).
Earnings per share decreased in 2020 from EUR 6.13 to EUR 3.52. Based on the shares' closing price, the price/earnings ratio (PER) for ordinary shares was 24.0. Provided the Annual General Meeting gives its approval and taking into account the recommendation of the FMA regarding dividend distributions during the pandemic, the proposal is made to distribute dividends on the net profit of EUR 31,125,728.77 reported in the financial statements for the period ended on 31 December 2020 as follows: EUR 0.58 on every eligible share without any conditions; under conditions precedent an additional EUR 0.17 on every eligible share.

Oberbank overall bank rating and mortgage-backed cover pool

The effects of the coronavirus pandemic on the economy are also influencing the ratings of European banks. The rating agency Standard & Poor's believes the risks for Austrian banks has increased and for this reason lowered the outlook for all Austrian banks by one notch.

Although the Austrian federal government has taken far-reaching fiscal and economic policy measures, if the negative economic trends continue Austria's anchor credit rating might even drop from currently a- to bbb+. At present, Standard & Poor's assigned Oberbank a global bank rating of A (outlook: negative) and the mortgage-backed cover pool a rating of AAA (outlook: stable).

Raising funds on the capital market

Oberbank was successful on international capital markets in 2020 again. Before the corona crisis started to affect financial markets in Europe, Oberbank issued a ten-year covered bond with an AAA rating and a volume of EUR 250 million at a very attractive premium of seven basis points. As the year came to a close, the improved market situation was used to float a senior non-preferred bond with a volume of EUR 100 million. The rating agency Standard & Poor's credited the funds to the capital buffer. Furthermore, this liquidity is eligible under MREL requirements, and the bond was assigned a rating of BBB+.

Oberbank issues

Despite the low interest rates, Oberbank also issued a large volume of bonds in 2020. The total volume of Oberbank issues was EUR 508.2 million in 2020. A volume of EUR 55.8 million were subordinate bonds. Taking into account scheduled redemptions and premature repayments, the line item Securitised liabilities including subordinate capital increased by 7.1% up to EUR 2,339.8 million.

Oberbank shareholder structure as at 31/12/2020	**Total**
Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck (incl. BTV 2000)*	16.15%
BKS Bank AG, Klagenfurt (incl. subordination syndicate with BVG)**	14.79%
Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.50%
Generali 3 Banken Holding AG, Vienna	1.62%
Employees	4.15%
CABO Beteiligungsgesellschaft m. b. H., Vienna	23.76%
UniCredit Bank Austria AG, Vienna	3.41%
Free float	31.62%

* BTV 2000 Beteiligungsverwaltungsgesellschaft m.b.H. (BTV 2000), a 100% subsidiary of Bank für Tirol und Vorarlberg Aktiengesellschaft, holds a stake of 2.26% in Oberbank AG.

** Beteiligungsverwaltung Gesellschaft m.b.H. (BVG) holds a stake of 0.58% in Oberbank AG.

Based on a resolution of the Annual General Meeting of 15 April 1991, Oberbank also issued non-voting preference shares besides ordinary shares. With the resolution of the Annual General Meeting of 20 May 2020, the conversion of the preference shares into ordinary shares was decided by a simple majority vote of the shareholders represented in accordance with the provisions of COVID-19 Company Law Act (COVID-19-GesG) in conjunction with COVID-19 Company Law Decree (COVID-19-GesV). This resolution was passed at a virtual meeting of shareholders of preference shares on 9 June 2020 in accordance with COVID-19-GesV with the required three-quarters majority vote of the holders of preference shares represented. The registration of the amendment to the Articles of Association regarding the conversion in the Companies Register was done on 7 November 2020. Since this conversion, there have only been Oberbank ordinary shares. The ordinary shares resulting from the conversion of the preference shares are listed under ISIN AT0000A2HAY1 in addition to the already listed ordinary shares under ISIN AT0000625108. Effective 25 January 2021, the ordinary shares were merged to a single listing under ISIN AT0000625108.

The share capital of Oberbank has since this time consisted of 35,307,300 no-par bearer shares. The largest single shareholder is CABO Beteiligungsgesellschaft m.b.H., a 100% subsidiary of UniCredit Bank Austria. The free float (31.62% of Oberbank ordinary shares) is held by corporate investors, institutional investors and private shareholders.

Investor Relations und Compliance

Investor relations and communication

Oberbank informs shareholders in detail about its financial position and earnings in its quarterly and annual reports. The website www.oberbank.at also provides a continuous flow of information. The invitation to the Annual General Meeting encourages shareholders to seek direct contact with the members of the Management Board and the Supervisory Board.

Potentially price-sensitive events are published by Oberbank on the euro adhoc platform under the heading “Insiderinformationen”.

Investor Relations:

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Financial Calendar 2021	
Ex dividend day – dividend for financial year 2019	14/1/2021
Date of record – dividend for the financial year 2019	15/1/2021
Dividend payout day – dividend for the financial year 2019	18/1/2021
Online publication of the Annual Report 2020	22/3/2021
Publication of the financial statements 2020 in the Official Gazette “Wiener Zeitung”	23/3/2021
Date of record in respect of Oberbank shares	01/5/2021
141st Annual General Meeting of the shareholders of Oberbank AG	11/5/2021
Ex dividend day – dividend for financial year 2020	17/5/2021
Date of record – dividend for financial year 2020	18/5/2021
Dividend payout date – dividend for financial year 2020	19/5/2021

Publication of quarterly reports	
Q1	21/5/2021
HY1	26/8/2021
Q1 to Q3	26/11/2021

140th Annual General Meeting of Oberbank on 20 May 2020 / resolutions passed

Agenda item 2 Resolution on the use of the net profit for the financial year 2019

YES: 17,212,183 votes; NO: 125,571 votes; ABSTENTIONS: 8,827,207

Agenda item 3 Resolution on the discharge of the Management Board members for the financial year 2019

Gasselsberger: YES: 17,280,925 votes; NO: 8,817,092 votes; ABSTENTIONS: 1,507 votes
Weißl: YES: 17,281,255 votes; NO: 8,817,092 votes; ABSTENTIONS: 1,177 votes
Hagenauer: YES: 17,281,255 votes; NO: 8,817,092 votes; ABSTENTIONS: 1,177 votes

Agenda item 4 Resolution on the discharge of the Supervisory Board members for the financial year 2019

Stockbauer: YES: 17,280,633 votes; NO: 8,817,714 votes; ABSTENTIONS: 1,177 votes
Andorfer YES: 17,281,255 votes; NO: 8,817,092 votes; ABSTENTIONS: 1,177 votes
Burtscher: YES: 17,280,334 votes; NO: 8,816,013 votes; ABSTENTIONS: 3,177 votes
Eder: YES: 26,095,569 votes; NO: 778 votes; ABSTENTIONS: 3,177 votes
Hofstätter-Pobst: YES: 11,329,650 votes; NO: 14,288,716 votes; ABSTENTIONS: 481,158 votes
Koren: YES: 26,096,337 votes; NO: 10 votes; ABSTENTIONS: 3,177 votes
Leitl-Staudinger YES: 26,096,337 votes; NO: 10 votes; ABSTENTIONS: 3,177 votes
Leu: YES: 26,095,416 votes; NO: 861 votes; ABSTENTIONS: 3,247 votes
Mitterbauer: YES: 26,090,963 votes; NO: 1,380 votes; ABSTENTIONS: 7,181 votes
Samstag YES: 13,538,670 votes; NO: 577,382 votes; ABSTENTIONS: 11,983,472 votes
Steger: YES: 26,094,194 votes; NO: 1,360 votes; ABSTENTIONS: 3,970 votes

Zahlbruckner: YES: 26,096,337 votes; NO: 10 votes; ABSTENTIONS: 3,177 votes
Pischinger: YES: 17,281,185 votes; NO: 8,815,162 votes; ABSTENTIONS: 3,177 votes
Braun: YES: 26,096,267 votes; NO: 80 votes; ABSTENTIONS: 3,177 votes
Grabner: YES: 26,096,267 votes; NO: 10 votes; ABSTENTIONS: 3,247 votes
Höchtel: YES: 26,096,267 votes; NO: 10 votes; ABSTENTIONS: 3,247 votes
Pirner: YES: 26,096,267 votes; NO: 10 votes; ABSTENTIONS: 3,247 votes
Zeiss: YES: 26,095,544 votes; NO: 10 votes; ABSTENTIONS: 3,970 votes

Agenda item 5 Supervisory Board elections

Agenda item 5a: Election Mitterbauer

YES: 26,142,543 votes; NO: 14,470 votes; ABSTENTIONS: 7,948 votes

Agenda item 5b: Election Bogner

YES: 26,116,581 votes; NO: 38,888 votes; ABSTENTIONS: 9,492 votes

Agenda item 6 Appointment of the bank auditor for the financial year 2021

YES: 26,152,694 votes; NO: 8,740 votes; ABSTENTIONS: 3,527 votes

Agenda item 7 Resolution on the remuneration policy

YES: 17,327,238 votes; NO: 8,821,872 votes; ABSTENTIONS: 15,851 votes

Agenda item 8 Resolution regarding the amendment to § 16 of the Articles of Association

YES: 26,149,461 votes; NO: 4,940 votes; ABSTENTIONS: 10,560 votes

Agenda item 9 Resolution on the remuneration for the members of the Supervisory Board for the financial year 2020 and subsequent financial years

YES: 17,330,824 votes; NO: 8,824,627 votes; ABSTENTIONS: 9,510 votes

Agenda item 10 Resolution regarding the revocation of the authorisation passed by the 138th Annual General Meeting of 15 May 2018 for the repurchase of own shares pursuant to Article 65 (1) no 4 Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase, within a period of 30 months from the date of the resolution taken by the 140th Annual General Meeting and to the extent of up to 5% of the share capital, own shares to be offered to the staff, top executives and members of the Management Board or the Supervisory Board of the company or an associated company pursuant to Article 65 (1) no 4 Austrian Joint Stock Companies Act.

YES: 17,313,288 votes; NO: 8,818,385 votes; ABSTENTIONS: 33,288 votes

Agenda item 11: Resolution regarding the revocation of the authorisation passed by the 138th Annual General Meeting on 15 May 2018 for the repurchase of own shares pursuant to Article 65 (1) no 7 Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase, to the extent of up to 5% of the share capital within a period of 30 months from the date of the resolution taken by the 140th Annual General Meeting for the purpose of trading pursuant to Article 65 (1) no 7 Austrian Joint Stock Companies Act.

YES: 17,338,747 votes; NO: 8,818,385 votes; ABSTENTIONS: 7,829 votes

Agenda item 12: Resolution regarding the revocation of the authorisation passed by the 138th Annual General Meeting on 15 May 2018 for the repurchase of own shares pursuant to Article 65 (1) no 8 of the Austrian Joint Stock Companies Act to the non-utilised extent and the concurrent authorisation of the Management Board to repurchase own shares without a specified purpose to the extent of up to 10% of the share capital pursuant to Article 65 (1) no 8 Austrian Joint Stock Companies Act within a period of 30 months from the date of the resolution taken by the 140th Annual General Meeting.

YES: 17,338,501 votes; NO: 8,817,781 votes; ABSTENTIONS: 8,679 votes

Agenda item 13: Resolution on the amendment to the Articles of Association in § 4 (1) to the effect that all existing preference shares are to be converted into ordinary shares by revoking the preferential treatment pursuant § 129 Joint Stock Companies Act
YES: 21,634,068 votes; NO: 1,989,478 votes; ABSTENTIONS: 2,541,415 votes

Agenda item 14: Resolution regarding a special audit of ALPENLÄNDISCHEN GARANTIE – GESELLSCHAFT m.b.H. (ALGAR)
YES: 9,243,235 votes; NO: 16,634,390 votes; ABSTENTIONS: 7,132 votes

Agenda item 15: Resolution regarding a special audit of Beteiligungsverwaltung Gesellschaft m.b.H. (BVG)
YES: 9,243,235 votes; NO: 16,634,062 votes; ABSTENTIONS: 6,672 votes

Agenda item 16: Resolution regarding a special audit of Xanthos Privatstiftung
YES: 9,243,235 votes; NO: 16,676,222 votes; ABSTENTIONS: 179,965 votes

Agenda item 17: Resolution regarding a special audit of payments or other services to BKS, BTV, G3BH and Wüstenrot
YES: 9,241,365 votes; NO: 16,634,629 votes; ABSTENTIONS: 7,975 votes

Agenda item 18: Resolution regarding a special audit of payments or other services to shareholders/"friendly investors"
YES: 9,243,635 votes; NO: 16,633,662 votes; ABSTENTIONS: 6,672 votes

Voting results of the General Meeting of Preference Shareholders of Oberbank AG of 9 June 2020

Agenda item 1: Resolution on the amendment to the Articles of Association in § 4 (1) to the effect that all existing preference shares are to be converted into ordinary shares by revoking the preference pursuant § 129 Joint Stock Companies Act
YES: 1,744,498 votes; NO: 168 votes; ABSTENTIONS: 0 votes

Voting results of the extraordinary General Meeting of Oberbank on 4 February 2020

Agenda item 1 Resolution on a special audit of pursuant to § 130 Joint Stock Companies Act
YES: 8,871,735 votes; NO: 17,885,716 votes; ABSTENTIONS: 717 votes

Agenda item 2: Resolution on the termination of the arbitration proceedings between Generali 3 Banken Holding AG (FN 234231 h; hereinafter G3BH) and Oberbank, as well as to refrain from taking any enforcement actions on the basis of an arbitration ruling resulting from these arbitration proceedings
YES: 8,875,495 votes; NO: 17,991,561 votes; ABSTENTIONS: 115 votes

Agenda item 5: Reduction of the total number of shareholder representatives on the Supervisory Board from eleven to ten in future effective as of the close of the Annual General Meeting which decides on the discharge of the members of the management board and of the supervisory board for the financial year 2019
YES: 18,579,305 votes; NO: 8,850,597 votes; ABSTENTIONS: 10,012 votes

Directors' Dealings

Persons discharging managerial responsibilities within the issuer and persons closely associated with such persons shall notify the issuer and FMA of every transaction conducted for their own account relating to the shares or debt instruments of that issuer or to derivatives or other financial instruments linked thereto (Article 19 (1) MAR). The issuer must subsequently make the report public pursuant to Article 19 (3) Market Abuse Regulation. Oberbank AG published 20 such reports through the euro adhoc system in 2020.

Compliance

At the end of May 2019, the steady expansion of Oberbank motivated us to separate Group Compliance from Secretariat & Communication; Group Compliance has been a separate department since 1 June 2019. This move takes into consideration that issues relating to regulations have been gaining significance in the overall organisation of credit institutions and that this trend is very likely to continue.

Banking Act - compliance

The amendments to the Austrian Banking Act that entered into force in 2018 and 2019 changed, among other things, the requirements for the organisation of compliance at credit institutions.

Since 1 September 2018, banks have been under the obligation to keep written records on relevant principles and procedures for discovering and mitigating risks caused by violations by Management Board members, Supervisory Board members and by employees of the supervisory regulations. Furthermore, since 1 January 2019 it has been mandatory and of extreme importance for banks to set up a permanent, effective and independent compliance function with direct access to the management (hereinafter: compliance function under the Banking Act). A person with the appropriate qualifications must be appointed to head the compliance unit under the Banking Act.

The equipment and staff of the compliance function under the Banking Act is commensurate with the company’s size as well as with the type, scope, complexity and risk of the business activity of Oberbank. The staff employed in this function has the corresponding knowledge, capabilities and experience in the area of compliance under the Banking Act. The qualification of employees is maintained on an ongoing basis and a strong focus is placed on continuing education for employees.

Activities in the compliance function under the Banking Act are supported by high-quality IT tools. An information service unit is responsible for providing updates on supervisory requirements on an ongoing basis. Revision-secure workflows are used to evaluate the company-specific application of the new regulations and to facilitate processing by the competent specialised departments.

The permanent and centralized surveillance of new supervisory rules and their implementation by the compliance function under the Banking Act make it possible to develop forward-looking projections for projects, resources and budgets at Oberbank, and to implement the required new processes and interfaces in a timely manner.

Securities compliance

Credit institutions are under the obligation to ensure that their organisation and workflows are commensurate with their structure and business activities, and must also guarantee ongoing monitoring of the proper execution of investment services and ancillary investment services.

To discover potential violations of statutory provisions, Oberbank uses a computer-aided compliance tool to help mitigate risk by quickly and specifically revealing instances of malversation in exchange trading, in particular, market manipulation and insider dealings, and violations of the duty of due diligence in connection with the securities business.

It provides for proactive monitoring through ad hoc and regular evaluations and helps to avoid reputational damage and monetary loss. Furthermore, this IT tool also monitors and maintains the lists and records that are required by law (insider lists, blocking and watchlists, areas of confidentiality). This IT tool thus enables the professional management of (potential) securities compliance incidents by documenting all incidents seamlessly, centrally and without delay.

Oberbank also has an extensive internal set of rules and regulations on securities compliance in place (Compliance Manual). The Compliance Manual contains a description of general organisational aspects as well as detailed information on the compliance rules and regulations relating to investment activities and the capital market. The Compliance Manual is published internally on the internal intranet and is therefore available at all times to all employees.

The employees of Oberbank are under the obligation to comply with the rules and regulations in this Manual and their attention is drawn to the sanctions under criminal law and labour law in the event of violations of these rules and regulations; they also receive the relevant training courses on a regular basis. The training courses include mandatory annual e-learning courses as well as the regular in-person courses.
Therefore, this ensures that Oberbank meets its statutory obligations to install and maintain effective rules, systems and procedures for the discovery and reporting of suspicious securities orders and transactions.

Findings of the securities compliance audits
Starting out from an evaluation of the compliance risk within the scope of a risk analysis, Oberbank has created a risk-based monitoring program for investment services and investments activities. The risk-based monitoring activities defined therein have been fully executed and the results have been reported to the responsible expert departments and to the Management Board.
In the year 2020, Oberbank reported two suspicious securities orders or transactions to the Financial Market Authority (FMA) on the grounds of market abuse.

Administrative fine imposed by the Financial Market Authority (FMA)
On 17 November 2020, the Financial Market Authority (FMA) published on its website (https://www.fma.gv.at/bekanntmachung-fma-verhaengt-sanktion-gegen-die-oberbank-ag-wegen-verletzung-von-organisationsvorschriften-im-zusammenhang-mit-aufzeichnungspflichten/) an announcement on a penal order imposing an administrative find on Oberbank AG of EUR 64,000 for a breach of organizational requirements in connection with record-keeping obligations. The penal order was imposed with final effect within the scope of accelerated proceedings pursuant to § 22 (2a) Financial Market Authority Act (FMABG) and acknowledged by Oberbank AG.
The penal order was the outcome of an onsite audit of the securities services business in the year 2018 which took place in the first year after enactment of MIFID II rules in the Securities Supervision Act (Wertpapieraufsichtsgesetz, WAG 2018) that imposed new obligations on credit institutions for the securities business. One of the new statutory obligations concerns record-keeping of telephone conversations with customers by securities advisors, which for various mainly technical reasons were not found for every single case during the onsite audit. In the view of the supervisory body this constitutes a breach of law to be sanctioned within the scope of administrative penal proceedings. The deficits that resulted in the failure to find individual records of telephone conversations were fully remedied – also in the opinion of the Financial Market Authority (FMA) – in 2018 and have been subject to ongoing monitoring ever since.

Anti-money laundering compliance
Oberbank is aware of its responsibility for complying with regulatory requirements in the area of prevention of money laundering and terrorism financing, and makes constant efforts to optimise measures and processes in this area. These include, among other things, conducting automatic and manual audits of the master data on customers and of transactions, the ascertainment and checking of the economic beneficiaries according to the relevant provisions of the Beneficial Owners Register Act (WiEReG), checking and updating of customer data, checking potential money laundering high-risk customers before initiating transactions subject to approval, checking PEP status and sanctions status as well as providing service-oriented advice and training to Oberbank employees.
The focus of activities in 2020 was on the fundamental revision of all internal rules and regulations as well as manuals, the updating and revision of the training concept for all employees, the design of sales-oriented workflows and work instructions, the outsourcing of anti-money laundering and anti-terrorism activities from Leasinggesellschaft mbH Österreich to the Bank, and the optimisation of cross-border cooperation between international anti-money laundering and sanctions authorities and the central compliance unit. We placed the highest priority on keeping the customer data of current customers up to date.
Providing continuing education and training to our employees is especially important to us at Oberbank. Apart from classical in-person courses, the focus is shifting to digital web-based training forms.
The training courses are mandatory for all employees of Oberbank and must be refreshed in regular intervals. The anti-money laundering compliance experts are moreover under the obligation to obtain external certification according to international standards.

To support Sales, instructions and FAQs were prepared for all types of customer advisors drafted in “clear and comprehensible language, concise and easy to use” on matters of approval in connection with anti-money laundering; to help ascertain and review the economic beneficial owners of diverse company forms and private foundations; to obtain and update know-your-customer (KYC) information, and many other topics in order to guarantee the high standard in the fight against money laundering and terrorism financing.

Close cooperation between international branches and subsidiaries, on the one hand, and the headquarters in Linz, on the other, was intensified in 2020. This ensures high uniform standards and adherence to stringent rules throughout the Group implemented through strategies and procedures.

The 5th Anti-Money Laundering Directive of the EU was passed into national law in Austria with the Financial Markets – Anti-Money Laundering Act (EU-Finanz-Anpassungsgesetz 2019) that entered into force on 10 January 2020. The necessary adjustments to internal procedures were carried out in a timely manner and, therefore, compliance with statutory obligations has been guaranteed since 10 January 2020.

Fraud prevention

In accordance with the Guidelines of the European Banking Authority (EBA), Oberbank uses a dedicated IT tool for the prevention of fraud in payment services. This IT tool automatically stops suspicious transactions which are then critically reviewed by the Compliance Unit. Only after the positive outcome of a review are the transactions released. In the financial year 2020, 107,424 transactions were classified as suspicious by IT Tool and reviewed by the Compliance/Team Fraud Prevention Department. A total of 13,687 transactions required a release confirmation from customers. Additionally, Oberbank also has an extensive internal set of rules and regulations to fight fraud. These contain detailed descriptions of the different types of fraud and the corresponding preventive measures taken within Oberbank.

The Fraud Prevention Policy is available to all employees on the intranet and can be viewed at any time. Employees of all Oberbank markets are informed regularly of the contents of the Fraud Prevention Policy in the form of annual mandatory e-learning courses. In the year 2020, there were no in-person events due to the coronavirus pandemic.

The Fraud Prevention Team prevented potential damage to customers in an amount of EUR 325,482.95 in the financial year 2020.

Group Management Report

Global economy contracted by 3.5%

The global economy shrunk by 3.5% in the year 2020 due to the worldwide coronavirus pandemic, thus far below the level of 2019 in which it expanded by 2.8%.

The US economy was unable to decouple from the general trend and lost 3.4%. China was the only major economy that was able to achieve growth: 2.3% year on year. This is a modest level compared to the time-series of past growth in China, but nonetheless remarkable considering last year’s environment.

EU 27 posts steepest drop since World War II

The economy in the EU shrunk by 7.4% in 2020. For example, Spain performed sluggishly declining by -11.1% and Italy by -9.2%. The countries of Central and Eastern Europe lagged behind, but not as much as the rest of the EU. The Czech Republic and Hungary performed slightly better at levels of around -6.5%. Austria posted a decline of -7.3%.

Austria’s economy shrunk by more than 7% in 2020

After showing some clear tendencies of recovery in the fourth quarter of 2020, the economy contracted by -4.3% caused by the lockdowns. The sectors responsible for the decline in the fourth quarter were commerce and services/tourism. These sectors posted a decline of 19.7% quarter on quarter. Exports and imports posted slight declines of -1.1% and 0.7% quarter on quarter.

Interest rates persist a low levels worldwide

On account of the pandemic, international central banks repeatedly pumped funds into the markets. The European Central Bank created the PEPP (Pandemic Emergency Purchase Programme) and injected additional liquidity into the market. Money market and capital market rates stayed at very low levels in 2020. In 2020, the 3-month Euribor was -0.43% on the annual average, the 3-month USD Libor was 0.65%, and the ten-year SWAP rate for the euro was on average -0.14%.

Currency trends

In 2020, the EUR/USD exchange rate fluctuated 15% between highs and lows. The exchange rate peaked at EUR/USD 1.2295, and the low was 1.0690. At 1.14 on the annual average, the exchange rate was lower than in the preceding year at 1.11. The exchange rate of the euro versus the Czech koruna fluctuated by 11.9%, and versus the Hungarian forint by 12.0%.

Stock markets 2020 – an especially challenging year

In the first quarter of 2020, stock markets plunged sharply by around -30% for global shares, but subsequently made a clear recovery. The recovery was driven by the financial aid measures taken by governments worldwide in the form of economic stimulus programmes and the monetary policy measures by central banks. Furthermore, the rapid development of the various vaccines encouraged expectations of an economic recovery for the year 2021 and hopes of a return to normalcy.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements prepared in accordance with internationally accepted accounting standards replace the consolidated financial statements under Austrian law in accordance with § 59a Banking Act and § 245a Business Code. The Group management report was prepared in accordance with international financial reporting standards.

The Oberbank group of consolidated companies

Besides Oberbank AG, the group of consolidated companies included 30 domestic and 17 foreign subsidiaries in 2020. Compared to 31 December 2019, the group of consolidated companies changed as follows:

- Sale of Oberbank LIV Immobilienleasing GmbH, Linz (this reduced Other liabilities by €k 3,344 and lowered Loans and advanced to customers by €k 3,679);

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was recognised in the consolidated financial statements by proportionate consolidation in accordance with IFRS 11. In addition to BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for in the consolidated financial statements using the equity method. Not included in the group of consolidated companies were 18 subsidiaries and 14 associated companies, which overall have no significant influence on the group's assets or financial and earnings position. The reporting date for the consolidated financial statements is 31 December. Sub-group financial statements for the leasing companies accounted for in the consolidated financial statements were prepared for the period ended on 30 September to facilitate the timely preparation of the consolidated financial statements for the full year. Material transactions and changes to the composition of the Leasing sub-group in the fourth quarter were taken into account.

Segmentation

In terms of customer segmentation, the reporting breaks down into Corporate and Business Banking, Personal Banking, Financial Markets and Other. As regards the regional segmentation, the 176 branch branches of Oberbank are distributed as follows: Austrian markets (97 branches), Germany (42), Czech Republic (20), Hungary (13) and Slovakia (4).
Details regarding business and earnings developments in the customer segments and in the geographic regions are presented in the chapters “Segment Report” and “Consolidated Financial Statements” of this Annual Report.

Result of operations satisfactory despite coronavirus

Demand for loans rose by 4.2% to EUR 17.3 billion, and primary funds increased substantially by 8.9%, rising to EUR 15.4 billion. Net interest income decreased by 2.6% to EUR 336.9 million due to competitive factors, and net fee and commission income was up by 4.7% to EUR 170.7 million.

Net profit before tax for the year was EUR 167.5 million or 39.4% lower year on year. Net profit after tax for the year was EUR 123.5 million, which is a decline by 42.8%. The income taxes of EUR 44.0 million were 26.8% lower than in the preceding year.

IFRS consolidated income statement in €m	**2020**	**2019**	**Change**
Net interest income	336.9	345.8	-2.6%
Investments in entities accounted for by the equity method	-8.0	29.7	> 100.0%
Charges for losses on loans and advances	-41.8	-12.2	> 100.0%
Net fee and commission income	170.7	163.0	4.7%
Net trading income	1.5	2.3	-38.2%
Administrative expenses	-294.9	-288.9	2.1%
Other operating income	3.2	36.5	-91.2%
Profit/loss for the year before tax	167.5	**276.2**	**-39.4%**
Income taxes	-44.0	-60.1	-26.8%
Profit/loss for the year after tax	123.5	**216.1**	**-42.8%**
thereof attributable to the owners of the parent company and the owners of additional equity components	122.4	215.0	**-43.1%**
thereof attributable to non-controlling interests	1.1	1.1	-0.7%

Adequate provisions were set up for all discernible future risks

Including write-offs of receivables, net charges for losses on loans and advances came to EUR 41.8 million in 2020. In relation to receivables from customers of EUR 17,264.7 million, this is an impairment allowance ratio of 0.25%.

Net trading income

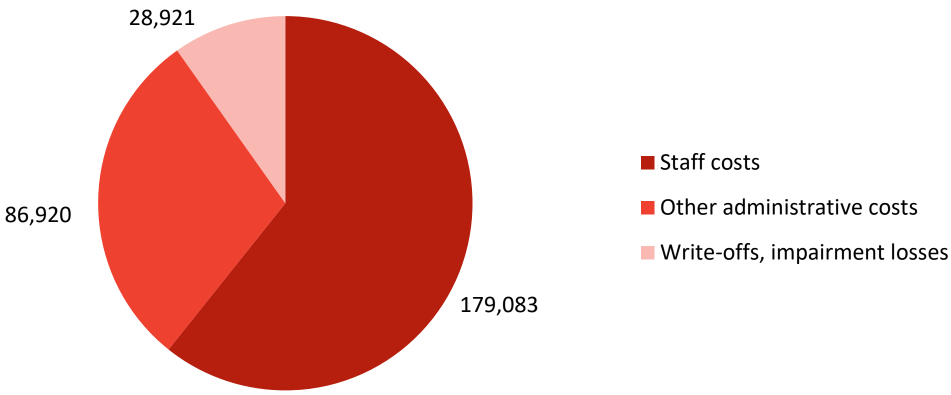
The net trading income comprises earnings from securities and derivatives in the trading book as well as earnings from dealings in foreign exchange, foreign bank notes and precious metals. In the financial year 2020, net trading income was EUR 1.5 million which is 38.2% lower than in the preceding year.

Administrative expenses

In the financial year 2020, administrative expenses were only 2.1% higher year on year at EUR 294.9 million.

Staff costs increased to EUR 179.1 million, administrative expenses from EUR 86.7 million to Eur 86.9 million. Write-offs and impairment allowances rose from EUR 27.4 million to EUR 28.9 million.

Structure of administrative expenses in €k



Profit distribution proposal

After the addition of EUR 90.3 million to reserves and the higher profit carryover by EUR 0.3 million, the net profit for 2020 was EUR 31.1 million. Provided the Annual General Meeting gives its approval and taking into account the recommendation of the Financial Market Authority (FMA) regarding dividend distributions during the coronavirus pandemic, the proposal is made to distribute dividends as follows based on the net profit of EUR 31,125,728.77 reported in the financial statements for the period ended on 31 December 2020

a) on each share eligible for dividends, unconditionally a dividend of EUR 0.58, and
b) on the condition precedent that
   (i) the recommendation of the European Central Bank to restrict dividend distributions (Recommendation of the European Central Bank of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35 (ECB/2020/62) is no longer applicable for Oberbank AG on 31 December 2021 or earlier,
   (ii) and provided that at the time the aforementioned condition precedent occurs no other legal restriction or recommendation imposed by a supervisory body is in place that would preclude an additional distribution in this amount,

to distribute additionally a dividend of EUR 0.17 on every eligible share.

Analysis of key performance indicators

Return on equity (ROE) before tax decreased from 9.64% to 5.67%, and after tax from 7.54% to 4.18%.
Earnings per share amounted to EUR 3.52, after EUR 6.13 in the previous year.
The cost/income ratio was 58.5% in 2020. The risk/earnings ratio was 12.42%.

Key performance indicators, IFRS	2020	2019
Return on equity before tax1)	5.67%	9.64%
Return on equity after tax1)	4.18%	7.54%
IFRS earnings per share in €	3.52	6.13
Cost-income-ratio (cost/income coefficient)2)	58.49%	50.04%
Risk/earnings ratio (credit risk/net interest income)3)	12.42%	3.53%

1) Return-on-equity before/after tax shows the return on equity of the company within a defined period. The calculation is based on the ratio of the net profit before/after taxes versus the average equity available on the quarterly cut-off dates of the period and adjusted for planned dividend distributions.
2) The cost/income ratio is an indicator of efficiency and shows the costs the bank incurs to earn one euro. To calculate it, the administrative expenses for the respective accounting period are compared to the operating income (sum of net interest income and net commission income, trade result and other operating income).
3) The risk/earnings ratio is a risk indicator for the lending business that indicates the share of the net interest income used to cover credit risk. For the calculation, the charges for losses on loans and advances in lending operations are compared to net interest income.

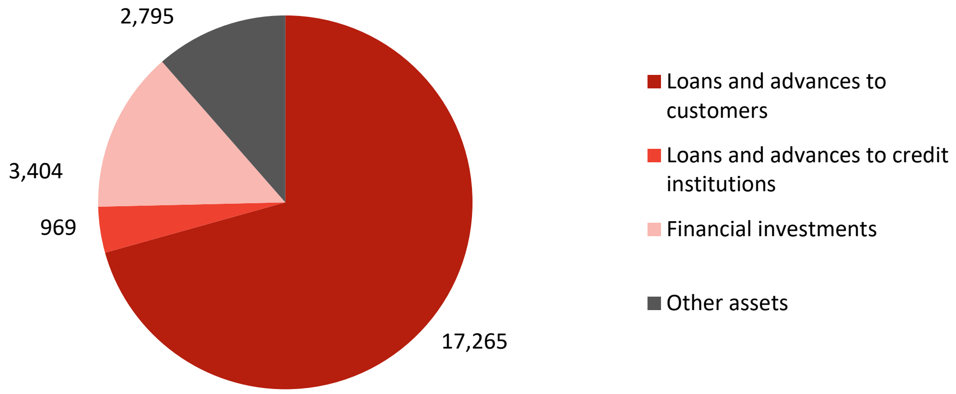
Assets, earnings, and financial position

Total assets of the Oberbank Group amounted to EUR 24,432.9 million at the end of 2020 which is 7.0% higher than on the preceding year’s balance sheet date.

Balance sheet assets

Loans and advances to credit institutions declined by 36.3% to EUR 968.9 million in 2020. Loans and advances to customers increased significantly by 4.2% to EUR 17,264.7 million. Financial investments decreased in 2020 by 6.6% to EUR 3,404.2 million.
Trading assets increased 15.8% to EUR 47.4 million, intangible assets by 31.7% to EUR 2.2 million; while property, plant and equipment decreased 2.5% to EUR 404.4 million.

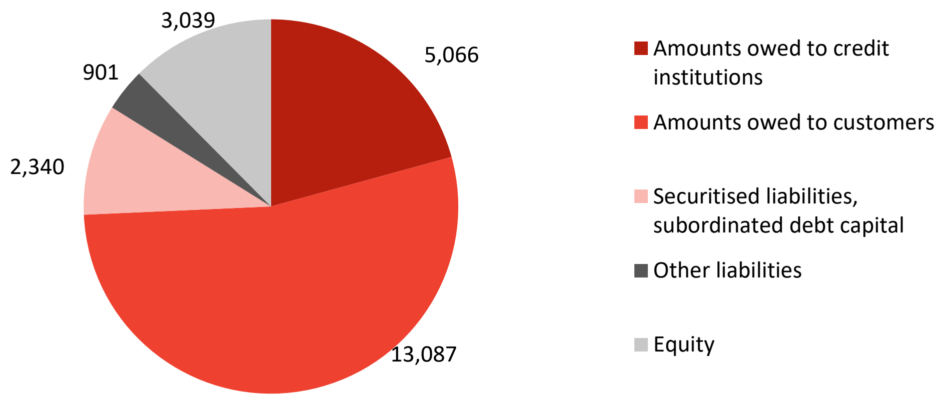
Structure of balance sheet assets in €m



The line item Other assets (positive fair values of derivatives in the banking book, down payments on lease contracts as well as lease contracts not yet effective, other receivables of leasing companies as well as deferred tax assets and other deferred items) decreased by 10.9% to EUR 235.2 million.

Balance sheet – shareholders' equity and liabilities

Structure of balance sheet equity and liabilities in €m



Amounts owed to credit institutions rose in 2020 by 5.6% to EUR 5,065.6 million.
Primary funds increased by 8.9% to EUR 15,426.9 million. Amounts owed to customers included in primary funds stood at EUR 13,087.2 million which is 9.2% higher year on year. Securitised liabilities rose by 11.5% to EUR 1,854.0 million, and subordinated capital was lower year on year by 7.0% at EUR 485.8 million. Shareholders' equity rose by 2.6% to EUR 3,038.9 million.

Provisions in €k	2020	2019
Provisions for termination benefits and pensions	201,775	199,541
Provisions for anniversary bonuses	15,778	14,962
Provisions for credit risks	117,159	121,764
Other provisions	38,129	45,095
Provisions for liabilities and charges	372,841	381,362

The remaining liabilities include provisions for liabilities and charges as well as other liabilities.
Risk provisions decreased by 2.2% to EUR 372.8 million. These consist mainly of provisions for termination and post-employment benefits (EUR 201.8 million) and loan loss provisions (EUR 117.2 million).

Other liabilities increased by 0.6% to EUR 528.6 million. This item comprises the negative fair values of derivatives in the banking book, other short-term provisions, other liabilities of the Leasing sub-group and deferred items.

Funding base in €m	**2020**	**2019**	**Change**
Amounts owed to customers	13,087.2	11,980.7	9.2%
Securitised liabilities	1,854.0	1,662.9	11.5%
Subordinated debt capital	485.8	522.5	-7%
Primary deposits incl. subordinated debt capital	**15,426.9**	**14,166.0**	**8.9%**
Amounts owed to credit institutions	5,065.6	4,795.8	5.6%
Total	**20,492.50**	**18,961.8**	**8.1%**

Statement of changes in equity

Equity in €k	**2020**	**2019**	**Change**
Subscribed capital	105,381	105,844	-0.4%
Capital reserves	505,523	505,523	-
Retained earnings (incl. net profit)	2,368,439	2,288,601	3.5%
Negative goodwill	1,872	1,872	-
Additional equity capital components	50,000	50,000	-
Minority interests	7,651	8,697	-12.0%
Equity	3,038,866	2,960,537	2.6%

Regulatory capital pursuant to Part 2 of Reg. (EU) No 575/2013[1]) – Pillar I in €m	**2020**	**2019**	**Change**
Common equity tier 1 capital	2,705.2	2,659.0	1.7%
Tier 1 capital	2,755.2	2,709.0	1.7%
Own funds	3,099.3	3,058.1	1.3%
Common equity tier 1 capital ratio	17.84%	17.59%	0.24% ppt
Tier 1 capital ratio	18.17%	17.92%	0.24% ppt
Total capital ratio	20.43%	20.23%	0.20% ppt

1) Subject to approval by the Supervisory Board on 17 March 2021.

In financial year 2020, equity on the balance sheet of the Oberbank Group increased by 2.6% to EUR 3,038.9 million. The share capital of EUR 105.4 million remained practically at the same level as in the preceding year.
Consolidated common equity tier 1 capital of the Oberbank Group amounted to EUR 2,705.2 million on 31 December 2020 and exceeded the statutory requirement of EUR 1,069.3 million by 153.0%. Common equity tier 1 capital was EUR 2,755.2 million and exceeded the mandatory level of EUR 1,296.8 million by EUR 1,458.4 or 112.5%. Own funds stood at EUR 3,099.3 million and were EUR 1,499.2 million or 93.7% higher than required (EUR 1,600.1 million).
Common equity tier 1 capital ratio was 17.84% in 2020; the tier 1 capital ratio was 18.17% and the total capital ratio was 20.43%.

Use of financial instruments

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

Own shares

In the course of the year, Oberbank briefly held own shares on its trading book.
In the reporting year, it acquired 503,811 own ordinary shares (ISIN AT0000625108 and ISIN AT0000A2HAY1 together) at an average price of EUR 85.44 as well as 54,503 of its own preference shares at an average price of EUR 80.32; these were offset by the sale of 399,171 own ordinary shares (ISIN AT0000625108 and ISIN AT0000A2HAY1 together) at an average price of EUR 85.61 and by the sale of 4,622 own preference shares at an average price of EUR 80.20.

The proceeds from the sale were allocated to working capital. Within the buyback programme for preference shares, Oberbank repurchased a total of 3,408 preference shares from 20 March 2020 to 12 June 2020 through the stock exchange which corresponds to 0.0097% of share capital.
The weighted average price per preference share was EUR 76.2811; the highest price paid per preference share was EUR 80.0; the lowest price paid per preference share was EUR 76.00. The value of repurchased preference shares amounted to EUR 259,966.00. These shares were not transferred to employees in 2020; therefore, they remained in the bank's own portfolio after the conversion of preference shares (entered into Companies Register on 7 November 2020) into ordinary shares (ISIN AT0000A2HAY1). They are available for transfer to employees as bonus shares under future employee participation schemes. As of the balance sheet date, Oberbank held a total of 180,238 own ordinary shares (ISIN AT0000625108 and ISIN AT0000A2HAY1 together). The highest level in the course of the year 2020 was 0.93% of the share capital.

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

Legal dispute of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.
UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (hereinafter: "UniCredit") put forth a motion at the Annual General Meeting of Oberbank in May 2019 to elect a third representative from their side to the Supervisory Board of Oberbank. The motion failed to receive a consenting vote. Subsequently, UniCredit filed a lawsuit contesting the individual resolutions adopted by the Annual General Meeting. The proceedings in this matter were closed on 20 December 2019.
After Landesgericht Linz (District Court Linz) ruled against all lawsuits filed by UniCredit, Oberlandesgericht Linz (Higher Regional Court) revised this ruling with respect to the reduction of the number of shareholder representatives from twelve to eleven adopted by resolution of the Annual General Meeting of May 2019 and declared it null and void. However, the Court did not decide positively on UniCredit's petition for a declaratory decision on the election of the candidate of UniCredit nominated. This decision has meanwhile become legally binding and final. A decision on the extraordinary audit requested by Oberbank is still pending. The decision handed down has no further legal effects apart from confirming that the candidate requested by UniCredit has not been elected. These proceedings are not expected to have any relevant effects on the balance sheet.

At the end of December 2019, UniCredit demanded that an extraordinary general shareholder's meeting of Oberbank be convened that took place on 4 February 2020. The motions put forth by UniCredit (special audit of all capital increases of Oberbank since 1989, termination of arbitration proceedings with Generali-3Banken Holding) did not receive a consenting vote. Also at the Annual General Meeting of 20 May 2020, UniCredit put forth motions requesting special audits, but these did not obtain a majority of the votes. On the one hand, UniCredit filed an action for annulment of these decisions. On the other, UniCredit filed for a special audit with the courts regarding the motion for a special audit made at the Annual General Meeting 2020 in connection with the capital increases of BKS Bank AG (hereinafter: BKS) and Bank für Tirol und Vorarlberg AG (hereinafter: BTV) in 2018, and with respect to several special audit matters rejected at the Annual General Meeting 2020.
The petition for a special audit filed by UniCredit with a court of law was partially rejected by Landesgericht Linz and with respect to the rest of the matters, the proceedings were suspended until the pending civil proceedings regarding the action for annulment against the decisions adopted by the Annual General Meeting 2020 are resolved.
The proceedings regarding the action for annulment were suspended until the preliminary questions regarding takeover law are clarified.

At the end of February 2020, UniCredit filed requests with the Takeover Commission to review if the shareholders' syndicate of 3 Banken Group violated the mandatory bid requirement under the Takeover Act. Oberbank is directly affected by these proceedings as a member of the syndicate with BVT and BKS. The syndicates of BTV and BKS were approved by the Takeover Commission by official notices issued in 2003 which are still valid today. UniCredit claims that the composition and decision-making processes of the syndicates have changed since then and that the syndicates have expanded their weighting in votes since the year 2003 to an extent that is of relevance under the Takeover Act so as to trigger a mandatory bid.

On 27 September 2020 and 1 October 2020, three court hearings were held with extensive witness interviews before the Takeover Commission. A decision is still pending.
After carefully reviewing the matter jointly with external experts, the Management Board believes that such an audit under the Takeover Act will not result in the obligation to make a mandatory bid.

Material events since the close of the financial year

No events of material importance took place after the close of the 2020 financial year.

Outlook for earnings trends in the financial year 2021

There are factors that make us very optimistic about the development of the economy in the coming months. These factors include the high capacity utilization ratios and full orderbooks of industrial customers, the rising demand for loans, and the still low number of customers in arrears on their debt repayments. The high savings ratio also indicates that consumer spending will increase strongly after the end of the restrictions. The economic recovery should have a positive effect on the Oberbank’s earnings.

The trend in earnings in 2021 will therefore be strongly influenced by the further course of the corona pandemic – in particular, on the development of credit risk. A reliable forecast for full-year earnings is therefore not possible.

Risk Management and Internal Control System

Knowingly assuming risks is a key element of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group lastingly. Responsibility for defining the Group's central risk management strategy, risk management and risk controlling throughout the Oberbank Group lies with Oberbank AG. Oberbank's risk strategy is based on the Bank's positioning as a regional bank. The Management Board and all of the Bank's employees act in accordance with the risk principles and base their decisions on these.

Organisation of risk management

At Oberbank, risk management is an integral element of the Bank's business policy, the planning of strategic targets, and operational management and controlling. Central responsibility for risk management lies with the full Management Board of Oberbank AG. For each material risk within the Oberbank Group there are defined remits for management and control processes as well as economic capital allocated to specific risks (limits) or defined management processes. The overall risk management process is the responsibility of the Bank's Asset/Liability Management Committee (ALM Committee), which meets once a month and reviews the relevant materials prepared for it by the Strategic Risk Management department. The Management Board member responsible for risk management is the chairperson of the Committee and has a veto right in decision-making processes relating to risks.

Risk management pursuant to § 39 (5) Banking Act

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

Internal control system

Oberbank's Internal Control System (ICS) is in conformity with the internationally recognised COSO framework standards. A detailed description of ICS processes and procedures is available; all risk-relevant processes of the Bank and the pertinent control measures are uniformly documented. Responsibilities and functions relating to the ICS are clearly defined. Internal control activities are reported regularly in a multi-layered process regarding efficacy and maturity. Control activities are documented and reviewed, and ICS-relevant risks are regularly evaluated and adjusted. This ongoing optimisation process contributes to quality assurance. The Internal Audit department of Oberbank AG serves as an independent monitoring body and in this capacity performs audits of the internal control system. It examines the effectiveness and adequacy of the ICS and reviews compliance with work instructions.

The control mechanisms of ICS with respect to the reporting process are described in detail in the following sections (Disclosure pursuant to § 243a (2) Business Code):

Bookkeeping, accounting and related processes are the responsibility of the Accounts and Controlling department. Individual subprocesses are the responsibility of the Strategic Risk Management department. The Internal Audit department conducts the statutory audits as an independent unit.

Within the scope of ICS, all processes are reviewed in connection with the preparation of the financial statements and the risks relating to this are identified, analysed and permanently monitored. If necessary, measures are taken to mitigate these risks.

Control environment

Apart from compliance with statutory requirements, Oberbank's code of conduct and corporate governance rules are important areas. The staff involved in the accounting processes has the required knowledge and experience to perform their tasks. Ongoing continuing education measures serve to ensure that know-how is constantly being improved and form the basis for the timely implementation of innovations in the financial reporting process. To meet the extensive statutory requirements, daily work is supported by numerous guidelines, manuals and work manuals, which are regularly reviewed and updated as necessary.

Control procedures

Control procedures comprise systemic IT inspections defined by Oberbank, and also manual inspections and plausibility checks as well as the principle of dual control. The IT authorisation concept used at Oberbank is an additional protection mechanism.

Monitoring procedures

The monitoring of financial reporting processes is ensured by ICS. Furthermore, heads of department and the competent heads of groups exercise monitoring functions. This entire surveillance process is audited by the Internal Audit unit. An additional surveillance function is exercised by the auditors of the consolidated financial statements and by the Audit Committee.

Overall risk management process and calculation of risk-bearing capacity

At Oberbank AG, compliance with the regulatory requirements for high-quality risk management resulting from the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) is ensured by the risk-bearing capacity calculation as well as by a system of reports and limits for liquidity management. The basis for the assessment of the Bank's risk-bearing capacity is a quantification of all material banking risks and the economic capital allocated to each of them. Within the framework of the risk-bearing capacity calculation, ICAAP risk limits for material banking risks resulting from the business model of Oberbank are derived on the basis of the economic coverage capital. Within the framework of this process, ICAAP risk limits are derived for all material banking risks, specifically the credit risk (within which loss exposure, the counterparty default risk, the foreign currency loan risk, the risk of credit valuation adjustments (CVA risk) and credit risk concentrations are quantified), the market risk in the trading book, the market risk in the banking book, the liquidity risk, the operational risks as well as risks arising from the macroeconomic environment.

In the risk-bearing capacity calculation, the risk appetite of Oberbank is limited to 90% of economic coverage capital. The remainder of 10% is not allocated. Apart from using economic capital management as a tool for limiting risk, Oberbank controls material risks by means of processes and individual limits applied within the context of operational risk management.

Credit risk

Credit risk is understood to mean the risk of a borrower's full or partial failure to fulfil the contractually-agreed payment obligations. Credit risk associated with loans and advances to other banks, sovereigns as well as personal banking and corporate and business banking customers is the most important risk component within the Oberbank Group. The management of credit risk is the responsibility of the Credit Management department. This ensures that risk assessment and risk decisions are separated from sales operations across all phases of the credit process up to the Management Board level.
The Bank's credit risk strategy is based on the regionality principle (i.e. domicile of lending customers are in the regions covered by the branch network). In Austria and in Germany, the principal focus is on lending to industry and small and medium-sized enterprises. In the Czech Republic, Hungary and Slovakia, Oberbank lends mainly to small and medium-sized businesses. Operational risk targets are defined jointly by the Management Board together with the head of the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments.

Every lending decision is based on a credit rating, which is an assessment of the respective customer's creditworthiness. In the corporate banking business, these assessments are performed using credit rating processes developed with statistical methods. The same is true for the rating of existing business in the personal banking segment as well as for application ratings in the personal banking business in Austria and Germany. Assessments are based on quantitative (hard facts) and qualitative criteria (soft facts, warning signals), which together provide an objective and forward-looking picture of a customer's

creditworthiness. The rating procedures are validated annually. The resultant findings are used as a basis for the ongoing further development and optimisation of the rating system.
Accepting collateral and managing it is an important component of credit risk management within the Oberbank Group. Credit monitoring aimed at averting the threat of cover shortfalls means stringent requirements with respect to the correct and up-to-date valuation of collateral. For this reason, the administration of credit collateral is organisationally separated from sales throughout the Oberbank Group and is performed exclusively by Group Collateral Service and Capitalization of Oberbank Service GmbH.

Equity risk

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

Market risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in prices and interest rates on financial markets. Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries.
Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them.
The Treasury & Trade department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book, and the foreign currency risk of the entire Oberbank Group. The Strategic Risk Management department is in charge of daily limit control as well as reporting on the risk and earnings situation to the Management Board and to Treasury & Trade.
The ALM Committee is responsible for managing the interest rate risk of long-term positions (rate commitments >12 months) for the currencies EUR, USD, CZK and HUF, as well as for credit spread risk.

Macroeconomic risk

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

Operational risk

Operational risks are an inseparable part of banking operations. This term refers to the risks that affect the operations of the bank. Oberbank defines operational risks as the risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or external events. A special committee with responsibility for the management of operational risks has been installed at Oberbank. This committee oversees the management process of operational risks and is responsible for the ongoing improvement of this process and the revision and adjustment of the applied methodology.
The management of operational risks is performed by the respective operating departments and the regional sales offices (risk-taking units) responsible for operational risk in connection with products and processes within their respective spheres of responsibility. The electronic logging process supports the recording of information regarding nascent operational risks.

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

Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank being unable to meet its present and future payment obligations fully and on schedule or having to raise additional capital at increased cost. The primary objective of liquidity management therefore is to ensure the availability of sufficient liquidity at all times and to optimise the Bank's refinancing structure in terms of risk and result.

To limit the risk of refinancing being dependent on the volatile money markets for banks, the ratio of customer loans to total primary deposits, own issues and the deposits of the special banks handling subsidized loan schemes is restricted to a strategic limit of 110%. Furthermore, Oberbank holds appropriate reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and has access to unutilised refinancing lines at other banks. Furthermore, Oberbank has a potential of unused credit lines at banks at its disposal.
A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.
Treasury & Trade is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by conducting a short-term forward liquidity gap analysis. A forward liquidity gap analysis is prepared daily including assumptions for new business for the next 30 days that represent the net cash inflows and outflows as well as the accumulated forward liquidity gap of the Bank. Furthermore, a 30-days forward liquidity gap analysis for day-to-day liquidity management is prepared based only on the contractual cash flows of Oberbank. Oberbank's long-term and strategic liquidity is the responsibility of the Management Board and the ALM Committee. The Strategic Risk Management department is responsible for reporting. A comprehensive forward liquidity gap analysis is drawn up for the purpose of medium and long-term liquidity risk management. A contingency plan is in place for the eventuality of extreme market conditions.

Risk concentration

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

A differentiation is made between two types of risk concentration:

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

Sustainability risk (ESG risk)

Sustainability risk comprises physical risks that result from extreme weather events and transition risks that result from the changeover to a low-carbon economy. The management of sustainability risk is done within the scope of credit risk management, market risk management, liquidity risk management and operational risk management.

Risk of excessive indebtedness

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

Oberbank's Strategy 2025: Focus on employees

A key factor of Oberbank's lasting success is its committed, passionate, competent and sales-oriented staff. Employees shifted into the focus of attention in the course of work on the *Strategy 2025*. After a systematic analysis, strategic fields of action with a strong reference to human resources were defined for the work up until 2025. To be well-prepared to meet the future challenges, a transformation process for Human Resources was initiated in 2020 and key projects were defined such as "Employer Branding", "Employee Experience" and "Führung sichtbar und messbar machen" (management visibility and metrics) with the project target 2021.

Coronavirus and digitization

In 2020, Oberbank's employees were confronted with the challenges created by the coronavirus pandemic. Banking operations were maintained in all business areas and countries of the Bank made possible by the swift and professional reaction of the crisis unit and a well-functioning Business Continuity Management, in particular, by team splitting, increased use of mobile working, and extensive protection measures (masks, disinfection, plexiglass separation shields for advisory talks, rapid testing strategies, etc.). Supportive measures such as special HR interview hours, regular communication through various channels, a voluntary offer of special support for families from the very start of the pandemic, as well as the operation of summer childcare facilities at the Linz location were all measures that provided the necessary support to master this challenge together.

Furthermore, the coronavirus pandemic has created an enormous opportunity for the further advancement, and even faster digitization of our HR processes. Apart from the standard Human Resources processes already fully digitized and embedded in an employee self-service system (payroll, travel and time management, etc.), we work almost exclusively with the use of online recruiting, digital meetings, workshops and the digitalisation of the entire written correspondence without any loss of quality. We worked especially hard to achieve the sustainable conversion and adaptation of training and educational offers (keyword: blended learning).

Recruiting and training

In the regions in which Oberbank has business operations, it is becoming harder to recruit suitable employees especially due to demographic developments and the stiff competition. Additionally, the further expansion in these regions and general demographic trends are creating challenges to the search for staff.

In order to continue to attract the best salespersons and specialists, Oberbank uses the method "recruiting through alle channels" and relies strongly on intensive recommendation management just as in the customer business. The digital tool AHOI is used to support recruitment, and last year, we acquired more than 50 employees through this channel. The recruiting channel "employee recommendation" is by far the most effective one of all. By participating in a modern and intelligent recruiting platform in Germany and the use of system-supported applicant management software also in the CEE countries, we raised the recruiting standard in these markets enormously.

The increasing pace of life and constant changes require life-long learning. Decisive is making the right content and learning offers available at the right time – flexibly and effectively. Therefore, we focused on enlarging the range of web-based courses, online live training courses, web events, training videos, eBooks and eTesting. Our in-house certification series for the personal and corporate banking segments were converted into blended learning offers or pure online formats without reducing the quality. Despite the restrictions due to the coronavirus, the number of training days per employee was around 3.5 days (incl. eLearning). In 2020, some EUR 1.1 million were invested in high quality, diversified and modern further education offers.

Succession planning and management

Consistent and respectful management practices are a KEY factor for Oberbank's lasting success. Therefore, vacant management positions are filled primarily from the bank's internal ranks, which helps secure our independence and our success, and also the values and the business model of Oberbank. The ten leadership slides describe clearly what successful management looks like at Oberbank, and are a fixed component of the annual management-by-objectives (MbO) talks and are also evaluated. The MbO talk thereby places a clear focus on development, management and agreement on goals.

Oberbank Management Academy, in cooperation with LIMAK Austrian Business School, provides training in the defined management standards and in the necessary skills. This Academy also successfully converted its courses into a blended learning model in 2020.

The goal of the project "Chance 2030 – through gender balance to more diversity" launched in 2019 is to achieve a balanced composition of the management. This project is a key element for the upcoming generational change on the management by filling vacancies from the own ranks, and at the same time, increases our appeal as an employer internally and externally. By working systematically in the areas of internal recruiting, potential development and leave-of-absence management, we are well on the path to achieving our ambitious, long-term objective: to raise the share of women in management positions to 40% by 2030. Special attention is given to the rules of equal opportunity and quality before ratios as key criteria when filling vacancies.

Oberbank - an attractive employer

Oberbank is perceived as a very attractive employer. The magazine "trend", for example, named Oberbank "a top employer among banks and financial service providers in 2020". The excellent valuations on the internet platform "kununu" also highlight this.

The economic success, the independence and autonomy of Oberbank, exciting challenges, internal career opportunities, excellent working climate, and work-life balance (recertified 2020 "auditberufundfamilie") make Oberbank a strong employer brand. Additionally, Oberbank provides a broad range of social benefits to its employees. Oberbank is also the first bank in Austria to let employees participate in the profits of the bank through an Employee Participation Foundation (Mitarbeiterbeteiligungsstiftung) founded in 2018 and supported with dedicated funds. This means that employees benefit directly from the bank's success and growth, and also constitute an important and stable shareholder.

Employee Participation Foundation

In 2020 for the third time, the Employee Participation Foundation (*Mitarbeiterbeteiligungsstiftung*) transferred some EUR 5.0 million in the form of own shares to employees. As a clear sign of the sustainable and continuous recognition of their work, shares for employees have already been allocated until 2023. The appeal as an employer is also illustrated by the fact that Oberbank employees and the management staff are very loyal to the bank. Despite the Bank's strong expansion in the past years, an average employment period of around 13 years (and therefore very young employment contracts) highlights this fact. In the core market of Austria, the average duration of employment is even 15 years.

"Aktie Gesundheit" ("Health Share")

"Mens sana in corpore sano – a healthy mind in a healthy body": a well-known saying that is very important to Oberbank and has been implemented since 2010 in the project "Aktie Gesundheit". This project is based on three pillars: movement, nutrition and mental fitness and was developed under the aspect of sustainability.

A vitality test was available to all employees in all countries in 2019/2020 including a re-test.

Many inputs on the topic of nutrition ("Gesunde Ernährung im Büro-Alltag" (Healthy Food at the Office)) and training courses (Full Body Power Workout) were produced by our own employees and made available digitally – numerous colleagues from all Oberbank countries participated. Additionally, health ambassadors have been appointed in the business areas and central departments as points of contact for all employees for issues relating to health and to the employee health promotion programme of Oberbank. This is just one of the measures initiated by Oberbank that helped it earn the recertification under the "Betriebliche Gesundheitsförderung" quality seal for the third successive time. The traditionally very high health ratio was 97.1% in 2020.

Managing person-related risks

The bank systematically monitors, records and evaluates material person-related risks (staff availability, labour law and employment practices, staff conflicts, and illegal unauthorised conduct by staff). The key risk indicators make it possible to take action in time to eliminate or mitigate threats and risks.

Number of employees of Oberbank Group

The average headcount of the Oberbank Group (employees, full-time equivalents) rose by 19 persons to 2,168 in 2020. The increase is explained by the successful branch expansion especially in Germany and Hungary. Based on the growth strategy, a number of investments were made in the headquarters. Savings were achieved essentially by increasing productivity and efficiency by taking advantage of natural staff turnover and by centralising sales activities.

Sustainability is a key element of all decisions and strategic considerations at Oberbank. The sustainability report (Directive 2014/95/EU) is available at www.oberbank.at/Nachhaltigkeit

Sustainable management

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

Commitment to the Austrian Code of Corporate Governance (ÖCGK)

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

Sustainable risk management

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

Employees

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

Responsibility in product design

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

Ecological responsibility

Using resources responsibly is part and parcel of corporate social responsibility. Oberbank strives for the highest levels of environmental compatibility in all its operations, processes and products. Emphasizing environmental aspects in building and energy management as well as in the planning of business trips and in procurement policy sets the course towards reducing costs over the long term.

Social responsibility

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

Share capital, share denomination and authorised capital

As of 31 December 2020, Oberbank AG's share capital was EUR 105,381,186 and was divided into 32,307,300 ordinary no-par bearer shares under ISIN AT0000625108 and 3,000,000 ordinary no-par bearer shares under ISIN AT0000A2HAY1.

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

Syndicate agreement and shares vested with special rights of control
There is a syndicate agreement between Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG and Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. to secure the independence of Oberbank AG. In this agreement, the members of the syndicate have agreed to jointly exercise their voting rights and have granted each other mutual pre-emptive rights. Beteiligungsverwaltung Gesellschaft m.b.H (BVG) and BKS Bank AG entered into a subordinating syndicate agreement effective as of 7 November 2020. A large part of the voting shares owned by Oberbank employees are held by the syndicate OBK-Mitarbeiterbildungs- und Erholungsförderung registrierte Genossenschaft mit beschränkter Haftung. Furthermore, BOB Mitarbeiterbeteiligungsgenossenschaft e.Gen. exercises the voting rights for a special part of the employee shareholders by way of proxy votes in accordance with the corresponding instructions.

Shareholder structure and employee stock ownership
The largest single shareholder of Oberbank on 31 December 2020 was CABO Beteiligungsgesellschaft m.b.H. with a stake of 23.76%. Bank für Tirol und Vorarlberg Aktiengesellschaft held 16.15% and BKS Bank AG 14.79% (including the subordinating syndicate agreement with BVG). Wüstenrot Wohnungswirtschaft reg. Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H. held 4.50%, Generali 3 Banken Holding AG 1.62% and Oberbank employees 4.15%.

Appointment of boards and officers, and change of control
There are no rules and regulations with regard to the appointment and dismissal of the Management Board and the Supervisory Board or amendments to the Articles of Association above and beyond those specified by the law. No single shareholder is in a position to control Oberbank AG directly or indirectly. No agreements are known that could take effect in the event of any arranged change of control. In addition, no indemnity agreements are in place between the company and the members of its Management Board or Supervisory Board or its employees for the contingency of a public takeover bid.

Linz, 3 March 2021
The Management Board

CEO
Franz Gasselsberger
Remit
Human Resources and Accounting

Management Board Member
Josef Weißl
Remit
Personal Banking

Management Board Member
Florian Hagenauer
Remit
Overall Banking Risk Management

Management Board Member
Martin Seiter
Remit
Corporate and Business Banking

Segment Report

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

Segment Report

Segmentation and Overview

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

The Corporate and Business Banking segment encompasses business with corporates, businesses and the self-employed. The Leasing sub-group is also included in this segment.

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

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

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

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

Segment overview 2020 in €m	Corporate and Business Banking	Personal Banking	Financial Markets	Other	Consolidated income statement 2020
Net interest income	262.5	62.3	12.1		336.9
Income from entities recognised using the equity method			-8.0		-8.0
Charges for losses on loans and advances	-35.2	-0.2	-6.4		-41.8
Net commission income	89.4	81.3			170.7
Net trading income	1.4		0.1		1.5
Administrative expenses	-160.4	-90.9	-9.2	-34.5	-294.9
Other operating income	5.4	3.9	6.7	-12.8	3.2
Extraordinary profit/loss					
Profit/loss for the year before tax	163.1	56.4	-4.8	-47.2	167.5
Return on equity before tax (RoE)	9.5%	17.8%	n.a.		5.7%
Cost/income ratio	44.7%	61.6%	84.7%		58.5%

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

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

Segment Corporate and Business Banking

Corporate and Business Banking in €m	2020	2019	Change
Net interest income	262.5	258.8	1.4%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-35.2	-3.2	> 100.0%
Net fee and commission income	89.4	87.6	2.0%
Net trading income	1.4	0.1	> 100.0%
Administrative expenses	-160.4	-156.5	2.5%
Other operating income	5.4	9.6	-44.1%
Extraordinary profit/loss			
Profit/loss for the year before tax	163.1	196.5	-17.0%
Contribution to profit for the year before tax	97.4%	71.1%	26.2% ppt
Average credit and market risk equivalent (BWG*)	10,602.0	10,197.1	4.0%
Segment assets	13,852.0	13,423.8	3.2%
Segment liabilities	9,276.1	8,569.5	8.2%
Average allocated equity	1,725.7	1,664.0	3.7%
Return on equity before tax (RoE)	9.5%	11.8%	-2.3% ppt
Cost/income ratio	44.7%	43.9%	0.8% ppt

*Austrian Banking Act

Overview of business performance in 2020

In Corporate and Business Banking, the profit for the year decreased by 17.0% to EUR 163.1 million in 2020.

Net interest income rose by 1.4% to EUR 262.5 million, and net fee and commission income by 2.0% to EUR 89.4 million.

Charges for losses on loans and advances amounted to EUR 35.2 million.

Administrative expenses rose by 2.5% to EUR 160.4 million, while other operating income was EUR 5.4 million, after EUR 9.6 million in the preceding year.

RoE dropped to 9.5%, and the cost/income ratio worsened to 44.7%.

Corporate and business loans

Oberbank increased the total volume of commercial loans by 3.5% to EUR 13,556.6 million in 2020. Thanks to its excellent capital base and liquidity position, Oberbank was able to continue supplying its corporate customers with sufficient funding.

Substantial increases in investment and innovation finance

In 2020, a number of 2,597 customer projects were submitted by Oberbank for funding in connection with coronavirus aid schemes as well as for loans for traditional corporate spending, classical environmental investments and for R&D&I projects; this corresponded to a gain of 92.2% versus the already very high level of the preceding year. Demand from corporate customers was especially high for guarantees for coronavirus bridge loans. This resulted in an increase in the total debt volume of subsidised finance granted by 34.7% to EUR 1.453 billion.

Loan deferrals and bridge finance

At the beginning of the pandemic, customers were helped swiftly and unbureaucratically by granting deferrals on loan repayments until 30 June 2020. This offer was taken up by a relatively large number of companies, and it concerned around 9.0% of the scheduled monthly instalments. Furthermore, long-term agreements were reached with corporate customers and bridge loans with government guarantees were granted. The deferrals granted to corporate customers for loan repayments have remained at the low average of 0.5% of the scheduled monthly instalments.

Leasing

After the good performance in the first half of the year 2020, there was a significant decline in new business after the outbreak of the coronavirus pandemic. In the third and fourth quarters, new business shrunk by 30% year on year so that for the full year new business capitalised was EUR 144.0 million lower at EUR 766.0 million than in the preceding year. The real estate business developed highly satisfactorily rising by 92% this year thanks to several major projects.

Structured finance

Even though the volume of structured finance loans granted was slightly below the level of the preceding year at EUR 610 million, at 41 successfully finalized finance projects, it was nearly at the level of the preceding year. The key drivers were again the areas of real estate finance, M&A finance and tourism finance. While the first two areas posted a steep rise in both the number of transactions processed as well as with respect to project volume, demand for loans from the tourism sector was subdued due to the pandemic. After the exceptionally good year 2019 for tourism, demand as measured by the number and volume of cases processed was more or less at the level of the years 2017 and 2018.

Private equity and mezzanine capital

In the year 2020, the Oberbank Opportunity Fund recorded 129 inquiries which was only slightly lower than in the preceding year – despite the corona crisis. Nonetheless, in these uncertain times caused by the coronavirus, the significance of mezzanine finance and private equity (shareholders' equity) as financial instruments on the balance sheets of companies is increasing.
Since its inception, the Oberbank Opportunity Fund has approved 85 transactions and ten add-on investments in equity and/or mezzanine capital or high-yield capital, and made roughly EUR 231 million in loans available. The Fund concentrates on established companies in the later stages of development. In order to close the gap to early stage financing, Oberbank invested in the high-tech fund of the province of Upper Austria through its Oberbank Opportunity Fund. This investment also developed highly satisfactorily.

Syndicated loans and international lending

Syndicated loans and international lending developed very positively in 2020. Compared to the same period of the preceding year, an increase was achieved again with respect to number of transactions and outstanding debt volume. Oberbank also achieved a significant rise in the number of projects in which the bank played a role as lead lender. In 2020, the segment of borrowers' notes was subdued due to the current economic situation.

Documentary business and guarantees

The global coronavirus pandemic has had a severe impact on the closely interrelated international economy in the regions of Oberbank's operations. Already at the start of 2020, there was a significant slowdown in global economic growth. To check the rapid spread of the coronavirus in Asia, severe but efficient measures were taken. Lockdowns in Asia resulted in massive disruptions in global supply chains. The virus spread incredibly fast throughout the world due to globalization. Lockdowns were imposed in an attempt to stop the spread of the coronavirus. Subsequently, economic growth and supply chains practically came to a standstill in many countries.

Trade in goods and services plunged to a historic degree in the first half of 2020. Global trade was confronted with a situation never seen before and contracted by 13.5% in 2020. Only China, was ultimately able to achieve slight growth in 2020. Developing and emerging countries turned out to be economically more robust than the highly industrialized economies. IHS Markit forecasts international trade to grow by 7.6% in 2021.

Hedge instruments (letters of credit, documentary collections, guarantees) proved ideal risk instruments also in the crisis. Up to now, Oberbank has not recorded a single case of default on payments. The increasing risk awareness among customers was seen in the rising number of inquiries about hedge transactions for counterparties within Europe. Demand for risk hedging instruments in the second half of the year 2020 went up again significantly. In the area of digitization, requests for guarantees placed through the Oberbank online customer portal proved especially useful.

Export finance volumes rise steeply

In this challenging situation, being able to offer advisory services for international transactions as a one-stop-shop was a benefit. Therefore, export-linked domestic investments rose by 10.0% and Oberbank again defended its position as Austria's leading regional bank for revolving OeKB lines of credit. With respect to export fund loans to SMEs, Oberbank attained a market share of 11.5% and of over 10.0% for loans to large corporates under the KRR procedure as at 31 December 2020.

Demand for factoring as a finance alternative

The positive trend in acquiring new customers and in volumes continued for a fifth year in a row and contributed positively to earnings also in 2020. This development was also reflected by the renewed rise in factoring turnover of over 5.0% despite the negative market environment and the positive feedback from customers.

Higher income from payment services despite coronavirus pandemic

The development of the overall economy is usually reflected in income from payment services. In 2020, contrary to the general trend, Oberbank was able to increase income from payment services in the corporate and business segment by 1.6% over the preceding year. The year 2020 was dominated by customer inquiries regarding how to keep internal workflows running (keyword: home office) and also demand for digital services.

Furthermore, investments in digitalisation in the corporate and business banking segment were increased. Oberbank's customer portal was rolled out in all foreign markets. Two innovations for business and corporate customers were launched: SEPA Instant Payments (payment and receipt of funds within just seconds) and the digital placement of guarantee requests in Austria and Germany. New digital solutions were created also for SMEs and corporate customers. Highlights include participation in SWIFT gpi (faster international payments, higher transparency and simplified handling of complaints), the introduction of an interface for the delivery of electronic orders for the documentary business via the remote data transfer procedure EBICS, and active support for customers in switching to the newest version of the cross-country payment services and to the multi-bank payment services MultiCash.

Segment Personal Banking

Personal Banking in €m	2020	2019	Change
Net interest income	62.3	63.8	-2.3%
Income from entities recognised using the equity method			
Charges for losses on loans and advances	-0.2	-4.0	-95.4%
Net commission income	81.3	75.5	7.6%
Net trading income	0	0	
Administrative expenses	-90.9	-93.0	-2.3%
Other operating income	3.9	4.5	-13.1%
Extraordinary profit/loss			
Profit/loss for the year before tax	56.4	46.7	20.7%
Contribution to profit for the year before tax	33.7%	16.9%	16.8% ppt
Average credit and market risk equivalent (BWG*)	1,948.6	1,865.7	4.4%
Segment assets	3,795.8	3,561.5	6.8%
Segment liabilities	6,558.7	6,110.9	7.3%
Average allocated equity	317.2	304.5	4.2%
Return on equity before tax (RoE)	17.8%	15.4%	2.4% ppt
Cost/income ratio	61.6%	64.7%	-3.1% ppt

*Austrian Banking Act

Development of business in 2020

In Personal Banking, the profit for the year rose by 20.7% to EUR 56.4 million in 2020.

Net interest income decreased by 2.3% to EUR 62.3 million, and net fee and commission income rose by 7.6% to EUR 81.3 million. Charges for losses on loans and advances amounted to EUR 0.2 million after EUR 4.0 million in the preceding year.

Administrative expenses were 2.3% lower year on year at EUR 90.9 million.

Return on equity in the Personal Banking segment rose by 2.4%-points to 17.8% and the cost/income ratio improved to 61.6%.

Primary deposits

The savings deposits, sight deposits and term deposits of customers amounted to EUR 6,140.9 million, which is 7.7% above the high level of the preceding year. Deposits on savings passbooks decreased by -1.5% or EUR 40.4 million year on year. The number of savings passbooks also declined by around 12,150. By contrast, deposits on online savings products rose steeply by EUR 233.0 million or 33.5% to EUR 927.6 million in 2020.

Personal loans: Home loans drive growth

Retail lending developed robustly again in 2020 at Oberbank. The volume of outstanding personal loans (excl. leasing) rose versus the preceding year by 6.9% to EUR 3,708.1 million.

The focus of business on home loans continued. The strong trend towards home ownership is unchanged. In Austria, the increase in volume was 9.4%, and substantial gains were also made in the Czech Republic, Hungary and Slovakia. The volume of new residential construction loans increased year on year by 9.8%. In the year 2020, a law was passed that made it possible to defer loan repayments due to the coronavirus. Some customers made use of this option. Since the start, the total volume of deferred payments was EUR 15.0 million, which in 2020 corresponded to a deferral ratio of 5.0% when measured against total regular repayments of EUR 318.0 million. By 31 December 2020, the volume of deferred amounts decreased to only EUR 4.8 million. These amounts concerned only the countries of Austria and Hungary, as the loan deferrals programmes in Germany, Slovakia and Czech Republic was not prolonged and expired without replacement.

Almost 200,000 personal accounts

In 2020, the Bank's portfolio of personal accounts increased by 1,004 to 191,109 accounts. Oberbank's reputation as a stable and reliable partner, and the range of modern digital services it offers helped it acquire new customers. In 2020, Oberbank accounts were enhanced by the mobile payment function Bluecode. Customers can now pay in selected shops with their smartphones by using the Oberbank App and without having to use a debit card.

Payment services

In the year 2020, the overall Austrian market for debit card transactions expanded by 15.1%. Debit card transactions of Oberbank were slightly higher than the overall market at a growth rate of 15.8%. Furthermore, there was an upturn in contactless debit card payments (NFC). In comparison to the preceding year, at Oberbank contact-less debit card payments rose by 17.0% to 83.0%. In Austria, an average of 67.2% of payments were made by contactless payment. Oberbank was 70.6% above the overall market in this area as well. On account of the coronavirus pandemic, credit card transactions decreased by 8.3% in Austria, while by comparison Oberbank posted a modest decline of 5.2%. The decline in withdrawals from cash dispensers was steep, dropping by 28%, while at Oberbank the decline was 24%.

Green payments – for the environment

Modern online payment services are not only faster and simpler, but also better for the environment. Funds transfer order slips made at the branches by customers generate higher carbon emissions due to the necessary logistics. A funds transfer order slip travels around 500 kilometres from the time of production until it reaches the stage of secure destruction. None of these transport distances apply in the case of electronic funds transfer orders. Online banking is therefore more sustainable. Electronic payments are therefore classified as green payments. At Oberbank, already 95% of all corporate and retail customers use electronic banking for payments. If one calculates 15 grams of carbon dioxide for the production and transport of paper-based funds transfers, Oberbank's green payments options helped cut carbon emissions by 460 tons in 2020.

Digitization

In 2020, the focus was placed on the extension of the range of mobile payment offers, including for example Bluecode and Apple Pay. The Oberbank Banking App was relaunched to increase user satisfaction. A chatbot – "MIA – my interactive online assistant" – was introduced on the customer portal and on Oberbank's website as an additional customer support option.
Additionally, online savings in investment funds was introduced in Austria. A new type of order for payment services – Instant Payment – was implemented in the countries of Austria, Germany, Czech Republic and Hungary.

Portfolio of card products

In October 2020, Oberbank introduced the new debit card. It is not only equipped with many mobile payment functions such as Apple Pay, Oberbank Wallet and Garmin Pay, but also has eCommerce capabilities. This means that customers with new debit cards can conveniently make purchases on the internet and pay at more partners worldwide. Internet purchases can be made anywhere Mastercard is accepted. As at 31 December 2020, Oberbank issued 207,238 new debit cards.
Oberbank currently offers credit cards in Austria and Germany, and recorded the issuance of 67,806 credit cards for retail and corporate customers as at 31 December 2020.

Securities business: record year despite the coronavirus pandemic

The year 2020 was unique on stock markets in many respects. After a good start into the year, the outbreak of the coronavirus pandemic in March of 2020 triggered an extremely rapid and massive decline on stock markets. The stress on the capital markets also affected bond markets. After extensive measures taken by governments, central banks and international institutions, the economy started an impressive recovery. The year closed on a very positive note supported by the clear results of the US elections, the progress achieved with the coronavirus vaccine, and the Brexit agreement reached at the last minute. Customer transaction volumes were very high throughout the year. Stock trading, in particular, reached as of yet unheard of dimensions in the brokerage business and on the customer portal. Additionally, there was an enormous inflow of money into open investment funds and a volume of EUR 347.7 million in fund units were purchased. This pushed commissions up to a new all-time high of EUR 57.9 million. This is a rise of 14.7% year on year. Besides income from transactions, the steep rise in performance fees from individual portfolio management mandates contributed to the increase. The market value on customer portfolios also reached new all-time highs. Within a year, the market value rose by 3.5% or EUR 571.9 million to EUR 16.7 billion.

Demand for sustainable products increased further. A volume of EUR 70.9 million and thus 20.4% of inflows into the investment funds of 3 Banken Generali Investmentfonds Gesellschaft went into sustainable funds.

Private banking: assets under management rise to over EUR 10 billion for first time

In Private Banking, the primary goal of the year 2020 was to help customers come out of the crisis well. The strategy of investing in high quality in stocks and bonds pursued over many years proved valuable during the crisis. There was hardly any panic selling, on the contrary, there were more purchases by long-term investors.

At the end of the year, new all-time highs were reached in private banking with respect to allocated assets. Assets under management – these include securities on securities portfolios, savings accounts and sight deposits – rose over the ten-billion-euro mark for the first time.

Asset Management enlarges sustainable investment offers

The development of asset management products was strongly influenced in the reporting year by the coronavirus crisis. Despite severe market distortions and the high uncertainty prevailing at times, the volumes on individually-managed customer portfolios (EUR 500,000 and higher) of Oberbank's asset management rose to a new record level of EUR 673.6 million. The volume under management on individual sustainability portfolios (EUR 500,000 and higher) increased significantly over the course of the year. These portfolios were launched in the autumn of 2019 and bear the seal “Österreichische Umweltzeichen” (Austrian Environmental Quality Seal). Despite the setbacks on the capital market, the robust growth of assets under management on investment fund products continued.

At the same time, the volumes managed under the Oberbank Premium strategies (100,000 and higher) rose by 32.6% to EUR 270.6 million. A similarly steep expansion was also seen in open investment funds managed by Oberbank's Asset Management, which, after rising by EUR 65.4 million, held assets with a record volume of EUR 455.1 million. Oberbank Asset Management thus manages customer assets with a volume of EUR 1.4 billion.

Oberbank issues: high demand from institutional investors

The total volume of Oberbank bond issues was EUR 508.2 million in 2020. EUR 55.8 million thereof were subordinate bonds. The trend of the past few years of rising demand from domestic and international institutions, and at times declining demand from private investors, continues. Oberbank's strong ratings made it possible for the bank to obtain refinancing at good terms on the capital market and optimize its issuance structure.

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

3 Banken-Generali Investment-Gesellschaft m.b.H. was named best Austrian investment fund company again by the investment magazine “Börsianer” and ranked second among 50 active national and international investment fund companies in Austria.

The volume managed by the company increased year on year by 1.0% or EUR 101.1 million to EUR 10.6 billion. The overall Austrian market increased by 3.8% to EUR 191.9 billion. The market share of the company was only slightly lower year on year at 5.51% at year-end. Oberbank's share in the fund company increased again from 42.1% at year-end 2019 to 44.3% as at 31 December 2020. The volume attributable to Oberbank was EUR 4.7 billion.

In the area of open investment funds, customers purchased a volume of EUR 347.7 million. Demand was especially high for Oberbank's Asset Management and for Oberbank's “Premium Strategien” funds. Sustainable investments accounted for a share in demand of slightly more than 20.0% of total demand, and was concentrated in “3 Banken Mensch & Umwelt” funds. The average performance of all funds attributable to Oberbank was 2.23% in the preceding year. This is a highly satisfactory performance for investors considering the challenging environment of 2020.

3-Banken Wohnbaubank AG

On account of the historically low interest rates in the euro area, the appeal of "Wohnbaubank" bonds, which usually have a maturity of ten years or more, also decreased significantly. The volume of new bond issues of all "Wohnbaubanken" dropped to an absolute low in 2020 reaching EUR 28.9 million.

3-Banken Wohnbaubank AG did not float any new issues in this environment. As there were no redemptions either, the total assets of the institution remained almost unchanged at EUR 142.776 million.

Building society savings schemes: increase contrary to market trend

In the financial year 2020, Oberbank closed a total of 11,764 building society contracts. Compared to the preceding year, this is an increase of 5.8% or 640 contracts. In addition to classical building society schemes with premiums, customers appreciate the product "Bonusbausparen" with a one-time deposit on account of the current interest rate environment. In 2020, Oberbank increased the number of contracts closed by 477 or 44.4% to 1,552 contracts.

Building society loans

Oberbank achieved excellent results in the brokerage of building society loans in 2020. In the year 2020, Oberbank acted as an intermediary for a volume of EUR 38.3 million in such loans, which is an increase by EUR 14.0 million or 57.7%. Wüstenrot loans perfectly supplement the range of residential construction loans.

Insurance services: output outperforms again year on year

Oberbank raised the production sum year on year by 4.9% to EUR 109 million. In endowment insurance policies, fund-oriented and fund-linked life insurance policies were the majority of products sold in Austria and Germany. In the corporate and business banking segment, company pension schemes products were frequently purchased. This segment posted an increase of 4.5% year on year. The brokerage business for accident insurance, and property and car insurance expanded year on year by 5.9%.

Segment Financial Markets

Financial Markets in €m	2020	2019	Change
Net interest income	12.1	23.2	-48.1%
Income from entities recognised using the equity method	-8.0	29.7	>-100.0
Charges for losses on loans and advances	-6.4	-5.0	28.0%
Net fee and commission income	0.0	-0.1	-100.0%
Net trading income	0.1	2.2	-95.8%
Administrative expenses	-9.2	-8.7	5.5%
Other operating income	6.7	29.6	-77.3%
Extraordinary profit/loss			
Profit/loss for the year before tax	-4.8	70.9	>-100.0%
Contribution to profit for the year before tax	-2.8%	25.7%	-28.5% ppt
Average credit and market risk equivalent (BWG*)	5,608.4	5,499.0	2.0%
Segment assets	6,681.1	5,698.4	17.2%
Segment liabilities	8,091.7	7,623.1	6.1%
Average allocated equity	912.9	897.4	1.7%
Return on equity before tax (RoE)	n.a.	7.9%	n.a.
Cost/income ratio	84.7%	10.3%	74.4% ppt

*Austrian Banking Act

Overview of business in 2020

The shortfall in the Financial Markets segment was EUR -4.8 million following a profit for the year of EUR 70.9 million in the preceding year.

In the Financial Markets segment, net interest income decreased by 48.1% to EUR 12.1 million, and income from investments accounted for by the equity method was EUR -8.0 million after EUR 29.7 million year on year.

Risk provisions increased by 28.0% to EUR 6.4 million.

Net trading income decreased by 95.8% to EUR 0.1 million; other operating income declined by 77.3% to EUR 6.7 million.

The shortfall in Financial Markets was EUR -4.8 million after EUR 70.9 million in the preceding year. RoE is not indicative due to the segment result, and the cost/income ratio rose to 84.7%.

Currency risk management

After a rather calm start into the year, volatility on currency markets started to surge as of March with the outbreak of the coronavirus crisis. The EUR/USD exchange rate in the first half of the 2020 fluctuated between a high and low of 8.0%, and for the full year, the figure was almost 16%. A similar development was taken by the Czech koruna and the Hungarian forint. These two currencies fluctuated between 12.0% and 13.0% versus the euro over the course of the year. In contrast to the Czech koruna, in the second half of 2020 the Hungarian forint failed to compensate its massive depreciation of the first half of 2020. The year was a very challenging one for Oberbank's customers engaged in international business. It became quite apparent in the first phase of the pandemic that currency hedging is extremely important in such times. Although there were delays in payments due to some partial disruptions in supply chains, the projected exchange rates were protected by the existing currency hedge.

Direct customer services

Once again it became clear that speed, reliability and reachability of our experts – especially in 2020 – were the key success factors for direct customer support. Despite the coronavirus, customers were proactively contacted, individual hedging concepts were developed and, where necessary, the agreements reached were recorded by video conference.

Customers appreciated our efforts, and this also translated into higher earnings. A good supplement in the product portfolio was once again the Oberbank I-Trader. Oberbank's trading platform makes it possible to trade currencies swiftly and irrespective of where you are.

Trend in primary deposits dominated by over-liquidity on markets

Deposits increased steeply also in the last year, and sight deposits rose by more than EUR 1.2 billion. Due to the strong expansion and the low interest rate setting, it was necessary to charge negative interest on some of the deposits. This situation will most likely stay with us in the coming year, too.

Proprietary trading

The year 2020, was a year of extremes events. A phase of plunging prices on stock markets and turmoil on financial markets was followed by a massive recovery that resulted in new all-time highs on stock markets. Interest rates were depressed further, gold posted massive gains and also currencies experienced significant shifts. The euro profited from this situation. The driving force behind this market recovery was the monetary policy of the central banks and the fiscal policies of major economies. The measures pumped enormous liquidity at minimal or negative costs into the financial market seeking investment opportunities. In this environment, the major setbacks of the first quarter were offset and net trading income was positive. Movements on the short-term money markets were exploited for gains.

The segment "Other" encompasses income and expense items – especially overheads for staff costs and other administrative expenses as well as depreciation and amortisation that cannot be meaningfully assigned to any of the other segments.

The shortfall for the year before tax in 2020 in the segment Other was EUR -47.2 million following EUR -37.9 million in the preceding year.

Consolidated Financial Statements

Consolidated Financial Statements 2020 of Oberbank prepared in accordance with International Financial Reporting Standards (IFRS)

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When adding up rounded figures and calculating percentage rates of change, slight differences may result compared with totals and rates arrived at by adding up component figures which have not been rounded. The 'n.a.' in the tables of the consolidated financial statements means that the respective provision was not applicable in the relevant financial year.

Statement of comprehensive income for the financial year 2020

Consolidated income statement in €k		2020	2019	Change in €k	Change in %
1. Interest and similar income		417,455	467,536	-50,081	-10.7
a) Interest income pursuant to effective interest rate method		397,235	434,310	-37,075	-8.5
b) Other interest income		20,220	33,226	-13,006	-39.1
2. Interest and similar expenses		-80,526	-121,741	41,215	-33.9
Net interest income	(3)	336,929	345,795	-8,866	-2.6
3. Profit from entities accounted for by the equity method	(4)	-8,015	29,739	-37,754	>-100
4. Charges for losses on loans and advances	(5)	-41,830	-12,210	-29,620	> 100
5. Fee and commission income		190,860	180,776	10,084	5.6
6. Fee and commission expenses		-20,186	-17,728	-2,458	13.9
Net fee and commission income	(6)	170,674	163,048	7,626	4.7
7. Net trading income	(7)	1,452	2,348	-896	-38.2
8. Administrative expenses	(8)	-294,924	-288,945	-5,979	2.1
9. Other operating income	(9)	3,214	36,459	-33,245	-91.2
a) Net income from financial assets - FVPL		8,531	27,356	-18,825	-68.8
b) Net income from financial assets - FVOCI		-192	227	-419	>-100
c) Net income from financial assets - AC		765	1,617	-852	-52.7
d) Other operating income		-5,890	7,259	-13,149	>-100.0
Profit/loss for the year before tax		167,500	276,234	-108,734	-39.4
10. Income taxes	(10)	-43,987	-60,123	16,136	-26.8
Profit for the year after tax		123,513	216,111	-92,598	-42.8
thereof attributable to equity holders of the parent company and to the owners of additional equity components		122,394	214,984	-92,590	-43.1
thereof attributable to non-controlling interests		1,119	1,127	-8	-0.7

Other comprehensive income in €k	2020	2019
Profit for the year after tax	123,513	216,111
Items not reclassified to profit or loss for the year	**-4,670**	**-15,456**
+/- Actuarial gains/losses IAS 19	-7,654	-21,296
+/- Deferred taxes on actuarial gains/losses IAS 19	1,913	5,324
+/- Share from entities accounted for by the equity method	-471	-15,345
+/- Value changes in own credit risk recognised in equity IFRS 9	20,867	2,222
+/- Deferred tax on changes recognised in equity for own credit risk IFRS 9	-5,217	-555
+/- Value changes in equity instruments recognised in equity IFRS 9	625	14,977
+/- Deferred tax on value changes in equity instruments IFRS 9 recognised in equity	-14,734	-784
Items reclassified to profit or loss for the year	**-11,341**	**1,263**
+/- Value changes recognised in equity for debt securities IFRS 9	-1,563	-1,230
Amounts recognised in equity	-1,457	-1,107
Reclassification adjustments	-106	-123
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	391	308
Amounts recognised in equity	364	277
Reclassification adjustments	26	31
+ / - Exchange differences	-4,298	-596
+/- Share from entities accounted for by the equity method	-5,871	2,782
Total income and expenses recognised directly in equity	-16,011	-14,193
Total comprehensive income for the year from net profit and income/expenses not recognised in profit or loss	107,502	201,918
thereof attributable to equity holders of the parent company and to the owners of additional equity components	106,383	200,791
thereof attributable to non-controlling interests	1,119	1,127

Performance indicators	2020	2019
Cost/income ratio in %[1)]	58.49	50.04
Return on equity before tax in %[2)]	5.67	9.64
Return on equity after tax in %[3)]	4.18	7.54
Risk/earnings ratio (credit risk/net interest income) in %[4)]	12.42	3.53
Earnings per share in €[5)6)]	3.52	6.13

1) Administrative expenses in relation to net interest income, equity method, net fee and commission income, net trading income and other operating income
2) Profit/loss for the year before tax in relation to average shareholders' equity
3) Profit/loss for the year after tax in relation to average shareholders' equity
4) Charges for losses on loans and advances in relation to net interest income
5) Profit/loss for the year after tax in relation to average number of shares in circulation
6) Since no financial instruments with diluting effect were issued, diluted earnings per share were identical with undiluted earnings per share. In the course of the financial year 2020, the preference shares issued were converted into ordinary shares. Therefore, earnings per share as at 31 December 2020 refer only to ordinary shares (see Note 11). In the preceding year, earnings per share were the same for both ordinary and preference shares.

	Consolidated balance sheet at 31/12/2020 Assets in €k		31/12/2020	31/12/2019	Change in €k	Change in %
1.	Cash and balances at central banks	(12)	2,105,984	371,510	1,734,474	> 100.0
2.	Loans and advances to credit institutions	(13)	968,908	1,522,205	-553,297	-36.3
3.	Loans and advances to customers	(14)	17,264,665	16,570,201	694,464	4.2
4.	Trading assets	(16)	47,434	40,949	6,485	15.8
5.	Financial investments	(17)	3,404,229	3,643,767	-239,538	-6.6
	a) Financial assets - FVPL		560,251	533,355	26,896	5.0
	b) Financial assets FVOCI		487,826	498,075	-10,249	-2.1
	c) Financial assets - AC		1,459,007	1,698,260	-239,253	-14.1
	d) Interests in entities accounted by the equity method		897,145	914,077	-16,932	-1.9
6.	Intangible assets	(18)	2,203	1,673	530	31.7
7.	Property, plant and equipment	(19)	404,351	414,794	-10,443	-2.5
	a) Investment property		89,656	92,739	-3,083	-3.3
	b) Other property, plant and equipment		314,695	322,055	-7,360	-2.3
8.	Other assets	(21)	235,155	263,930	-28,775	-10.9
	a) Deferred tax assets		7,388	25,367	-17,979	-70.9
	b) Positive fair values of closed out derivatives in the banking book		153,306	118,657	34,649	29.2
	c) Other		74,461	119,906	-45,445	-37.9
	Total assets		24,432,929	22,829,029	1,603,900	7.0

	Consolidated balance sheet at 31/12/2020 Shareholders' equity and liabilities in €k		31/12/2020	31/12/2019	Change in €k	Change in %
1.	Amounts owed to credit institutions	(22)	5,065,644	4,795,833	269,811	5.6
	a) Refinance allocated for customer loans		2,734,835	2,561,437	173,398	6.8
	b) Other amounts owed to credit institutions		2,330,809	2,234,396	96,413	4.3
2.	Amounts owed to customers	(23)	13,087,168	11,980,651	1,106,517	9.2
3.	Securitised liabilities	(24)	1,854,005	1,662,863	191,142	11.5
4.	Provisions for liabilities and charges	(25)	372,841	381,362	-8,521	-2.2
5.	Other liabilities	(26)	528,630	525,268	3,362	0.6
	a) Trading liabilities	(27)	42,799	38,092	4,707	12.4
	b) Tax liabilities		6,638	3,997	2,641	66.1
	ba) Current tax liabilities		2,932	250	2,682	> 100
	bb) Deferred tax liabilities		3,706	3,747	-41	-1.1
	c) Negative fair values of derivatives closed out in the banking book		39,932	35,030	4,902	14.0
	c) Other		439,261	448,149	-8,888	-2.0
6.	Subordinated debt capital	(28)	485,775	522,515	-36,740	-7.0
7.	Shareholders' equity	(29)	3,038,866	2,960,537	78,329	2.6
	a) Equity after minorities		2,981,215	2,901,840	79,375	2.7
	b) Share of non-controlling shareholders		7,651	8,697	-1,046	-12.0
	c) Additional equity capital components		50,000	50,000	0	-
	Total shareholders' equity and liabilities		24,432,929	22,829,029	1,603,900	7.0

Consolidated statement of changes in equity as at 31/12/2020

in €k	Subscribed capital	Capital reserves	Retained earnings	Exchange differences	Revaluation reserve: Reclassified debt securities IFRS 9	Revaluation reserve: Equity instruments IFRS 9 not reclassified	Revaluation reserve: Change in own credit risk IFRS 9 not reclassified	Actuarial gains / losses acc. to IAS 19	Associates	Equity after minorities	Share of non-controlling shareholders	Additional equity capital components	Shareholders' equity
As at 1/1/2019	**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			204,291	-596	-923	14,194	1,667	-15,972	-1,870	200,791	1,127		201,918
Net profit/loss for the year			204,291						10,693	214,984	1,127		216,111
Other comprehensive income				-596	-923	14,194	1,667	-15,972	-12,563	-14,193			-14,193
Dividend distribution			-38,811							-38,811			-38,811
Coupon payments on additional equity capital			-2,925							-2,925			-2,925
Capital increase													
Issuance of additional equity components													
Repurchased own shares	75		2,043							2,118			2,118
Other changes not recognised in income			-502						-290	-792	1,133		341
As at 31/12/2019	**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**
As at 01/01/2020	**105,844**	**505,523**	**1,605,472**	**-1,365**	**1,414**	**126,729**	**-9,522**	**-48,552**	**616,297**	**2,901,840**	**8,697**	**50,000**	**2,960,537**
Consolidated net profit			133,308	-4,298	-1,172	-14,109	15,650	-5,740	-17,256	106,383	1,119		107,502
Net profit/loss for the year			133,308						-10,914	122,394	1,119		123,513
Other comprehensive income				-4,298	-1,172	-14,109	15,650	-5,740	-6,342	-16,011			-16,011
Dividend distribution			-6,326							-6,326			-6,326
Coupon payments on additional equity capital components			-2,925							-2,925			-2,925
Capital increase													
Issuance of additional equity components													
Repurchased own shares	-463		-12,221							-12,684			-12,684
Other changes not recognised in income			496						-5,567	-5,071	-2,165		-7,236
As at 31/12/2020	**105,381**	**505,523**	**1,717,804**	**-5,663**	**242**	**112,620**	**6,128**	**-54,292**	**593,474**	**2,981,215**	**7,651**	**50,000**	**3,038,866**

Consolidated statement of cash flows in €k		**2020**	**2019**
Consolidated profit for the year		123,513	216,111
Non-cash positions in profit for the year and reconciliation of net cash from operating activities			
Write-offs, impairment losses, write-ups		79,022	36,302
Change in provisions for staff benefits and other provisions for liabilities and charges		-14,261	-17,925
Change in other non-cash items		22,794	32,801
Gains and losses on financial investments, property, plant and equipment and intangible assets		-5,380	-3,700
Subtotal		205,689	263,588
Change in assets and liabilities arising from operating activities after corrections for non-cash positions			
Loans and advances to credit institutions		573,065	-3,546
Loans and advances to customers		-731,925	-944,749
Trading assets		-9,598	-4,841
Financial assets for operating activities[1)]		13,502	76,552
Other assets from operating activities		73,680	100,445
Amounts owed to credit institutions		268,209	411,241
Amounts owed to customers		1,103,828	-186,195
Securitised liabilities		167,779	131,804
Other liabilities from operating activities		-63,406	-102,799
Cash flow from operating activities		1,600,823	-258,499
Proceeds from			
The sale of financial assets			
Used for investment activities[2)]		605,585	376,486
Property, plant and equipment and intangible assets		6,350	6,026
Outlay on purchases of			
financial investments		-377,240	-430,858
property, plant and equipment and intangible assets		-35,734	-40,688
Cash flow from investing activities		198,961	-89,033
Capital increase		0	0
Dividend distributions		-6,326	-38,811
Coupon payments on additional equity components		-2,925	-2,925
Cash from subordinated liabilities and other financing activities			
Issues	(28)	55,801	67,712
Other		2,925	7,304
Outflow from subordinated debt capital and other financing activities			
Redemptions	(28)	-84,337	-127,000
Other		-30,449	-15,922
Cash flow from financing activities		-65,311	-109,642
Cash and cash equivalents at the end of previous period		371,510	828,685
Cash flow from operating activities		1,600,823	-258,499
Cash flow from investing activities		198,961	-89,033
Cash flow from financing activities		-65,311	-109,642
Effects of changes in the consolidation scope and revaluation		0	0
Effects of foreign exchange rate changes		0	0
Cash and cash equivalents at the end of the period		2,105,984	371,510
Interest received		421,910	442,730
Dividends received		19,343	45,551
Interest paid		-102,884	-119,387
Coupon payments on additional equity components		-2,925	-2,925
Income tax paid		-40,260	-40,897

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

1) Financial investments not intended to be held long term

2) Financial investments intended to be held long term

Breakdown of interest, dividends and income tax payments

in €k		Cash flow from operating activities	Cash flow from investing activities	Cash flow from finance activities	Total
Interest received	2020	387,150	34,760	0	421,910
	2019	400,043	42,687	0	442,730
Dividends received	2020	1,365	17,978	0	19,343
	2019	1,895	43,657	0	45,551
Interest paid	2020	-87,716	0	-15,168	-102,884
	2019	-99,680	0	-19,707	-119,387
Dividends paid	2020	0	0	-6,326	-6,326
	2019	0	0	-38,811	-38,811
Coupon payments on additional equity capital components	2020	0	0	-2,925	-2,925
	2019	0	0	-2,925	-2,925
Income tax paid	2020	-27,778	-8,690	-3,792	-40,260
	2019	-25,299	-10,672	-4,927	-40,897

Notes to the Consolidated Financial Statements

Introduction

Oberbank AG is Austria's oldest remaining independent exchange-listed bank (joint stock bank). It is fully privately owned (no state shareholders) and is listed on the Vienna Stock Exchange. Oberbank's registered office is Untere Donaulände 28, 4020 Linz, Austria. Oberbank AG's positioning in the marketplace is characterised by its regional ties, its independence, its strong customer orientation and deep roots in its regional business areas. Oberbank offers all of the classical banking services of a universal bank. Oberbank does not engage in any own foreign transactions unrelated to its customers, but rather provides support to its customers with their international operations.

The Management Board of BKS Bank AG signed the consolidated financial statements on 3 March 2021 and approved them for submittal to the Supervisory Board.

The financial statements for the financial year 2020 were approved and released for publication on 17 March 2021.

1) Group of consolidated companies of Oberbank

Besides Oberbank AG, the group of consolidated companies in 2020 included 29 domestic and 17 foreign subsidiaries. Compared to 31 December 2019, the group of consolidated companies changed as follows:

- Sale of Oberbank Leasing GmbH Bayern & Co KG Neuenrade, Neuötting (this reduced Other liabilities by €k 3,344 and lowered Loans and advanced to customers by €k 3,679)

ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H. was recognised in the consolidated financial statements by proportionate consolidation in accordance with IFRS 11. In addition to BKS Bank AG and Bank für Tirol und Vorarlberg Aktiengesellschaft, voestalpine AG was also accounted for in the consolidated financial statements using the equity method.

Not included in the group of consolidated companies were 18 subsidiaries and 14 associated companies, which overall have no significant influence on the group's assets or financial and earnings position.

The reporting date for the consolidated financial statements is 31 December. Sub-group financial statements for the leasing companies accounted for in the consolidated financial statements were prepared for the period ended on 30 September to facilitate the timely preparation of the annual consolidated financial statements. Material transactions and changes to the composition of the Leasing sub-group in the fourth quarter were taken into account.

2) Summary of accounting policies

2.1) Application of IAS and IFRS

The consolidated financial statements of Oberbank AG for the financial year 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) as in force and as adopted by the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC). They also satisfy the requirements of § 59a of the Banking Act and § 245a of the Business Code regarding the exemption of consolidated financial statements that comply with internationally accepted accounting principles. A going concern was assumed.

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

Standard/Interpretation	Designation	Applies to financial years from	Adopted by the EU
Revised Conceptual Framework	Revised References to the Conceptual Framework the IFRS Standards	01/01/2020	Yes
Amendment to IFRS 3	Definition of a Business	01/01/2020	Yes
Amendments to IAS 1 and IAS 8	Definition of 'material'	01/01/2020	Yes
Amend. to IFRS 9 IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	Yes
Amend. to IFRS 16	COVID-19-related rent concessions	01/06/2020	Yes

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

Standard/Interpretation	Designation	Applicable for financial years from	Already adopted by the EU
Amendment to IFRS 3	Reference to Conceptual Framework	01/01/2022	No
Amendment to IAS 1	Classification of liabilities as current or non-current	01/01/2023	No
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Initial application postponed indefinitely	No
Amendments to IAS 16	Proceeds before intended use	01/01/2022	No
IFRS 17	Insurance contracts	01/01/2023	No
Amendments to IAS 37	Onerous contracts - cost of fulfilling a contract	01/01/2022	No
Amendments to IFRS 9, IAS 39, IFFRS 7, IFRS 4, IFRS 16	Interest rate benchmark reform (phase 2)	01/01/2020	Yes
Annual improvements to IFRS	Cycle 2018 – 2020	01/01/2022	No

Changes to accounting policies 2020

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. Together with the revised Conceptual Framework, IASB also published amendments to the references to the Conceptual Framework in IFRS standards. No material effects on the consolidated statements are expected.

The amendment to IFRS 3 refers to the change to the definition of a business. With the amendments to IAS 1 and IAS 8, a uniform and precise definition of materiality of information in financial statements was created that aims to harmonise the conceptual framework for financial reporting, IAS 1 and IAS 8 as well as the IFRS practice statement on 'Making Materiality Judgements'. No material effects on the consolidated statements of Oberbank are expected.

The amendments to IFRS 9, IAS 39 and IFRS 7 modify specific hedge accounting requirements for the accounting of hedge contracts so as to permit the continued accounting of the concerned hedge contracts during the period of uncertainty until the underlying transactions or hedge instruments influenced by current reference interest rates can be adjusted as a consequence of the reforms of the reference interest rates. This does not result in any material effects on the consolidated financial statements of Oberbank.

In May 2020, IASB published the amendment to IFRS 16 with respect to rent concessions granted as a direct result of the COVID-19 pandemic. Under this amendment, lessees are permitted to waive the assessment of a rent concession granted due to the COVID-19 pandemic as to whether it constitutes a contractual amendment. Lessees that apply this right of waiver must account for every change to leasing payments resulting from the COVID-19-related rent concessions the same as any changes under IFRS 16 must be accounted for as if there were no change to the leasing contract. This does not result in any material effects on the consolidated financial statements of Oberbank, because no rent concessions were granted as a consequence of the Covid-19 pandemic.

Future amendments to accounting policies

IFRS 3 will be updated so that references will refer only to the current Conceptual Framework for Financial Reporting 2018 in future and no longer to the Conceptual Framework 1989. No material effects are expected on future consolidated statements.

The amendments to IAS 1 concern only the reporting of debt as short term or long term on the balance sheet and not the amount or time of recording of assets, liabilities, income or expenses or the information to be provided on these items. The amendments to IAS 16 now explicitly prohibit the deduction of possible net income from the cost of acquisition of items of property, plant and equipment. The amendment of IAS 37 specifies in concrete terms the scope of the cost of fulfilling an onerous contract. The costs of fulfilling an onerous contract include all directly attributable costs, i.e. costs that relate directly to a contract that can either be incremental costs of fulfilling a contract (examples: direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (example: allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). None of the aforementioned amendments are expected to have material effects on future consolidated statements.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are intended to ameliorate the effects on financial reporting that occur when an existing reference interest rate is replaced by an alternative interest rate. In particular, the amendments make it simpler to implement the modifications required due to the IBOR reform. Apart from this, hedge contracts on the balance sheet will be permitted to be continued under modified documentation despite the replacement of the reference interest rate. No material effects are expected on future consolidated statements.

IFRS 17 establishes the principles for the identification, recognition, measurement, presentation and disclosure of insurance contracts as well as the information in the Appendix for insurance contracts and will replace IFRS 4 Insurance Contracts as of 1 January 2023. This amendment is not relevant for Oberbank as a credit institution.

The amendments to IFRS 10 and IAS 28 clarify that in the case of transactions with associates or joint ventures, the recognition of gains depends on whether the assets sold or contributed constitute a business as defined in IFRS 3. No material effects are expected on future consolidated statements.

The annual improvements to IFRS refer to amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. No material effects on future consolidated statements are expected.

2.2) Effects of the COVID-19 pandemic on the Group

a) Background

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

b) Discretionary decisions, assumptions and estimates

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

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

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

Risk provisions

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

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities cannot be measured using current stock market prices because no publicly quoted market prices are available, model values are used. The measurement models, input parameters, the fair value hierarchy and the fair values of financial instruments are described in detail in Note 31) Fair value of financial instruments and other items regarding reconciliation as at 31 December 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, an individual value in use is calculated for this investment. Details regarding the effects of the coronavirus pandemic are given in c) Risks of financial instruments.

c) Risk of financial instruments

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

The year 2020 was dominated by a recession of historic magnitude in Austria as well as in the entire market region of Oberbank. Economic output in Austria contracted by more than -7%. At the same time, the most recent developments in the pandemic reveal the serious downside risks in the assessment of economic recovery in 2021.

The governments and central banks have responded to this crisis with massive interventions and support measures. Numerous payment deferrals were imposed by law in Austria and internationally, and far-reaching financial aid schemes were rolled out. The banking sector also provided support for cases not covered by the statutory payment deferrals, and corporate and banking customers were offered private payment deferrals and government guaranteed bridge loans. The key trigger events for insolvencies among businesses are currently suspended – these are arrears on tax payments and social insurance contributions – which is creating uncertainty with respect to the actual magnitude of the impact of the coronavirus pandemic on business failures.

One effect of the massive government support measures is that the decline in economic output is not reflected directly in the default rates of retail and corporate customers. The general expectation is that the "surge" in insolvencies will occur with a time lag, and moreover, businesses are being supported that would have defaulted anyway even without the coronavirus pandemic, so-called "zombie companies". It is not possible for these circumstances to be adequately represented by rating models.

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

Before this backdrop, the point-in-time adjustment factors versus Q2/2020 were no longer adjusted. In order to meet the expected rise in default risks, a collective stage transfer was done for certain portions of the portfolio. For the assessment, additional risks are identified with an influence on impairment charges, especially crisis-induced risks and those of a probably temporary nature. The collective stage transfer is applied to the following portfolios:

- Receivables from borrowers in industries severely affected by lockdowns: Based on the allocation to branches using the NACE code system, a structural analysis of both the supply and the demand side with respect to the severity of the shock is conducted and the companies are categorised according to a 5-tier scale. Based on this categorisation, receivables with the highest ranking regarding the severity of the economic impact of the lockdowns are transferred to stage 2. As a consequence, the NACE Code serves as a further qualitative criterion in the stage transfer model, and therefore, a lifetime expected loss is used as basis for defining impairment charges for all receivables of the sector concerned.
- Receivables from customers that are still in a status of payment deferral, or have returned to it as at the date of record: In such cases, it is stated that in some of Oberbank's markets, deferrals in conformity with the EBA Guidelines are still being granted, and therefore, such loans are transferred to stage 2 by assigning forbearance classification. As a rule, it must be assumed that the necessity of a payment deferral granted on the reporting date is a further indicator of heightened default risk.
- Receivables from borrowers in the area of real estate project finance with commercial mortgage-backed collateral: As the credit risk of these loans are directly related to the earnings opportunities from the sale or rental of real estate, any distortions on the real estate market have an effect on creditworthiness due to the coronavirus crisis. The current focus is especially on the market for commercial real estate where demand is being negatively influenced by the pandemic.

Collective staging portfolio as at 31/12/2020 by stage transfer reasons in €k

Balance sheet item	Reason for transfer	Volume of receivables	Stage transfer effects
Financial assets on the balance sheet	Collective stage transfer deferrals	172,888	676
	Collective stage transfer real estate projects	1,256,980	3,624
	Collective stage transfer sectors	439,051	2,905
	Total	**1,868,919**	**7,205**
Off-balance sheet financial assets	Collective stage transfer deferrals	15,590	2
	Collective stage transfer real estate projects	100,041	654
	Collective stage transfer sectors	106,931	2,308
	Total	**222,563**	**2,963**
Total		**2,091,482**	**10,168**

Compared to the start of the year, the amount of the impairment charges for performing loans (stage 1 and stage 2) increased by EUR 19.3 million, with the effect of the PIT-PD adjustment reaching EUR 6.9 million due to the changed economic outlook and the effect of the collective staging amounting to EUR 10.2 million. The remaining changes result from the portfolio effects and the expanding lending business.

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 31) Fair value of financial instruments and other items regarding reconciliation as at 31 December 2020.

Impairment testing for investments accounted for using the equity method

Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. If there is objective evidence for impairment of an investment accounted for using the equity method, an individual value in use is calculated for this investment. The higher of the two values from the market price and value in use constitute the recoverable amount pursuant to IAS 36.6 and this is the value used for measurement.

The effects of the global Covid-19 pandemic on society and the economy are an impairment trigger in the financial year 2020. In accordance with the expert opinions of April 2020 of the Chamber of Tax Advisors and Auditors (*Kammer der Steuerberater und Wirtschaftsprüfer*) on the effects of the spread of the coronavirus (Covid-19) on enterprise values, the focus is placed on the assessment and planning of financial surpluses as well as the assessment of the capital costs.

The market price constitutes the recoverable amount pursuant to IAS 36.6 for the valuation of voestalpine as at 31 December 2020. The fair value less the cost of sale is €k 420,724 and thus exceeds value in use. In the financial year 2020, this measurement resulted in an impairment charge of €k 6,459.

The company-specific value in use of Oberbank are for BKS Bank AG (BKS) EUR 9.8 million higher than the carrying value and for Bank für Tirol und Vorarlberg Aktiengesellschaft (BTV) EUR 6.5 million higher than the carrying value of the investments. Therefore, the impairment test for the partner banks recognized using the equity method as at 31 December 2020 did not result in any impairment loss.

Assuming a fluctuation of the existing market risk premium of +/- 0.25%-points and no change to other measurement parameters, the value in use of BKS is EUR 16.8 million higher and of BTV EUR 13.5 million higher than the carrying value at a market risk premium of 8.25%. Assuming a market risk premium of 8.75%, the value in use for BKS is EUR 3.1 million higher than the carrying value and for BTV EUR 25,000 lower than the carrying value. Assuming a fluctuation of the existing market risk premium of +/- 0.50%-points and no change to other measurement parameters, the value in use of BKS is EUR 24.3 million higher and of BTV EUR 20.9 million higher than the carrying value at a market risk premium of 8%. Assuming a market risk premium of 9%, the value in use for BKS is EUR 3.1 million lower than the carrying value and for BTV EUR 6.2 million lower than the carrying value.

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

Oberbank has non-financial assets in intangible assets; property, plant and equipment; investment property; and right-of-use assets on leased objects. Assets are accounted for at amortised costs. There were no indications for impairment losses such as branch closures, declining demand for banking products, significant changes to right-of-use assets or the reassessment of usable life. The fair value of investment property was €k 105,150 (31/12/2019: €k 107,450). The decline is due to the depreciation over time. Currently there are no signs of additional market adjustments on the real estate market due to the effects of the coronavirus pandemic.

Oberbank AG capitalised deferred tax assets on loss carryforwards to a minor extent of around €k 647 (31/12/2019: € 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 recoverable.

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

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

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

in €k	01/01 to 31/12/2020
Profit from entities accounted for by the equity method	
Expenses from impairments and income from additions	-6,459
Charges for losses on loans and advances	
Additions to charges for losses on loans and advances stage 1 and stage 2	-19,273
Administrative expenses	
Other administrative expenses[1)]	-637

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

Additionally, the coronavirus caused reduced or suspended distributions on profits from equity investments. However, the effects caused by the coronavirus cannot be precisely quantified. We expect a similar development also for the coming financial year.

2.3) Consolidation Policies

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

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

- Joint ventures (ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.) were accounted for by proportionate consolidation.
- Subsidiaries whose effect on the assets and financial position of the Group and on the result of operations was generally of minor significance were not consolidated.
- Other equity investments were recognised at their fair values.

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

2.4) Corporate acquisitions
In the financial year 2020, Oberbank did not make any corporate acquisitions in the meaning of IFRS 3.

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

Discretionary decisions, assumptions and estimates contained in these consolidated financial statements basically relate to the following items: charges on losses on loans and advances.

Risk provisions

The measurement of risk provisions depends mainly on expectations regarding future loan losses and the structure and quality of the loan portfolio. In addition, the calculation of any future charges for impairment losses requires estimates of the amounts and dates of future cash flows. More details are given in 2.7) Financial Assets and Obligations as well as Hedging Contracts and in the Risk Report in Note 43 ff (credit risk).

Fair value of financial instruments

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

Interest in entities 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 (see Note 2.9). Cause for an impairment test is given when the fair value drops by at least 20% below the amortised cost or if this decline persists over a period of more than nine months at a level below amortised cost. For details regarding the book values of interests held in companies recognised at equity, see Note 17 (Financial investments).

Impairment losses on debt securities

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

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

Useful life of fixed assets

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

Deferred taxes

The calculation for each taxed entity is carried out applying the tax rates that, under the applicable legislation, must be applied in the tax period in which a temporary difference is going to reverse. Deferred tax assets were recognised with respect to tax loss carryforwards insofar as taxable profits in the equivalent amount are to be expected within the same entity in the future. For details on deferred taxes, please refer to Note 21 (Other assets).

Provisions for staff benefits

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

Provisions for liabilities and charges

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

Legal disputes of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.
UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. (hereinafter: “UniCredit”) put forth a motion at the Annual General Meeting of Oberbank in May 2019 to elect a third representative from their side to the Supervisory Board of Oberbank. The motion failed to receive a consenting vote. Subsequently, UniCredit filed a lawsuit contesting the individual resolutions adopted by the Annual General Meeting. The proceedings in this matter were closed on 20 December 2019.
After Landesgericht Linz (District Court Linz) ruled against all lawsuits filed by UniCredit, Oberlandesgericht Linz (Higher Regional Court) revised this ruling with respect to the reduction of the number of shareholder representatives from twelve to eleven adopted by resolution of the Annual General Meeting of May 2019 and declared it null and void. However, the Court did not decide positively on UniCredit’s petition for a declaratory decision on the election of the candidate UniCredit nominated. This decision has meanwhile become legally binding and final. A decision on the extraordinary audit requested by Oberbank is still pending. The decision has no further legal effects apart from confirming that the candidate requested by UniCredit has not been elected. These proceedings are not expected to have any relevant effects on the balance sheet.

At the end of December 2019, UniCredit convened an extraordinary shareholders’ meeting of Oberbank that took place on 4 February 2020. The motions put forth by UniCredit (special review of all capital increases of Oberbank since 1989, termination of arbitration proceedings with Generali-3Banken Holding) did not receive a consenting vote. Also at the Annual General Meeting of 20 May 2020, UniCredit put forth motions requesting special audits, but these did not obtain a majority of the votes. On the one hand, UniCredit filed an action for annulment of these decisions.

On the other hand, UniCredit filed for a special audit with the courts regarding the motion for a special audit made at the Annual General Meeting 2020 in connection with the capital increases of BKS Bank AG (hereinafter: BKS) and Bank für Tirol und Vorarlberg AG (hereinafter: BTV) in 2018, and with respect to several special audit matters rejected at the Annual General Meeting 2020.

The petition for a special audit filed by UniCredit with a court of law was partially rejected by Landesgericht Linz and with respect to the rest of the matters, the proceedings were suspended until the pending civil proceedings regarding the action for annulment against the decisions adopted by the Annual General Meeting 2020 are resolved. The proceedings regarding the action for annulment were suspended until the preliminary questions regarding takeover law are clarified.

At the end of February 2020, UniCredit filed requests with the Takeover Commission to review if the shareholders' syndicate of 3 Banken Group violated the mandatory bid requirement under the Takeover Act. Oberbank is directly affected by these proceedings as a member of the syndicate with BVT and BKS. The syndicates of BTV and BKS were approved by the Takeover Commission by official notices issued in 2003 which are still valid today. UniCredit claims that the composition and decision-making processes of the syndicates have changed since then and that the syndicates have expanded their weighting in votes since the year 2003 to an extent that is of relevance under the Takeover Act so as to trigger a mandatory bid.

On 27 September 2020 and 1 October 2020, three court hearings were held with extensive witness interviews before the Takeover Commission. A decision is still pending. After carefully reviewing the matter jointly with external experts, the Management Board believes that such an audit under the Takeover Act will not result in the obligation to make a mandatory bid.

Leasing

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

2.6) Foreign currency translation and Group currency

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

2.7) Financial assets and obligations as well as hedging contracts

Classification – Financial assets

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

Business model

The classes of financial assets were analysed with respect to the business strategy as well as potential divestments from which business models were derived. The securities portfolio contains securities which are intended to be held, and therefore, this portfolio was allocated to the business model 'hold-to-collect'. Securities measured at fair value not recognised in income are allocated to the business model 'hold and sell'. Securities held in the trading book were allocated to the business model sell. Lending operations, on the other hand, were all allocated to the category 'hold-to-collect'. The clear intention to hold the assets is derived from the corporate strategy. The divestments made in the past were all insignificant.

Cash flow conditions

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

The implementation of a cash flow test depends primarily on the interest rate terms of the transactions. If there is a negative SPPI interest clause, a quantitative benchmark test was conducted. The outcome of the quantitative benchmark test results in the final classification of the asset. If the benchmark test is failed, the asset is recognised at fair value through profit or loss. A benchmark product is created within the scope of the quantitative benchmark test based on an asset with a negative SPPI interest clause whose maturity conforms to the interest period. In this context, the undiscounted cash flows of both products are compared within different interest rate scenarios both cumulatively and also periodically in order to determine if the deviations exceed a critical threshold.

An exception is made for negative SPPI interest clauses required by law due to loan subsidy rules.

In the case of transactions for which there is sufficient reason to believe that the modification of the component ‘time value of money’ may be only of minor importance, a simplified supplementary qualitative benchmark test is conducted. This is done primarily in the following cases:

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

Valuation categories

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

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

Impairment – financial assets and contract assets

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

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

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

Segmentation

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

Stage model

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

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

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

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

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

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

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

The overall classification concept of Oberbank is based on qualitative, quantitative and backstop criteria.

At the time of initial recognition on the balance sheet, every instrument is assigned to stage 1 at first. An exception is made for assets that are already impaired at the time of recognition (so-called POCI assets). On subsequent reporting dates, the transition to stage 2 occurs when there is a significant increase in credit risk. However, if the conditions of significant deterioration of creditworthiness are no longer given, a retransfer to stage 1 is carried out.

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

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

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

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

A rebuttable presumption when contractual payments are more than 30 days past due results in a stage transfer as a qualitative criterion (IFRS 9.5.5.11). This means that instruments are assigned to stage 2 when the default on payment of capital and/or interest exceeds 30 days. As soon as the debt is 90 days past due, the borrower is assigned a default rating and the financial instrument is transferred to stage 3.

In the case of leases, use is made of an IFRS 9 option and impairment is always recognised in the amount of the lifetime expected credit loss. Therefore, these transactions are automatically assigned to stage 2.

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

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

Apart from qualitative factors inherent to the model for a stage transfer, as at 31/12/2020 Oberbank applied the collective stage transfer to stage 2 for certain sub-portfolios with the continuation of the coronavirus crisis. The principal reasons for this are the massive economic distortions accompanied by extraordinary government interventions.

The model establishing a connection between economic performance and credit default rates is based on the one hand, on a break in the system, and on the other, on the fact that the deteriorating economic conditions are not yet fully factored into the internal bank ratings. Before this backdrop, it appears necessary to temporarily represent the expected higher credit risk by a collective stage transfer.

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

- Receivables from borrowers in industries severely affected by lockdowns (travel, hotels, gastronomy).
- Receivables from borrowers that are still in payment deferral or again in this status, as at the reporting date:
- Receivables from borrowers in the area of real estate projects with commercial mortgage-backed collateral

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

In this context, the following factors play a key role:
- Discontinuation of government support measures and direct subsidies
- The degree to which the coronavirus-induced effects on the business model of corporate customers are reflected in the bank's external rating
- Status of development and vaccination rate with vaccines that can break the pandemic
- Infection figures and severity of countermeasures by governments

Qualitative criteria for a stage transfer
The transfer criterion at Oberbank is based mainly on an analysis of the cumulated default probabilities (lifetime PDs). The following variables influence the determination of a relative deterioration of PD:
- Customer segment;
- Rating at the time of recognition of the financial instrument;
- Remaining time to maturity (comparison between balance sheet date and expiry of contract);
- Age of the financial instrument (comparison of initial recognition date and balance sheet date).

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

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

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

The return to a higher stage is done when the criteria which were the cause of the downgrade no longer apply. Thus, upgrades and downgrades are treated symmetrically. The return to stage 2 is carried out, for example, as soon as there is no longer any significant increase in the default risk. The measure used is a comparison of default risk at initial recognition with the default risk on the relevant balance sheet date.
The impairment model of Oberbank AG always refers to individual transactions when calculating risk provisions and also when assessing a stage transition. This means that the relevant credit risk parameter PD (default probability), LGD (loss given default) and EAD (exposure at default) always refers to the individual borrower and is derived from an individual transaction.

Calculating ECL
At Oberbank, the impairment model pursuant to IFRS 9 is applied in the following cases:
- Financial assets measured at amortised costs or directly in equity at fair value
- Leasing receivables from customers
- Irrevocable letters of credit and guarantees

Expected credit loss at Oberbank is a probability-weighted estimate of the loss over the expected remaining time to maturity of the financial instrument. On other words, it is the present value of the difference between the contractually-agreed cash flows and expected cash flows. Where the calculation of the expected loss includes
- An amount in line with expectations and the probability-weighting that is determined on the basis of several possible scenarios
- The time value of money
- Information on past events, current conditions and forecasts of future economic conditions

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

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

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

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

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

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

For individual segments and maturity bands, these conditional basis PD that result from the ‘through-the-cycle migration matrix’ are adjusted in order to include forward-looking information. These so-called ‘point-in-time adjustment’ (PIT adjustment) is done using statistical models to attempt to relate the default probability with the explanatory macroeconomic variables. On the basis of these estimated factors and macroeconomic projections for selected indicators, the PD is adjusted using a scaling method, thus shifting the base PD curve upward or downward depending on the projected values. Oberbank uses three different scenarios in this case (normal, upward and downward scenario), with the final adjustment of a linear combination being equivalent to the three different scenarios.

Loss Given Default (LGD)

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

Secured LGD

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

Unsecured LGD

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

Exposure at Default (EAD)

For loans with certain principal due dates, the cash flow estimates are based on the contractual redemption structure. All cash flows are determined by the transaction attributes (balance, amount of repayments, frequency of repayments, interest payment intervals, reference interest rates, due dates) as well as current market data (exchange rates and market interest rates). Cash flows from interest payments are derived from the forward interest implicit in the interest rate curve.
Revolving lines of credit do not have any contractually agreed cash flows. Therefore, an explicit cash flow estimate using a replication model is needed.

At Oberbank, there are loans that were granted on a “until further notice” basis with respect to maturity. Within the scope of the annual credit review, the credit agreement is reassessed and, if applicable, the terms are adjusted with a view to the changes in credit quality. These loans can be called at any time.

Therefore, with respect to maturity, it is assumed that the period is one year, because every year a decision is made on the prolongation of the line of credit. Oberbank is thus exposed to the credit risk for a maximum period of one year.
In the case of overdraft facilities, first the portion is calculated that is currently not being used. In this case, the credit balance is deducted from the overdraft limit. This unused part of an overdraft facility consequently remains unchanged over the entire life of the loan. The calculation of the exposure at default (EAD) is based throughout on a credit conversion factor. The due date of the overdraft facility always corresponds to the maturity of the loan.

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

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

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

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

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

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

2.8) Material accounting principles for the statement of comprehensive income

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

Income from entities accounted for by the equity method

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

Charges for losses on loans and advances

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

Net commission income

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

Net trading income

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

Administrative expenses

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

Other operating income

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

2.9) Material accounting principles for the consolidated balance sheet

Cash and balances at central banks

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

Loans and advances to credit institutions

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

Loans and advances to customers

Depending on the classification categories in accordance with IFRS 9 these are recognition at amortised cost (AC), recognition at fair value through profit or loss (FVPL) designated or mandatory (FVPL), or recognition at fair value plus or minus through other comprehensive income (FVOCI). Impairment losses pursuant to IFRS 9 are deducted from the corresponding receivables.

Risk provisions

The measurement of risk provisions depends mainly on expectations regarding future loan losses and the structure and quality of the loan portfolio. Please refer to 2.7) Financial assets and obligations as well as hedging contracts for the impairment model pursuant to IFRS 9.

The total impairment allowance balance has not been disclosed as a deduction on the assets side of the balance sheet since the financial year 2020, but rather pursuant to IAS 1 from the corresponding balance sheet items. The preceding year's figures were adjusted accordingly. The risk provisions associated with off-balance-sheet transactions (in particular, guarantees and other loan commitments) are reported in the line item Provisions for liabilities and charges.

Trading assets

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

Financial investments

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

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

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

Shares and other variable-yield securities are measured at fair value through profit or loss (FVTPL) or at fair value plus or minus through other comprehensive income (FVOCI).

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

There were no reclassifications in the measurement categories in the financial year 2020.

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

Interests in entities accounted for using the equity method are recognised proportionately to the equity held by Oberbank. If there is objective evidence for impairment of an investment accounted for using the equity method, a recoverable value is calculated on the basis of the estimated future cash flows that are to be expected from the associate. Cause for an impairment test is given when the fair value drops by at least 20% below the amortised cost or if this decline persists over a period of more than nine months at a level below amortised cost. The present value is calculated on the basis of the discounted cash flow model. As regards the impairment losses in the financial year 2020, see also 2.2) Effects of the COVID-19 pandemic on the Group.

Intangible assets and property, plant and equipment

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

Property, plant and equipment (including investment property) was measured at the cost less depreciation/amortisation. If impairment is expected to be permanent, a write-off is recognised. The assets are amortised on a straight-line basis over their expected useful lives. The following average useful lives are applied at Oberbank: buildings used for banking operations: ten to 40 years; business equipment and furnishings: four to 20 years; standard software: four years.
Furthermore, these items are tested for impairment on each balance sheet date. During this test, Oberbank determines the recoverable value for the asset. This value corresponds to the higher of the utility value or the net sales value. If the fair market value is below the carrying value of the asset, impairment losses in the amount of the difference are recognised in income.
Property, plant and equipment has also included the capitalised right-of-use assets pursuant to IFRS 16 since 1 January 2019.

Lease contracts in which Oberbank is lessee

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

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

Leasing (as lessor) and investment property

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

Derivatives

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

Deferred tax

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

Trading liabilities

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

Amounts owed to credit institutions and customers

These are recognised at amortised cost. An exception are hedged items for which the fair value option was used.

Securitised liabilities

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

Provisions for liabilities and charges

a) Provisions for staff benefits

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

- An interest rate (long-term capital market interest rate) of 0.75% (pr. yr: 1.00%);
- Annual salary increases of 2.83% (pr. yr. 2.91%) and increases in post-employment benefits of 1.68% (pr. yr. 1.65%);
- In accordance with the transitional provisions of the Austrian pension system reform, the individually determined retirement age for men is between 65 years and for women between 59 and 65 years.

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

b) Other provisions for liabilities and charges

Other provisions were created if there was a reliable and determinable legal or actual obligation to a third party and if it appeared probable that this liability would give rise to an outflow of funds in the future.

Provisions were set up in the amount of the best possible estimate of the expense required to settle the respective liability.

Other liabilities

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

Equity

In accordance with a resolution of the Annual General Meeting held on 28 April 1999, Oberbank's share capital was converted from Austrian schillings to euro and from par-value shares to no-par shares. On the occasion of the capital increase in 2000, carried out pursuant to a resolution of the Annual General Meeting held on 27 April 2000, the share capital was increased from EUR 58,160,000.00 to EUR 60,486,400.00 through the issuance of 320,000 ordinary shares. Pursuant to a resolution of the Annual General Meeting held on 22 April 2002, Oberbank's share capital was increased to EUR 70 million from company funds. With the capital increase in financial year 2006 adopted by resolution of the Annual General Meeting of 9 May 2006, the share capital was increased to EUR 75,384,615.38 through the issuance of 640,000 ordinary shares. With the resolution of the Annual General Meeting held on 14 May 2007, Oberbank's share capital was increased to EUR 75,721,153.84 through the issuance of 40,000 ordinary shares (conditional capital increase). A further conditional capital increase through the issuance of 30,000 ordinary shares was carried out in the 2008 financial year. The share capital of Oberbank thus increased to EUR 75,973,557.69. Pursuant to the resolution of 27 May 2008, Oberbank carried out a 3:1 stock split and a capital increase out of company funds, raising the share capital to EUR 81,270,000.00. By resolution of the Management Board of 30 September 2009, a capital increase at a ratio of 1:16 was carried out in October 2009, raising the share capital to EUR 86,349,375.00.

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

The 135th Annual General Meeting of Oberbank AG held on 19 May 2015, retracted the resolution passed at the 132nd Annual General Meeting of 8 May 2012 to the extent not yet used and authorised the management board to increase the share capital for contributions in cash by up to EUR 10,500,000.00 by issuing up to 3,500,000 ordinary no-par value bearer shares – if required in several tranches - within five years of the corresponding amendment to the Articles of Association being registered in the Companies Register. The management board made use of this authorisation by resolution of 8 September 2015 to issue 1,535,100 Oberbank ordinary no-par-value shares (capital increase 2015, No. 2). The offer price was EUR 48.03 per share. The capital increase raised the share capital to EUR 96,711,300.00 and the appropriated capital reserves to EUR 349,127,268.06.

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

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

The share capital of Oberbank has since this time consisted of 35,307,300 no-par bearer shares. The general meeting of preference shareholders of Oberbank AG of 9 June 2020 adopted a special resolution pursuant to § 129 (3) Joint Stock Companies Act giving its consent to the resolution adopted by the Annual General Meeting of 20 May 2020 to convert all existing preference shares of Oberbank AG into ordinary shares by repealing the preferential treatment pursuant to § 129 (1) Joint Stock Companies Act and the relevant amendment to the Articles of Association in § 4. The conversion of preference shares into ordinary shares took effect with the entry of the amendment to the Articles of Association of Oberbank AG in the Companies Register on 7 November 2020.

Provided the Annual General Meeting gives its approval and taking into account the recommendation of the Financial Market Authority (FMA) regarding dividend distributions during the coronavirus pandemic, the proposal is made to distribute dividends based on the net profit of EUR 31,125,728.77 reported in the financial statements for the period ended on 31 December 2020

a) unconditionally on each share eligible for dividends, a dividend of EUR 0.58, and
b) on the conditions precedent that
   (i) the recommendation of the European Central Bank to restrict dividend distributions (Recommendation of the European Central Bank of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35 (ECB/2020/62) is no longer applicable for Oberbank AG on 31 December 2021 or earlier, and
   (ii) provided that at the time the aforementioned condition precedent occurs, no other legal restriction or recommendation imposed by a supervisory body is in place that would preclude an additional distribution in this amount,

to distribute additionally a dividend of EUR 0.17 on every eligible share.

On the reporting date, 11,806,519 Oberbank shares were held directly by the company itself or by associated entities. Additional proceeds (premiums) from the issuance of own shares were recognised in capital reserves. Retained earnings include the Group's reinvested profits as well as all consolidation entries recognised in the income statement. The revaluation reserves take into account the value changes arising from debt securities with reclassification, equity instruments without reclassification and own credit risk. The reserves attributable to associated companies are equivalent to the difference between historic acquisition costs and the carrying amount of associated companies accounted for using the equity method.

Additional equity capital components

To date, Oberbank AG has carried out two issues of Additional Tier 1 bonds with a total volume of EUR 50 million.
These issues are subordinate to Tier 2 instruments (supplementary capital, subordinate capital) and senior bonds. These are all equivalent to each other and to Additional Tier 1 instruments as well as to liabilities from existing hybrid capital instruments. They have preference status over shares and other CET1 capital instruments.
Interest payments are based on the nominal amount and are fixed until the first possible premature repayment date. Subsequently, it is switched to variable interest rates. Interest is only permitted to be paid from eligible items. The issuer has the right to waive interest payments at its discretion. It is not permitted for interest previously waived to be paid out.
The bonds have unlimited maturities, but can be called by Oberbank AG at the fixed first premature repayment date, and afterwards, every five years on the coupon dates. The issuer has special call rights if the regulatory classification or the tax treatment of the concerned bonds changes.
Every premature call requires the prior consent of the competent supervisory authority. The bond holder does not have the right to call the bond.
If the CET 1 capital ratio of the issuer or of Oberbank Group is lower than 5.125%, the nominal value of the bond is impaired to the extent necessary. Under certain legal conditions, the nominal value can be written up again.

Details of the income statement in €k

3) Net interest income	2020	2019
Interest income from		
Credit and money market operations	366,217	393,200
Shares and other variable-yield securities	1,701	6,978
Other equity investments	7,284	9,289
Subsidiaries	927	7,278
Fixed-interest securities and bonds	41,326	50,791
Interest and similar income	417,455	467,536
Interest expenses for		
Deposits	-46,316	-81,311
Securitised liabilities	-18,211	-20,723
Subordinated liabilities	-15,167	-19,707
Result of non-significant modifications	-832	0
Interest and similar expenses	-80,526	-121,741
Net interest income	336,929	345,795

Net interest income from financial assets in the measurement categories AC and FVOCI was €k 397,235 (pr.yr.: €k 434,310). The corresponding interest expenses on financial liabilities amounted to €k 61,356 (pr.yr. €k 88,155). Net interest income includes negative interest in the amount of €k 4,755 (pr.yr. €k 1,989) and the interest expenses include negative interest of €k 16,032 (pr.yr. €k 8,420).

4) Income from entities recognised using the equity method	2020	2019
Net amounts from proportionately recognised income	-6,475	29,739
Expenses from operating leases	-6,459	0
Income from additions due to purchases	4,919	0
Profit from entities accounted for by the equity method	-8,015	29,739

5) Charges for losses on loans and advances	2020	2019
Additions to charges for losses on loans and advances	-99,098	-98,748
Direct write-offs	-1,628	-1,101
Reversals of charges for losses on loans and advances	57,756	83,875
Recoveries of written-off receivables	2,680	2,860
Result of non-significant modifications	7	2
Result of POCI financial instruments	-1,547	902
Charges for losses on loans and advances	-41,830	-12,210

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

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

1) Balance of market and creditworthiness-induced modifications

	Stage 1:	Stage 2:	Stage 3:		
Modified financial assets in FY 2019	**12-M ECL**	**LT-ECL**		**POCI**	**Total**
At amortized cost before modification	0	9,844	0	0	9,844
Result of non-significant modifications	0	2	0	0	2

6) Net commission income	2020	2019
Net fee and commission income		
Payment services	60,725	61,424
Securities business	65,863	58,298
Foreign exchange, foreign bank notes and precious metals	16,623	16,786
Credit operations	41,633	40,103
Other service and advisory business	6,016	4,165
Total net fee and commission income	190,860	180,776

Net fee and commission expenses		
Payment services	4,223	4,538
Securities business	7,967	7,825
Foreign exchange, foreign bank notes and precious metals	584	561
Credit operations	5,678	4,430
Other service and advisory business	1,734	374
Total fee and commission expenses	20,186	17,728
Net fee and commission income	170,674	163,048

This item includes income in the amount of €k 4,595 (pr. yr. €k 4,398) from asset management for the account of third parties.

7) Net trading income	2020	2019
Gains/losses on interest rate contracts	-301	1,144
Gains/losses on foreign exchange, foreign bank notes and numismatic business	4,230	2,649
Gains/losses on derivatives	-2,477	-1,445
Net trading income	1,452	2,348

8) Administrative expenses	2020	2019
Staff costs	179,083	174,870
Other administrative expenses	86,920	86,658
Write-offs and impairment allowances	28,921	27,417
Administrative expenses	294,924	288,945

Pension fund contributions were €k 3,739 (previous year: €k 3,705).

9) Other operating income	2020	2019
a) Net income from financial assets - FVPL	8,531	27,356
thereof from designated financial instruments	7,167	4,355
thereof financial instruments with mandatory measurement at FVPL	1,364	23,001
b) Net income from financial assets - FVOCI	-192	227
thereof from the measurement of debt instruments	-344	-184
thereof from the sale and derecognition of debt instruments	152	411
c) Net income from financial assets - AC	765	1,617
d) Other operating profit/loss	-5,890	7,259
Other operating income:	**45,033**	**51,740**
Income from operational risks	11,016	18,068
Gains from the sale of land and buildings	760	556
Income from private equity investments	2,653	1,888
Income from operating leases	15,347	17,069
Other income from the leasing sub-group	6,931	6,407
Brokerage fees from third parties	3,635	3,421
Other	4,691	4,331
Other operating expenses	**-50,923**	**-44,481**
Expenses from operational risks	-5,493	-7,520
Stability tax	-4,954	-4,711
Contributions to the resolution fund	-9,216	-7,692
Allocation to the deposit protection fund	-6,421	-2,082
Expenses from operating leases	-13,840	-14,966
Other income from the leasing sub-group	-6,282	-6,312
Other	-4,717	-1,198
Other operating income net of other operating expenses	3,214	36,459

In the financial year, Oberbank sold three financial assets which were recognised at amortised cost. The assets were sold because they no longer matched the portfolio of the Oberbank Group due to their credit rating. The sale yielded a profit of €k 764.7. See Note 47) for more on operational risks.

10) Income taxes

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

	2020	2019
Current income tax expense	43,629	45,700
Deferred income tax expenses /income	358	14,424
Income taxes	**43,987**	**60,124**

Reconciliation: Relation between computational and effective reported income taxes:

	2020	2019
Current income tax expense	43,629	45,700
Deferred income tax expenses/income	358	14,424
Income taxes	43,987	60,124
Profit/loss for the year before tax	167,500	276,234
Computed tax expense 25%	41,875	69,059
Income and expenses taken directly to equity	-706	-715
Tax savings arising due to tax-exempt income from equity investments	-2,064	-4,058
Tax savings from profits accounted for using the equity method	2,004	-7,426
Tax expenses (+)/ income (-) prev. years	2,953	3,075
Tax savings from other tax-exempt income	-282	-1,834
Tax incurred as a result of non-deductible expenses	114	1,790
Tax savings from loss carry-forwards used	540	407
Tax effects from differing tax rates	-447	-174
Deferred income tax expenses/income	43,987	60,124
Effective tax rate	26.26%	21.77%

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

	2020			2019		
	Net profit before tax	Income taxes	Income after tax	Income before tax	Income taxes	Net income
Actuarial gains/losses pursuant to IAS 19	-7,654	1,913	-5,740	-21,296	5,324	-15,972
Value changes in debt securities IFRS 9 recognised in equity with reclassification	-1,563	391	-1,172	-1,230	308	-923
Value changes in equity instruments IFRS 9 recognised in equity without reclassification	625	-14,734	-14,109	14,977	-784	14,194
Value changes in own credit risk IFRS 9 recognised in equity without reclassification	20,867	-5,217	15,650	2,222	-556	1,667
Currency exchange differences	-4,298	0	-4,298	-596	0	-596
Share from entities recognised using the equity method	-6,342	0	-6,342	-12,563	0	-12,563
Total	**-1,635**	**17,646**	**-16,011**	**-18,486**	**4,292**	**-14,193**

11) Earnings per share in €	**2020**	**2019**
Number of shares as at 31/12	35,307,300	35,307,300
Average number of shares in issue	35,133,622	35,276,409
Profit for the year after tax	123,513	216,111
Earnings per share in €	3.52	6.13

Since no financial instruments with diluting effect were issued, diluted earnings per share were identical with undiluted earnings per share. In the course of the financial year 2020, the preference shares issued were converted into no-par ordinary shares. Therefore, earnings per share as at 31 December 2020 refer only to ordinary shares (see Note 11). In the preceding year, earnings per share were the same for both ordinary and preference shares.

Details of the balance sheet in €k

12) Cash and balances at central banks	2020	2019
Cash in hand	162,148	98,007
Credit balances with central banks of issue	1,943,836	273,503
Cash and balances at central banks	2,105,984	371,510

13) Loans and advances to credit institutions	2020	2019
Loans and advances to Austrian credit institutions	79,498	130,625
Loans and advances to foreign credit institutions	889,410	1,391,580
Loans and advances to credit institutions	968,908	1,522,205
Loans and receivables to credit institutions by maturity		
On demand	157,187	153,692
Up to 3 months	752,139	1,277,442
3 months to 1 year	1,257	59,984
1 to 5 years	42,219	14,193
Over 5 years	16,106	16,894
Loans and advances to credit institutions	968,908	1,522,205

14) Loans and advances to customers	2020	2019
Loans and advances to domestic customers	10,210,754	9,855,662
Loans and advances to foreign customers	7,053,911	6,714,539
Loans and advances to customers	17,264,665	16,570,201
Loans and advances to customers by maturity		
On demand	2,643,819	2,748,574
Up to 3 months	1,128,435	996,559
3 months to 1 year	1,817,531	1,845,389
1 to 5 years	6,763,041	6,308,728
Over 5 years	4,911,839	4,670,951
Loans and advances to customers	17,264,665	16,570,201
Leasing business (finance leasing), gross investment value		
Up to 3 months	101,957	88,351
3 months to 1 year	303,502	302,239
1 to 5 years	925,019	973,015
Over 5 years	240,453	220,385
Total	1,570,931	1,583,990
Unrealised finance income		
Up to 3 months	7,805	6,625
3 months to 1 year	16,226	16,994
1 to 5 years	36,107	40,312
Over 5 years	9,974	11,267
Total	70,112	75,198
Net investment value		
Up to 3 months	94,152	81,726
3 months to 1 year	287,276	285,245
1 to 5 years	888,912	932,703
Over 5 years	230,479	209,118
Total	1,500,819	1,508,792
Cumulated impairment allowances	12,900	11,629

15) Impairment provisions	see Note 43, “Credit risk”

16) Trading assets	2020	2019
Bonds and other fixed-interest securities		
Listed	206	0
Shares and other variable-yield securities		
Listed	551	1,975
Positive fair values of derivative financial instruments		
Currency contracts	5,239	2,696
Interest rate contracts	41,438	36,278
Other contracts	0	0
Trading assets	47,434	40,949

17) Financial investments	2020	2019
Bonds and other fixed-interest securities		
Listed	1,877,632	2,088,809
Unlisted	60,568	77,480
Shares and other variable-yield securities		
Listed	91,656	96,186
Unlisted	214,284	207,822
Equity investments/shares		
Subsidiaries	94,468	92,673
Entities accounted for using the equity method		
Banks	476,421	449,932
Non-banks	420,724	464,145
Other equity investments		
Banks	46,441	39,990
Non-banks	122,035	126,730
Financial investments	3,404,229	3,643,767
a) Financial assets - FVPL	560,251	533,355
b) Financial assets FVOCI	487,826	498,075
thereof equity instruments	329,186	327,400
thereof debt instruments	158,640	170,675
c) Financial assets - AC	1,459,007	1,698,260
d) Interests in entities accounted by the equity method	897,145	914,077
Financial investments	3,404,229	3,643,767

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

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

Financial assets in equity instruments refer especially to non-consolidated investments and shares in subsidiaries, see Note 41), as well as investments in Lenzing AG, Energie AG Oberösterreich, Oesterreichische Kontrollbank AG and Linz Textil AG. In the financial year 2020, one equity instrument was liquidated which at the time of derecognition had a fair value of €k 867.2. The cumulated profit from the liquidation was €k 0.0. There was no reclassification within equity in the reporting year.
In the preceding year, one divestment concerned a financial instrument which at the time of derecognition had a fair value of €k 6,214.8 and no longer fit into the portfolio of the Oberbank Group. The cumulated profit from the sale was €k 0.0.

Financial assets **Equity capital instruments FVOCI 31/12/2019**	fair value	Dividends received from instruments derecognised in the reporting year	 instruments held on the reporting date
Securities	88,639	0	5,104
Equity investments	149,181	0	9,289
Investments in subsidiaries	89,580	0	7,278
	327,400	0	21,670

18) Intangible assets	**2020**	**2019**
Other intangible assets	1,861	1,281
Customer base	342	392
Intangible assets	2,203	1,673

19) Property, plant and equipment	**2020**	**2019**
Investment property	89,656	92,739
Land and buildings	89,314	93,212
Business equipment and furnishings	58,124	63,067
Other property, plant and equipment	24,039	25,193
Right of use for leased objects	143,218	140,583
Property, plant and equipment	404,351	414,794

The Group owned land and buildings used by others with a carrying value of €k 89,656 (pr. yr. €k 92,739); these properties had a fair value of €k 105,150 (pr. yr. €k 107,450). The fair value is assignable to level 3 and is calculated using internal models. Rental income during the reporting year came to €k 4,486 (pr. yr. €k 4,604); the associated expenses (including depreciation) amounted to €k 3,099 (pr. yr. €3,083). The disposability of these properties is restricted by purchase option rights contractually granted to the lessees. The non-guaranteed residual values attributable to the leasing business amount to €k 51,688 (pr. yr. €k 52,917).

Leasing (operating leases) as lessor: future minimum lease payments	**2020**	**2019**
Up to 3 months	3,959	4,405
3 months to 1 year	10,355	11,940
1 to 5 years	32,738	35,545
Over 5 years	10,854	21,533
Total	57,906	73,423

20) Lease contracts in which Oberbank is lessee

The lease contracts entered into by Oberbank relate mainly to rentals for branch premises and office space as well as to building rights and tenancy right for plots of land, garages, business equipment and furnishings, and vehicles. The leasing contracts do not involve any significant restrictions or commitments. There were no sale-and-leaseback transactions.

The results in the consolidated balance sheet, consolidated income statement and consolidated statement of cash flows for Oberbank as a lessee are presented below for the financial year 2020:

Leasing in the consolidated balance sheet	**31/12/2020**	**31/12/2019**
Property, plant and equipment	143,218	140,583
Right of use for land and buildings	140,339	137,639[1)]
Right of use for business equipment and furnishings	590	534
Right of use for other property, plant and equipment	1,566	1,530
Right-of-use in investment property	723	880[1)]
Other liabilities		
Leasing liabilities	143,934	140,991

[1)]The preceding year's figures were adjusted

Additions to right of use in the financial year 2020 after initial capitalisation amounted to €k 23,482. Cash outflows for leasing liabilities amounted to €k 15,599. When measuring leasing liabilities, future cash outflows from uncertain prolongation options of €k 12,511 were not considered.

Leasing liabilities (gross) by maturity	2020	2019
Up to 3 months	3,686	3,622
3 months to 1 year	10,678	10,642
1 to 5 years	49,420	49,753
Over 5 years	80,151	82,602
Total	143,934	146,619

Leasing in the consolidated income statement	01/01 - 31/12/2020	01/01 - 31/12/2019
Interest expenses for leasing liabilities	786	858
Administrative expenses	15,123	14,345
Depreciation/amortisation for rights-of-use to land and buildings	13,915	13,094[1)]
Depreciation/amortisation for rights-of-use for business equipment and furnishings	267	239
Depreciation/amortisation for rights-of-use to other property, plant and equipment	784	855
Depreciation/amortisation for rights-of-use to investment property	157	157[1)]
Other expenses from lease contracts	1,447	2,730
Other operating income		
Income from subleasing rights-of-use	851	829

[1)]The preceding year's figures were adjusted

Leasing in the consolidated statement of cash flows	01/01 -	01/01 -
Repayment of leasing liabilities from finance activities	-15,599	-14,795
Interest expenses for leasing liabilities from operating activities	786	858

21) Other assets	2020	2019
Deferred tax assets	7,388	25,367
Other assets	70,751	112,406
Positive fair values of closed out derivatives in the banking book	153,306	118,657
Deferred items	3,710	7,500
Other assets	235,155	263,930

Deferred tax assets/liabilities

	Deferred taxes 2020		Deferred taxes 2019	
	Assets	Equity and liabilities	Assets	Equity and liabilities
Cash and balances at central banks	122	0	0	0
Loans and advances to credit institutions	0	-52	0	-1
Loans and advances to customers	10,317	-6,063	2,377	-5,539
Loan loss provisions *)	0	0	7,095	-37
Trading assets	0	-11,535	0	-9,563
Financial investments	370	-41,284	405	-24,051
Financial assets FVPL	0	-19,647	0	-17,310
Financial assets FVOCI (with recycling)	0	-6,182	0	-5,620
Financial assets FVOCI (without recycling)	0	-15,455	21	-1,121
Financial assets AC	347	0	355	0
Entities accounted for using the equity method	23	0	29	0
Intangible assets	0	-83	0	-96
Property, plant and equipment	269	-35,625	203	-35,017
Other assets	0	-23,994	2	-16,991
	11,079	-118,636	10,081	-91,294
Amounts owed to credit institutions	320	0	388	0
Amounts owed to customers	15,018	0	16,534	0
Securitised liabilities	7,931	0	5,215	0
Provisions for staff benefits	29,498	0	29,505	-4
Other provisions	10,562	0	6,873	0

Other liabilities	42,481	-235	37,415	-267
Subordinated debt capital	5,264	0	6,654	0
Untaxed reserves/valuation reserves	0	-247	0	-220
	111,075	-482	102,584	-491
Capitalized tax loss carry-forwards	647	0	740	0
Deferred tax assets/liabilities	122,800	-119,118	113,405	-91,785
Balance of deferred tax assets/liabilities to the same fiscal authority	-115,412	115,412	-88,038	88,038
Balance of deferred tax assets/liabilities	7,388	-3,706	25,367	-3,747

*) Separate reporting of risk provisions on the balance sheet has been discontinued as of 31/12/2020; rather the respective balance sheet items are presented as net amounts (i.e. after deduction of risk provisions).

No deferred tax assets were reported for loss carry-forwards from the Leasing subgroup in the amount of €k 1,780 as at 31 December 2020 (pr.yr. €k 1,638), because their consumption within the foreseeable future does not appear feasible from today's perspective.
No deferred tax liabilities were recognised on the temporary differences from interests in subsidiaries, joint ventures and associates held by Group companies in an amount of €k 662,214 (pr. yr. €k 683,761) in accordance with IAS 12.39, because the temporary differences are not expected to reverse in the foreseeable future. The temporary differences concern reinvested profit shares which were not intended for distribution and will remain tax-free in the foreseeable future. Therefore – excluding tax-free profit distribution by subsidiaries – the hypothetical tax debt of €k 165,553 (pr. yr. €k 170,940) was not recognized as at 31 December 2020.

22) Amounts owed to credit institutions	**2020**	**2019**
Amounts owed to domestic banks	3,336,015	2,824,684
Amounts owed to foreign banks	1,729,629	1,971,149
Amounts owed to credit institutions	5,065,644	4,795,833
Amounts owed to credit institutions, by maturity		
On demand	1,006,563	979,814
Up to 3 months	343,457	925,704
3 months to 1 year	57,452	388,425
1 to 5 years	2,274,624	1,259,000
Over 5 years	1,383,548	1,242,890
Amounts owed to credit institutions	5,065,644	4,795,833

The balance sheet item Amounts owed to credit institutions contains a payable from the TLTRO III refinancing programme of the ECB of EUR 1,500 million. This refinancing obtained on 24 June 2020 of the 4th series has an interest rate of -0.5%, resulting in proportionate negative interest expenses of €k 3,958.3 for the financial year 2020. The interest rate is in conformity with market refinancing compared to deposits of our customers and other comparable secured loans. Therefore, we recognized the refinance liability as a financial instrument pursuant to IFRS 9. Provided lending growth is achieved in the defined period of observation, the negative interest rate for this refinancing would decline by a further -0.5%. However, since it is not sufficiently certain that this condition will be met, a potential further decrease in interest that may be expected for the relevant period in the financial year 2020 was not yet recognized in income. Should there be a change to our assessment of the fulfilment of the lending requirements, this would be treated as a change in our assessment pursuant to IFRS 9.B5.4.5 and recognized in income in future periods.

23) Amounts owed to customers	**2020**	**2019**
Savings deposits	2,660,875	2,697,443
Other	10,426,293	9,283,208
Amounts owed to customers	13,087,168	11,980,651
Amounts owed to customers by maturity		
On demand	11,304,481	9,809,913
Up to 3 months	404,018	462,778
3 months to 1 year	556,124	759,586
1 to 5 years	447,346	496,049
Over 5 years	375,199	452,325
Amounts owed to customers	13,087,168	11,980,651

24) Securitised liabilities	2020	2019
Bonds issued	1,839,717	1,649,309
Other securitised liabilities	14,288	13,554
Securitised liabilities	1,854,005	1,662,863
Securitised liabilities by maturity		
Up to 3 months	31,497	82,410
3 months to 1 year	147,836	100,686
1 to 5 years	495,032	653,465
Over 5 years	1,179,640	826,302
Securitised liabilities	1,854,005	1,662,863

25) Provisions for liabilities and charges	2020	2019
Provisions for termination benefits and pensions	201,775	199,541
Provisions for anniversary bonuses	15,778	14,962
Provisions for credit risks	117,159	121,764
Other provisions	38,129	45,095
Provisions for liabilities and charges	372,841	381,362

Movement in provisions for termination benefits and pensions	2020	2019
Provisions as at 01/01	199,541	183,053
Allocated to/reversed from provisions for termination benefits	753	3,569
Allocated to/reversed from provisions for pensions	1,481	12,919
Provisions balance as at 31/12	201,775	199,541

Presentation of obligations under defined benefit plans pursuant to IAS 19	2020	2019
Plan assets	0	0
Provisions for termination benefits	50,301	49,548
Provisions for pensions	151,474	149,993
Provisions for anniversary bonuses	15,778	14,962
Total obligations under defined benefit plans	217,553	214,503

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

The legal basis for the provisions for termination benefits is the Austrian Salaried Employees Act (AngG, § 23) as well as the valid collective agreement for the banking sector (§ 32). Pursuant to §32 of the collective agreement, employees with a minimum service period of five years are entitled to termination benefits in the amount of two monthly salaries in addition to their claims in accordance with the Salaried Employees Act (Severance Pay OLD) and BMSVG (Corporate Employee and Self-Employed Pension Act; Severance Pay NEW), respectively. As at 31 December 2020, 755 employees were included in the "Severance Pay OLD” system (94.0% of the entire volume of provisions) and 1,106 employees were carried in the "Severance Pay NEW" system.

The legal basis for the provisions for pensions is the collective bargaining agreement on the reform of pension entitlements (pension reform of 1997) as well as pension commitments based on individual contracts. As at 31 December 2020, provisions for pensions within the Oberbank Group included 493 pension beneficiaries (74.80% of the total volume of provisions) and 315 employees in active service (25.2% of total provisions). Most of the 313 active staff members are entitled to a pension based on acquired vested rights as calculated for the cut-off date of 1 January 1997 and value-adjusted for salary increases in accordance with the collective agreement on an annual basis. This group of employees account for almost 14.7% of total provisions.

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

Disability: If an employee is granted a disability pension, the Austrian pension law in force before 1 January 1997 is applicable, meaning that the Bank's contribution is a transitional pension (total pension) calculated on the basis of the last salary and taking into account pension fund contributions financed by the Bank. No disability pension was granted in 2020.

Administrative pension: Upon termination of an employment contract by the Bank, active employees entitled to a pension based on acquired vested rights are entitled to an administrative pension calculated on the basis of the last salary, which is paid until such person becomes entitled to a statutory pension pursuant to the provisions laid down in the Austrian General Social Insurance Act (ASVG). As of this date a transitional pension is disbursed (calculated on the basis of a fictitious ASVG pension). There were no such cases in 2020.

The legal basis for the provisions for anniversary bonuses is the company agreement with the Works Council. Entitlements are staggered as follows: three monthly salaries after 25 years' service; four monthly salaries after 40 years' service. As at 31 December 2020, provisions for anniversary bonuses covered the entitlements of 1,465 persons. No provisions have been set up for 379 persons (44 have already received their anniversary bonuses; 284 persons will reach retirement age prior to the entitlement date for the anniversary bonus, 51 persons started employment in HY2 2020 – for these persons no provisions are set aside).

Movements in provisions for termination benefits, pensions and similar obligations	**2020**	**2019**
Present value of defined benefit provisions as at 01/01	**214,503**	**196,750**
Recognised in the income statement		
+ Service cost	4,289	3,838
+ Interest cost	2,120	3,372
Subtotal	**220,912**	**203,960**
Revaluation effects		
Recognised directly in equity in Other comprehensive income		
-/+ Actuarial gain/loss	7,436	20,965
- Financial assumptions	29,499	19,793
- Demographic assumptions	0	0
- Experience-based assumptions	-22,063	1,172
-/+ Gains / losses on plan assets	0	0
-/+ Gains / losses from exchange rate movements	0	0
Recognised in the income statement	272	786
Subtotal	**7,708**	**21,751**
Other		
Payments for plan settlements	0	0
- Payments during the reporting year	-11,067	-11,208
- Other changes	0	0
Subtotal	**-11,067**	**-11,208**
Provisions recognised as at 31/12	**217,553**	**214,503**

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

Important actuarial assumptions for calculating the present values of defined benefit obligations	**2020**	**2019**
Interest rate applied	0.75%	1.00%
Increase under collective agreements	2.83%	2.91%
Pension increase	1.68%	1.65%
Fluctuation	none	none
Retirement age women	59–65 years	59–65 years
Retirement age men	65 years	65 years
Mortality tables	AVÖ 2018	AVÖ 2018

Assuming that the computational parameters remain unchanged, we anticipate a reversal of provisions for termination benefits, pensions and similar obligations of about EUR 3.7 million in the financial year 2021.

The present value of post-retirement benefit obligations was €k 217,880 for the financial year 2013, €k 246,475 for the financial year 2014, €k 190,317 for the financial year 2015, €k 185,058 for the financial year 2016, €k 184,732 for the financial year 2017, and €k 196,750 for the financial year 2018.

Sensitivity analysis

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

in €k	Termination benefits	Pensions	Anniversary bonuses
Interest rate applied + 0.5%	47,264	141,351	-
Interest rate applied - 0.5%	52,776	162,848	-
Collective agreement increase + 0.5%	52,701	152,700	-
Collective agreement increase - 0.5%	47,303	150,296	-
Pension increase + 0.5%	-	160,912	-
Pension increase - 0.5%	-	142,842	-

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

Maturity profile

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

in €k	Termination benefits	Pensions	Anniversary bonuses
2021	1,948	7,109	-
2022	2,299	6,847	-
2023	2,163	6,587	-
2024	5,048	6,902	-
2025	2,438	6,679	-
Total of anticipated disbursements of benefits in the next five years	13,896	34,124	-

Maturity

The following table shows the weighted average term to maturity of defined benefit obligations as at 31 December 2020:

In years	Termination benefits	Pensions	Anniversary bonuses
Maturity	9.66	14.48	-

Movements in other provisions for liabilities and charges	Provisions for anniversary bonuses	Loan loss provisions	Other provisions
At 01/01	14,962	121,764	45,095
Allocated	816	23,242	5,167
Used / exchange differences / effect of proportionate consolidation / reclassification	0	-8,127	-921
Reversed	0	-19,720	-11,212
Balance as at 31/12	15,778	117,159	38,129

These are primarily short-term provisions.

26) Other assets	2020	2019
Trading liabilities	42,799	38,092
Tax liabilities	6,638	3,997
Current tax liabilities	2,932	250
Deferred tax liabilities[1)]	3,706	3,747
Leasing liabilities	143,934	140,991
Other liabilities	237,262	238,459
Negative fair values of closed out derivatives in the banking book	39,932	35,030
Deferred items	58,065	68,699
Other liabilities	528,630	525,268

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

27) Other liabilities (share of trading liabilities)	2020	2019
Currency contracts	1,875	2,877
Interest rate contracts	40,924	35,215
Other contracts	0	0
Trading liabilities	42,799	38,092

28) Subordinated debt capital	2020	2019
Subordinated bonds issued incl. tier 2 capital	485,775	522,515
Hybrid capital	0	0
Subordinated debt capital	485,775	522,515

Subordinated debt capital, by maturity		
Up to 3 months	26,220	43,794
3 months to 1 year	6,674	50,318
1 to 5 years	222,367	202,883
Over 5 years	230,514	225,520
Subordinated debt capital	485,775	522,515

Development of subordinated debt capital		
As at 01/01	522,515	582,598
Changes to cash on hand resulting in payments	-28,536	-59,288
thereof payments from issues	55,801	67,712
thereof repurchase/repayment	-84,337	-127,000
Changes in non-cash positions	-8,205	-796
thereof changes in the fair value	-5,557	-557
thereof other changes	-2,648	-239
As at 31/12	485,775	522,515

29) Shareholders' equity	2020	2019
Subscribed capital	105,381	105,844
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	2,368,439	2,288,601
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Share of non-controlling shareholders	7,651	8,697
Shareholders' equity	3,038,866	2,960,537
Development of shares in issue (units)		
Shares in issue as at 01/01	35,281,583	35,256,387
New shares issued	0	0
Treasury shares purchased	-558,314	-333,568
Treasury shares sold	403,793	358,764
Shares in issue as at 31/12	35,127,062	35,281,583
Plus own shares held by the Group	180,238	25,717
Shares in issue as at 31/12	35,307,300	35,307,300

The carrying value of own shares held was EUR 15.1 million (pr. yr. EUR 2.4 million) on the balance sheet date.

30) Non-current assets statement

Movements in intangible assets and property, plant and equipment	Intangible Assets	Property, plant and equipment	thereof investment property
Cost of acquisition/conversion as at 1/1/2020	20,536	689,434	121,224
Currency exchange differences	-83	-1,165	0
Transfers	0	0	0
Additions	862	42,848	0
Disposals	0	28,522	0
Cumulated depreciation	19,112	298,244	31,568
Carrying value 31/12/2020	2,203	404,351	89,656
Carrying value 31/12/2019	1,673	414,794	92,739
Depreciation during the reporting year	335	39,635	3,083

Of total depreciation of property, plant and equipment in the reporting year, €k 11,049 assignable to operating leases are shown in the line item Other operating income.

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

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

31) Fair value of financial instruments and other items regarding reconciliation as at 31/12/2019 (upper line: respective carrying amount, lower line: amount as fair value)

	AC	FVTPL	thereof	HFT	FVOCI	thereof equity instruments FVOCI	thereof debt instruments FVOCI	AC/ liabilities	Other	Total
Cash and balances at central banks								371,510		**371,510**
								371,510		**371,510**
Loans and advances to credit institutions								1,522,205		**1,522,205**
								1,523,272		**1,523,272**
Loans and advances to customers	41,131	56,684	41,666		41,358		41,358	16,431,028		**16,570,201**
	41,902	56,684	41,666		41,358		41,358	16,739,107		**16,879,051**
Trading assets				40,949						**40,949**
				40,949						**40,949**
Financial investments	1,698,259	533,355	280,617		498,075	327,399	170,676		914,077	**3,643,767**
	1,768,546	533,355	280,617		498,075	327,399	170,676			
Intangible assets									1,673	**1,673**
Property, plant and equipment									414,794	**414,794**
Other assets				118,657					145,272	**263,930**
				118,657						
thereof closed out derivatives positions in the banking book				118,657						**118,657**
				118,657						**118,657**
Total assets			322,283			327,399				
	1,739,390	**590,039**		**159,606**	**539,433**		212,034	**18,324,743**	**1,475,816**	**22,829,029**
Derivatives positions in the			322,283			327,399				
banking book	**1,810,448**	**590,039**		**159,606**	**539,433**		212,034	**18,633,889**		
Amounts owed to credit institutions		29,697	29,697					4,766,136		**4,795,833**
		29,697	29,697					4,773,943		**4,803,640**
Amounts owed to customers		487,754	487,754					11,492,897		**11,980,651**
		487,754	487,754					11,491,235		**11,978,989**
Securitised liabilities		640,164	640,164					1,022,700		**1,662,863**
		640,164	640,164					1,022,480		**1,662,644**
Provisions for liabilities and charges									381,362	**381,362**
Other liabilities				73,123					452,145	**525,268**
				73,123						
thereof closed out derivatives positions in the banking book				35,030						**35,030**
				35,030						**35,030**
Subordinated debt capital			443,096							
		443,096						79,419		**522,515**
Derivatives positions in the			443,096							
banking book		443,096						96,263		**539,359**
Capital									2,960,537	**2,960,537**
Total equity and liabilities		**1,600,710**	1,600,710	**73,123**				**17,361,152**	**3,794,044**	**22,829,029**
		1,600,710	1,600,710	**73,123**				**17,383,921**		

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

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

Liabilities designated at fair value through profit or loss	Cumulated changes to fair value due to a change to the own default risk (recognised in OCI)	Modification to fair value due to a change in market risk (recognised in P/L)		Difference in amount between carrying value and par value
	as at 31/12/2019	In the financial year 2019	Cumulated	as at 31/12/2019
Amounts owed to credit institutions	-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

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

Assets designated at fair value through profit or loss as at 31/12/2019			Modification to fair value due to adjusted default risk		Modification to fair value of related credit derivatives or similar instruments	
	Maximum default risk	Reduction due to related credit derivatives or similar instruments	In the reporting year	Cumulated	In the reporting year	Cumulated
Loans and advances to customers	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:

	31/12/2020	**31/12/2019**
Loans and advances to customers FVPL	74,678	56,684
Financial investments FVPL	560,251	533,355
Financial investments FVOCI	329,186	327,399
Trading assets	47,434	40,949
Derivatives in the banking book	153,306	118,657
Total	**1,164,855**	**1,077,044**

Fair value hierarchy of financial instruments			Carrying value						Fair value	
as at 31/12/2020 in €k	AC	FV/PL	HFT	FVOCI	AC / Liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial instruments carried at fair value										
Loans and advances to customers		74,678		37,769			**112,447**		62,146	50,301
Trading assets			47,434				**47,434**	505	46,929	
Financial assets - FVPL		560,251					**560,251**	320,553	239,698	
Financial assets FVOCI				487,826			**487,826**	246,608	3,919	237,299[1]
Other assets			153,306				**153,306**		153,306	
thereof closed out derivatives positions in the banking book			153,306				**153,306**		153,306	
Financial instruments not carried at fair value										
Loans and advances to credit institutions					968,908		**968,908**		971,177	
Loans and advances to customers	8,032				17,144,186		**17,152,218**		8,482	17,449,968
Financial assets - AC	1,459,008						**1,459,008**	1,458,314	57,367	
Financial liabilities carried at fair value										
Amounts owed to credit institutions		29,243					**29,243**		29,243	
Amounts owed to customers		414,034					**414,034**		414,034	
Securitised liabilities		891,803					**891,803**		891,803	
Other liabilities			82,730				**82,730**		82,730	
thereof closed out derivatives positions in the banking book			39,932				**39,932**		39,932	
Subordinated debt capital		372,365					**372,365**		372,365	
Financial liabilities not carried at fair value										
Amounts owed to credit institutions					5,036,401		**5,036,401**		5,013,317	
Amounts owed to customers					12,673,133		**12,673,133**		12,690,061	
Securitised liabilities					962,202		**962,202**		1,016,510	
Other liabilities										
Subordinated debt capital					113,410		**113,410**		128,845	

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

Fair value hierarchy of financial instruments			**Carrying value**						**Fair value**	
as at 31/12/2019 in €k	AC	FV/PL	HFT	FVOCI	AC / Liabilities	Other	**Total**	Level 1	Level 2	Level 3
Financial instruments carried at fair value										
Loans and advances to customers		56,684		41,358			**98,042**		45,789	52,253
Trading assets			40,949				**40,949**	1,890	39,059	
Financial assets - FVPL		533,355					**533,355**	305,122	228,233	
Financial assets FVOCI				498,075			**498,075**	255,341	3,973	238,761[1)]
Other assets			118,657				**118,657**		118,657	
thereof closed out derivatives positions in the banking book			118,657				**118,657**		118,657	
Financial instruments not carried at fair value										
Loans and advances to credit institutions					1,522,205		**1,522,205**		1,523,272	
Loans and advances to customers	41,131				16,431,028		**16,472,158**		41,902	16,739,106
Financial assets - AC	1,698,259						**1,698,259**	1,694,332	74,214	
Financial liabilities carried at fair value										
Amounts owed to credit institutions		29,697					**29,697**		29,697	
Amounts owed to customers		487,754					**487,754**		487,754	
Securitised liabilities		640,164					**640,164**		640,164	
Other liabilities			73,122				**73,122**		73,122	
thereof closed out derivatives positions in the banking book			35,030				**35,030**		35,030	
Subordinated debt capital		443,096					**443,096**		443,096	
Financial liabilities not carried at fair value										
Amounts owed to credit institutions					4,766,136		**4,766,136**		4,773,943	
Amounts owed to customers					11,492,897		**11,492,897**		11,491,235	
Securitised liabilities					1,022,700		**1,022,700**		1,022,480	
Other liabilities										
Subordinated debt capital					79,419		**79,419**		96,263	

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

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

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

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

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

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

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

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

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. the Black-Scholes, Hull & White, etc.). Structured products are measured on the basis of price information obtained from third parties.

All derivative instruments are measured on a counterparty-risk-free basis in a first step. In a second step, a credit risk markdown is determined (credit valuation adjustment, CVA) based on the internal default probabilities of an expected loss.

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

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

The sustained phase of low interest rates was aggravated by the coronavirus pandemic, 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 coronavirus pandemic.
An economic downswing triggered by the COVID-19 pandemic and the resultant potential downgrading of credit ratings of customers affects the calculation of fair values of level 3 financial instruments.

If measurements based on risk premiums were to increase by 50 bp, receivables from customers measured at fair value would decline by EUR 0.6 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 € 1.2 million.

The fair value of equity investments and shares in affiliated companies is measured primarily using the discounted cash flow entity method and/or mixed methods (multiples method in combination with the discounted cash-flow method) or other methods of company valuation.

Changes in the fair value hierarchy or classification take place whenever there is any change in the quality of the input parameters used in the valuation method. Classification adjustments are made at the end of the reporting period.

The following table shows the development of equity investments FVOCI measured at fair value and assigned to level 3. The fair value of 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	**2020**	**2019**
Carrying value as at 01/01	238,761	247,933
Additions (purchases)	162	105
Disposals (sales)	-859	-19,901
Initial recognition due to IFRS 9	0	0
Value changes recognised in equity	-765	10,624
Value changes recognised in income	0	0
Carrying value as at 31/12	**237,299**	**238,761**

The item Other comprehensive income from these instruments decreased by €k 15,145 (pr. yr. increase by €k 11,843).

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

	Significant, non-observable input factors	Relationship between significant, non-observable input factors and measurement at fair value
Equity investments FVOCI	Discounting rate 4.17% to 8.67% (pr. yr. 5.00% to 7.84%), weighted average 5.00% (pr. yr. 5.31%)	The estimated fair value would increase (drop) if the discounting rate were lower (higher).

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

	31/12/2020		31/12/2019	
in €k	**Increase**	**Reduction**	**Increase**	**Reduction**
Discounting rate (0.25% change)	-4,753	5,088	-4,656	4,501

The remaining level 3 financial instruments measured at fair value comprise loans and advances to customers and/or amounts owed to credit institutions and customers for which the fair value option was used.

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

There were no transfers between Level 1 and Level 2.

Movements in 2019 in €k	Loans and advances to customers
Carrying value as at 01/01	58,661
Transfer to level 2	0
Additions	0
Disposals (repayments)	-7,345
Changes in fair value	937
thereof disposals	-239
thereof portfolio instruments	1,176
Carrying value as at 31/12	**52,253**

There were no transfers between Level 1 and Level 2.

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

				Amounts not recognised		
	Financial assets gross	Gross amounts offset	Recognised financial assets net	Effects of netting arrangements	Financial instruments pledged	Net amount
Assets as at 31/12/2020						
Receivables from other banks	968,908		968,908			968,908
Loans and advances to customers	17,643,536	-378,871	17,264,665			17,264,665
Derivatives	199,446		199,446	-52,646	-90,226	56,574
Total	**18,811,890**	**-378,871**	**18,433,019**	**-52,646**	**-90,226**	**18,290,147**
Liabilities as at 31/12/2020						
Amounts owed to credit institutions	5,065,644		5,065,644			5,065,644
Amounts owed to customers	13,466,039	-378,871	13,087,168			13,087,168
Liabilities from central bank deposits transferred and securities repurchase agreements	1,593,846		1,593,846		-1,593,846	0
Derivatives	82,127		82,127	-52,646	-11,487	17,994
Total	**20,207,656**	**-378,871**	**19,828,785**	**-52,646**	**-1,605,333**	**18,170,806**
Assets as at 31/12/2019						
Receivables from other banks	1,536,846	-14,641	1,522,205			1,522,205
Loans and advances to customers	16,860,280	-290,079	16,570,201			16,570,201
Derivatives	156,909		156,909	-42,645	-62,511	51,753
Total	**18,554,035**	**-304,720**	**18,249,315**	**-42,645**	**-62,511**	**18,144,159**
Liabilities as at 31/12/2019						
Amounts owed to credit institutions	4,810,474	-14,641	4,795,833			4,795,833
Amounts owed to customers	12,270,730	-290,079	11,980,651			11,980,651
Liabilities from central bank deposits transferred and securities repurchase agreements	1,028,031		1,028,031		-1,028,031	0
Derivatives	72,394		72,394	-42,645	-8,920	20,829
Total	**18,181,629**	**-304,720**	**17,876,909**	**-42,645**	**-1,036,951**	**16,797,313**

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

32) Information on related parties

Total remuneration to the Management Board recognised in the consolidated financial statements amounted to €k 2,466.9 (pr. yr.: €k 2,266.1). The variable component therein was €k 511.0 (pr. yr. €k 482.0).

Payments to former members of the management board and their surviving dependents amounted to €k 1,241.0 (pr. yr. € 1,205.9). There were no additional compensation payments for pension entitlements to former members of the Management Board (including surviving dependents) in the financial year.

Expenses/income for termination benefits and pensions for members of the management board (including former members of the management board and their surviving dependents) came to €k 2,119.4 (pr. yr. €k 5,391.9). These amounts include changes recognised in equity (actuarial gains or losses from changes in the parameters used for the actuarial calculation of provisions for termination benefits and pensions).

The remuneration guidelines of Oberbank adopted by the Annual General Meeting 2020 with the corresponding majority provide for a well-balanced relationship between fixed and variable components, with the variable remuneration being limited to 40% of the fixed remuneration component. The fixed basic salaries depend on the specific remits of the Management Board members. Joint and personal performance elements of the management board members as well as the overall performance of Oberbank are taken into account in the variable component.

The key parameters used by the Remuneration Committee for the calculation of the variable components of the management board are as follows:

1 The decision takes into account up to 35% the sustained attainment of the strategic financial objectives based on the defined strategy and multi-year projections of the bank as measured by three earnings ratios: net profit before tax, return on equity before tax, and cost/income ratio in percentage.

2 Sustained compliance with risk allocation in accordance with the overall bank management strategy as measured by three risk indicators: common equity tier 1 capital ratio in percentage, NSFR, and risk/earnings ratio flow up to 35% into the decision.

3 Sustained attainment of strategic (incl. non-financial) goals, which are generally measured by the rating, ICAAP, sustainability rating, fluctuation ratio, customer and employee satisfaction, may raise the result of the calculation of 1 and 2 by a maximum of 20%.

4 The outcome is completed for every member of the management board separately due to the development of the specific areas of responsibility assigned to the member in accordance with the distribution of the remits, with the result from 1 to 3 being increased by a maximum of 10%.

Should the overall goal attainment reach 100%, the respective member of the management board would be entitled to a variable remuneration component of 30% of the fixed remuneration; however, it is capped at 40% in the event the goal is surpassed. For every percentage shortfall below the goal of 100%, one percentage point less variable remuneration is granted so that if goal attainment is 70% or less, no variable remuneration component is paid.

The assessment of Oberbank as a highly complex institution within the meaning of the circular issued by the Austrian Financial Market Authority (FMA) in December 2012 regarding remuneration policy implies that the variable remuneration component of Management Board members, the amount of which is determined by the Remuneration Committee on the basis of the "Parameters for the assessment of variable remuneration components for Management Board members" in its annual meeting in March, is to be paid 50% in equity instruments and 50% in cash; the respective shares are subject to a holding period of three years and the remuneration portion to be deferred for a period of five years in accordance with margin no 260 et seq of the EBA Guidelines on Sound Remuneration Policies (EBA/GL/2015/22) must consist of equal parts of shares and cash.

Since variable remuneration components are always determined and granted retroactively, the corresponding provisions must be set up in the balance sheet. However, given the very moderate policy course pursued by the Remuneration Committee, these are easy to budget.

For the remuneration paid out in 2019 for the year 2018, the amount was €k 450, and for the remuneration paid out in 2020 for 2019, the amount was €k 465.

The remuneration to be paid out in 2021 for the year 2020 is €k 240 and is recognised in the balance sheet at 31/12/2020.

The same as for employees, the payments are paid out in May together with the monthly salaries; the amount assignable to the portion to be paid in equity instruments is booked to a blocked securities account in the name of the respective Management Board member and used for paying for the shares to be acquired, which are then subject to a holding period of three years.

The provisions created for the portions which are not disbursed in accordance with legal requirements (50% in cash and 50% in equity instruments) remain untouched. The amount was €k 239 in 2019 and €k 254 for 2020. These amounts are distributed across the subsequent five years to be paid out following approval by the Remuneration Committee.

In terms of accounting treatment, the provisions to be created for the variable components of management board are additional personnel expenses.

The members of the Supervisory Board receive an annual emolument and reimbursement of cash expenses incurred in connection with their function, but no meeting fees.

The amount of these emoluments was approved by the Annual General Meeting 2017 for the financial year 2017 and subsequent years until further notice as follows: EUR 24,000 for the chairperson, EUR 20,000 for each deputy and EUR 18,000 for the other board members.

The Annual General Meeting of 2017 defined emoluments as follows: Audit Committee members receive per member and year EUR 6,000; for members of the Remuneration Committee per member and year EUR 3,000; for members of the Working Committee per member and year EUR 2,000; and for members of the Nomination Committee per member and year at EUR 1,000.

Due to the separation of the Risk/Credit Committee into a Risk Committee and a Credit Committee, the Annual General Meeting of 20 May 2020 passed the resolution applicable to the full financial year to divide the EUR 6,000 remuneration per member decided in 2017 for the Credit/Risk Committee as follows: EUR 2,000 per member on the Risk Committee and EUR 4,000 per member on the Credit Committee.

For the Legal Committee created in 2019 to deal with the legal dispute with UCBA, the Annual General Meeting of 2020 defined the emolument at EUR 6,000 per member.

Remuneration of the Supervisory Board for the reporting year was €k 264 for the Group.

Loans and guarantees in place for the Supervisory Board of Oberbank AG were of €k 528.8 (pr. yr. €k 799.9). Loans in an amount of €k 158.5 (pr. yr. €k 206.7) were granted to members of the Management Board of Oberbank AG. These were granted subject to customary terms and conditions.

Framework conditions of the 2020 employee stock option plan

- Offer period: 25 May to 10 June 2020
- Number of shares limited to 70,000 ordinary non-par value shares available for purchase and up to 28,000 ordinary non-par value shares allocated free of charge ("bonus shares").
- Subscription price: stock market price as at 10 June 2021; maximum number of shares available for purchase: 85 shares;
- Bonus share: two ordinary shares were allotted free of charge as a bonus share per five ordinary shares purchased (model 5 + 2).

Within the predefined timeframe, the employees of Oberbank AG were offered shares in the company at preferential conditions (bonus shares). The purchase of shares is subject to restrictions on the amount employees are permitted to invest in purchasing shares.

In the reporting year, the number of shares obtained by employees within this offering was 65,380 ordinary non-par value shares for purchase and 26,152 ordinary non-par value ordinary shares free of charge ("bonus shares").

The 26,152 ordinary shares acquired through the 2020 buyback programme for the purpose of issuing these to the eligible group of persons at no cost entailed expenses in an amount of €k 2,197.

2020 buyback programme

The share buyback programme for ordinary and preference shares was closed on 12 June 2020.

Within the buyback programme for ordinary shares, Oberbank repurchased a total of 93,111 ordinary non-par value shares between 20 March 2020 and 12 June 2020 through stock exchanges and over the counter which corresponds to 0.29% of voting share capital and to 0.26% of total share capital. The weighted average price per ordinary share amounted to EUR 83.61; the highest price paid per ordinary share was EUR 84.00; the lowest price paid per ordinary share was EUR 83.00. The value of repurchased shares amounted to EUR 7,785,466.80.
Within the buyback programme for preference shares, Oberbank repurchased a total of 3,408 preference shares between 20 March 2020 and 12 June 2020 through the stock exchange and over the counter which corresponds to 0.11% of non-voting share capital and to 0.0097% of total share capital. The weighted average price per preference share amounted to EUR 76.28; the highest price paid per ordinary share was EUR 80.00; the lowest price paid per ordinary share was EUR 76.00. The value of repurchased ordinary shares amounted to EUR 259,966.00.
On 15 June 2020, the Management Board of the company decided to sell or assign the entire 93,111 Oberbank ordinary shares acquired under the share repurchase programme; specifically 91,532 ordinary Oberbank shares to employees (incl. management board) within the scope of the employee stock option plan of 2020 of which 65,380 Oberbank ordinary shares were purchased by employees and 26,152 Oberbank ordinary shares were bonus shares free of charge (model 5 + 2) and 1,579 Oberbank ordinary shares went to the Management Board as the share-based remuneration of the management board pursuant to Article 39b Banking Act in compliance with the decision of the meeting of the Remuneration Committee of the Supervisory Board of Oberbank AG on 17 March 2020.
This decision as well as the sale of own shares were published pursuant to § 65 (1a) Joint Stock Companies Act in conjunction with § 119 paras 7 and 9 Stock Exchange Act and pursuant to § 2, § 4 and § 5 of Disclosure Regulation 2018 (FMA) and are available on the website of Oberbank AG at:

http://www.oberbank.at/OBK_webp/OBK/oberbank_at/Investor_Relations/Oberbank_Aktien/Aktienrueckkaufprogramm/index.jsp

The 3,408 Oberbank preference shares purchased within the share buyback programme for preference shares were not sold or assigned. After conversion into ordinary shares which was registered in the Companies Register on 7 November 2020, they are still in the bank's portfolio of own shares and are available for the next employee stock option plan.

Shares held by employees and the Management Board:
As at 31 December 2020, employees (including retirees) and the Management Board held the following shares:

	Ordinary shares
Employees (directly and via "Stiftung")	1,465,691
thereof Management Board	27,673
Gasselsberger	14,294
Weißl	8,596
Hagenauer	3,534
Seiter	1,249

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

As at 31 December 2020, business transactions with related parties were as follows:

in €k	Associates	Consolidated companies	Other related parties[1)]
Business transactions			
Loans	7,585	0	25,566
Guarantees/collateral	150,302	0	0
Outstanding balances			
Receivables	86,078	17,781	31,763
Receivables preceding year	89,511	19,122	36,005
Securities	19,678	0	0
Securities in preceding year	19,908	0	0
Payables	46,035	37,579	90,008
Payables in preceding year	27,917	48,328	76,641
Guarantees/collateral	178,168	0	25,143
Guarantees/collateral in preceding year	181,055	0	26,234
Provisions for doubtful receivables	250	0	0
Provisions for doubtful receivables in preceding year	1,287	0	0
Income items			
Interest	1,260	0	387
Commissions	186	1	478
Expenses			
Interest	-104	0	89
Commissions	0	0	0
Allowances for doubtful receivables	1,188	0	0
Administrative expenses	0	0	0

[1)] Other related parties are the members of the management that hold key positions at Oberbank AG including their immediate families as well as companies that are controlled, jointly controlled or significantly influenced by these parties.

The persons listed below are classified as members of the management in key positions at Oberbank AG pursuant to IAS 24:

- Management Board members
- Supervisory Board members (incl. employee representatives)
- Heads of departments
- Persons with key responsibility for internal control functions provided these do not head their own department
- (Regulatory) compliance function pursuant to § 39 (6) Banking Act
- Risk management pursuant to § 39 (5) Banking Act
- Internal Audit pursuant to § 42 Banking Act
- Anti-money Laundering pursuant to § 23 (3) Financial Market Anti-Money Laundering Act (FM-GwG)
- Compliance function pursuant to DelRE (EU) 2017/565 and Securities Supervision Act 2018

33) Segment reporting

The basis for segment reporting is the bank's internal segment accounting system, which is represented by the separation implemented in 2003 between Personal Banking and Corporate and Business Banking and in the corresponding management remits. The segments were presented in the segment reports as if they were autonomous enterprises with their own equity and with responsibility for their results. Customer servicing competence was the primary criterion for segment delimitation.
The segment information is based on the so-called "management approach", which requires that the segment information be presented on the basis of the internal reporting approach was regularly applied with respect to decisions relating to the allocation of resources to the individual segments and the assessment of their performance.
In the Oberbank Group, the segments 'Personal Banking', 'Corporate and Business Banking' (incl. the results of leasing subgroup), 'Financial Markets' (trading activities; Treasury positions; the bank's market maker positions; term structure income; income from associates; results of ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H.); 'Other' (items not directly related to business segments; balance sheet items not allocated to the other segments; units that contribute to profit but cannot be allocated to any individual segment).
The equity allocated to the segments has been measured since the financial year 2016 on the basis of the average 10-year Swap rate calculated for the last 120 months and recognised in net interest income as income from equity investments. The distribution of the equity capital allocated is done in line with regulatory capital requirements for the segments.

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

Segment reporting as at 31/12/2019 Core business segments in €k	Personal Banking	Corporates	Financial Markets	Other	Total
Net interest income	63,774	258,797	23,224		345,795
Income from entities recognised using the equity method			29,739		29,739
Charges for losses on loans and advances	-4,034	-3,160	-5,016		-12,210
Fee and commission expenses	-13,121	-4,492	-115		-17,728
Fee and commission income	88,656	92,121			180,776
Net trading income	0	100	2,248		2,348
Administrative expenses	-93,011	-156,476	-8,703	-30,754	-288,945
Other operating income	4,481	9,598	29,565	-7,185	36,459
Extraordinary profit/loss					
Profit/loss for the year before tax	46,745	196,488	70,941	-37,939	276,234
Average risk-weighted assets	1,865,664	10,197,107	5,499,026		17,561,796
Average allocated equity	304,450	1,664,024	897,363		2,865,837
RoE (return on equity before tax)	15.4%	11.8%	7.9%		9.6%
Cost/income ratio	64.7%	43.9%	10.3%		50.0%
Cash and balances at central banks			371,510		371,510
Loans and advances to banks			1,522,205		1,522,205
Loans and advances to customers	3,468,205	13,101,997			16,570,202
Trading assets			40,949		40,949
Financial investments			3,643,767		3,643,767
Interest in entities (equity method)			914,077		914,077
Other assets	93,289	321,813	119,937	145,358	680,397
Segment assets	3,561,494	13,423,810	5,698,367	145,358	22,829,029
Amounts owed to credit institutions			4,795,833		4,795,833
Amounts owed to customers	5,702,895	6,277,756			11,980,651
Securitised liabilities			1,662,863		1,662,863
Trading liabilities			38,092		38,092
Equity and subordinated debt capital	370,019	2,022,404	1,090,629		3,483,052
Other liabilities	38,017	269,352	35,715	525,454	868,537
Segment liabilities	6,110,931	8,569,512	7,623,131	525,454	22,829,029
Depreciation/amortisation	7,323	13,723	276	6,094	27,417

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

35) Assets pledged as collateral	2020	2019
Cover pool for trust money in savings deposits	23,161	25,240
Cover pool for covered bank bonds	30,766	40,871
Cover pool for mortgage-backed covered bank bonds	2,138,009	1,352,152
Margin cover and collateral deposits for securities transactions and derivatives	84,556	404,898
Collateral for credit line with Euroclear	0	0
Collateral for EIB global loan facility	93,454	96,011
Securities and receivables for refinancing operations with OeNB	1,593,846	1,028,031
Securities held as collateral for the refinancing programme with the Hungarian National Bank	59,159	38,253
Accounts receivable assigned to Oesterreichische Kontrollbank (OeKB)	1,415,318	1,371,212
Accounts receivable assigned to LfA Förderbank Bayern and KfW in Germany	1,220,611	1,094,611
Accounts receivable assigned to the Hungarian National Bank and Förderbanken	58,145	22,332
Securities as cover for pension provisions	35,784	0
Other assets furnished as collateral to CCP Austria GmbH as the clearing agent for stock market transactions	401	659
Assets pledged as collateral	6,753,210	5,474,270

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

36) Subordinated assets	2020	2019
Loans and advances to credit institutions	0	0
Loans and advances to customers	59,611	37,513
Bonds and other fixed-interest securities	15,440	15,570
Other variable-yield securities	18,085	17,395
Subordinated assets	93,136	70,478

37) Foreign currency balances	2020	2019
Assets	2,936,731	3,584,499
Equity and liabilities	2,002,874	2,028,123

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

38) Fiduciary assets	2020	2019
Fiduciary loans	365,604	322,017
Fiduciary investments	0	0
Fiduciary assets	365,604	322,017

39) Genuine repurchase agreements	2020	2019
Securities underlying genuine repo agreements had a book value of	0	0

40) Contingent liabilities and commitments	2020	2019
Other contingent liabilities (guarantees and letters of credit)	1,290,784	1,275,336
Contingent liabilities	1,290,784	1,275,336
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,402,862	4,045,352
Credit risks	4,402,862	4,045,352

41) Group of consolidated companies

The following list presents the group of consolidated companies within the Oberbank Group as at 31 December 2020.

Group parent
Oberbank AG, Linz

Consolidated entities	Percentage in %
3-Banken Kfz-Leasing GmbH, Linz	80.00
3-Banken Wohnbaubank AG, Linz	80.00
Donaulände Garage GmbH, Linz	100.00
Donaulände Holding GmbH, Linz	100.00
Donaulände Invest GmbH, Linz	100.00
Ober Finanz Leasing gAG, Budapest	100.00
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	100.00
Oberbank airplane 2 Leasing GmbH, Linz	100.00
Oberbank Bergbahnen Leasing GmbH, Linz	100.00
Oberbank Ennshafen Immobilienleasing GmbH, Linz	94.00
Oberbank Eugendorf Immobilienleasing GmbH, Linz	100.00
Oberbank FSS Immobilienleasing GmbH, Linz	100.00
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	100.00
Immobilien Abwicklung 01 GmbH (formerly Oberbank Idstein Immobilien-Leasing GmbH), Neuötting	100.00
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	95.00
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	100.00
Oberbank KB Leasing Gesellschaft m.b.H., Linz	100.00
Oberbank Kfz-Leasing GmbH, Linz	100.00
OBERBANK LEASING GESELLSCHAFT MBH., Linz	100.00
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	General partner
Oberbank Leasing GmbH Bayern, Neuötting	100.00
Oberbank Leasing JAF Holz, s.r.o., Prag	95.00
Oberbank Leasing Palamon s.r.o., Prag	100.00
Oberbank Leasing Prievidza s.r.o., Bratislava	100.00
Oberbank Leasing s.r.o., Bratislava	100.00
Oberbank Leasing spol. s.r.o., Prague	100.00
Oberbank Leobendorf Immobilienleasing GmbH, Linz	100.00
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	99.80
Oberbank Operating Mobilienleasing GmbH, Linz	100.00
Oberbank Operating OPR Immobilienleasing GmbH, Linz	100.00
Oberbank Pernau Immobilienleasing GmbH, Linz	100.00
Oberbank Reder Immobilienleasing GmbH, Linz	100.00
Oberbank Riesenhof Immobilienleasing GmbH, Linz	100.00
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	100.00
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	100.00
Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen	100.00
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	100.00
Oberbank NGL Immobilienleasing GmbH (formerly Oberbank Wien Süd Immobilienleasing GmbH), Linz	100.00
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	100.00
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	100.00
OBK Ahlten Immobilien Leasing GmbH, Neuötting	94.00

OBK München 1 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 2 Immobilien Leasing GmbH, Neuötting	100.00
OBK München 3 Immobilien Leasing GmbH, Neuötting	100.00
POWER TOWER GmbH, Linz	99.00

Entities accounted for by proportionate consolidation	Share in %
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	50.00

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

Non-consolidated entities	Share in %
A. SUBSIDIARIES	
“AM" Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	100.00
“LA” Gebäudevermietung und Bau - Gesellschaft m.b.H., Linz	100.00
“SG“ Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
“SP“ Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	100.00
“ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	100.00
Oberbank Service GmbH, Linz (formerly Banken DL Servicegesellschaft m.b.H.), Linz	100.00
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	100.00
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	58.69
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	100.00
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	100.00
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	100.00
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz	100.00
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	100.00
Oberbank PE Beteiligungen GmbH, Linz	100.00
Oberbank PE Holding GmbH, Linz	100.00
Oberbank Unternehmensbeteiligung GmbH, Linz	100.00
Samson České Budějovice spol. s r.o., Budweis	100.00
TZ-Vermögensverwaltungs GmbH, Linz	100.00
B. ASSOCIATES	
3 Banken IT GmbH, Linz (formerly DREI-BANKEN-EDV Gesellschaft m.b.H.)	40.00
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	40.00
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	20.57
3-Banken Beteiligung Gesellschaft m.b.H., Linz	40.00
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	40.00
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	49.00
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	33.11
Gain Capital Private Equity III SCSp, Luxembourg	35.21
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	32.62
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	25.85
Herold NZ Verwaltung GmbH, Mödling	24.90
Nutzfahrzeuge Beteiligung GmbH, Vienna	36.94

OÖ HightechFonds GmbH, Linz	24.70
Techno-Z Braunau Technologiezentrum GmbH, Braunau	21.50

Information on subsidiaries

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Consolidation policies. The table below presents a list of the key subsidiaries of the Oberbank Group in 2020 and 2019.

Name	**Country of main activity**	**Equity interest in %**	
		2020	**2019**
Oberbank Leasing GmbH	Austria	100.00	100.00
Oberbank Immobilien-Leasing GmbH	Austria	100.00	100.00
Oberbank Operating Mobilienleasing GmbH	Austria	100.00	100.00
Oberbank Operating OPR Immobilienleasing GmbH	Austria	100.00	100.00
Power Tower GmbH	Austria	99.00	99.00
Oberbank KB Leasing GmbH	Austria	100.00	100.00
Oberbank Leobendorf Immobilien Leasing GmbH	Austria	100.00	100.00
3 Banken Kfz-Leasing GmbH	Austria	80.00	80.00
Oberbank Kfz Leasing GmbH	Austria	100.00	100.00
Oberbank Leasing GmbH Bayern	Germany	100.00	100.00
Oberbank Leasing spol.s.r.o.	Czech Rep.	100.00	100.00
Ober Finanz Leasing gAG	Hungary	100.00	100.00
Oberbank Leasing s.r.o.	Slovakia	100.00	100.00
Donaulände Invest GmbH	Austria	100.00	100.00

As at 31 December 2020, there were no substantial non-controlling interests in any of the subsidiary companies.

Information on associates

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Consolidation policies. The Oberbank Group had three associated companies accounted for by the equity method as at 31 December 2020.

	BKS Bank AG	**Bank für Tirol und Vorarlberg Aktiengesellschaft**	**voestalpine**
Nature of relationship	Strategic banking partner	Strategic banking partner	Strategic partner
Type of activity	Credit institution	Credit institution	Steel-based technology and industrial goods group
Headquarters of business activity	Austria	Austria	Austria
Share in capital	18.52% (2019: 18.52%)	13.85% (2019: 13.22%)	8.04% (2019: 8.04%)
Voting share	18.52% (2019: 19.29%)	14.27% (2019: 14.27%)	8.04% (2019: 8.04%)
Fair value of ownership share (if listed)	€k 99,407 (2019: €k 127,213)	€k 141,708 (2019 €k 130,461)	€k 420,724 (2019 €k 356,969)

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

	Credit institutions				Other	
	BKS		BTV		voestalpine	
in €k	2020	2019	2020	2019	2020	2019
Revenues	219,397	238,714	302,987	337,054	11,285,700	13,428,300
Profit/loss from continuing operations	64,178	88,206	75,148	121,134	-591,700	207,800
Profit/loss after taxes from discontinued operations	0	0	0	0	0	0
Other comprehensive income	-9,504	-7,642	-10,843	-8,163	-38,300	-125,200
Consolidated net profit	54,674	80,564	64,305	112,971	-630,000	82,600
Short-term assets	1,226,404	223,177	2,817,999	1,496,735	5,972,400	6,827,300
Long-term assets	8,345,776	8,572,199	10,817,536	10,640,631	8,438,300	9,290,600
Short-term debts	913,577	760,043	2,153,996	1,634,066	3,799,800	4,862,300
Long-term debts	7,332,818	6,753,461	9,695,648	8,775,243	5,340,300	5,260,900
Group's share in the net assets of associated companies at the beginning of the year	227,582	213,816	222,350	208,540	464,144	494,003
Profit/loss attributable to parent	8,097	15,595	12,529	15,161	-40,549	-14,063
Dividends received in the reporting year	2	1,829	26	1,350	2,872	15,795
Additions in the reporting year	0	0	5,891	0	0	0
Group's share in the net assets of associated companies at the end of the year	235,677	227,582	240,745	222,350	420,724	464,144

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

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

in €k	2020	2019
Assets	276,435	290,772
Liabilities	170,072	185,208
Revenues	166,999	162,659
Profit/loss for the period	8,432	27,263

Since these figures were compiled in accordance with the Austrian Business Code, it was not possible to provide a breakdown pursuant to IFRS 12 by result from continuing/discontinued operations and by other comprehensive income/total income.

Disclosures regarding jointly controlled operations

As regards accounting methods, see item 2) in the Notes to the consolidated financial statements, section Consolidation policies.

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

Disclosures regarding non-consolidated structured entities

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

The Oberbank Group engages in various business activities with so-called structured entities which are designed to achieve a defined business purpose. A structured entity is one that has been set up in such a way that any voting rights or similar rights are not the dominant factor in deciding who controls the entity.

A structured company has some or all of the following features or attributes: limited activities, a clearly and precisely defined objective, insufficient equity to permit it to finance its activities without subordinated financial support. Structured entities generally finance the purchase of assets by issuing debt or equity securities. Some are collateralised by and/or indexed to the assets held by the structured entity.

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

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

Income

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

Maximum exposure to loss

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

Size

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

Financial support

During the financial year, the Oberbank Group did not provide support to non-consolidated structured entities other than as required under contractual obligations. Neither is this planned for the future.

The table below shows the carrying value of the interests held by the Group and the respective maximum exposure to loss resulting from these interests. It also provides an indication of the size of structured entities.

in €k	2020	2019
Financial assets		
Financial assets - FVPL	25,645	20,632
Consolidated net profit		
Other operating income	4,010	1,354
Net income from financial assets - FV/PL	1,572	-353
Other operating income	2,438	1,707
Maximum exposure to loss	**25,645**	**20,632**

42) Risk management

Risk strategy

Knowingly assuming risks is a key element of the banking business and a prerequisite for maintaining stable business and earnings development within the Oberbank Group lastingly.

Responsibility for defining the Group's central risk management strategy, risk management and risk controlling throughout the Oberbank Group lies with Oberbank AG.
Oberbank's risk strategy is based on the Bank's positioning as a regional bank.

The Management Board and all of the Bank's employees act in accordance with the risk principles and base their decisions in compliance with these guidelines. Before new business lines are taken up or new products introduced, business-specific risks are always adequately analysed.

Organisation of risk management

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

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

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

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

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

Risk report to the Supervisory Board

A report describing the Bank's risk strategy and its current risk situation, existing control and surveillance systems and the risk measurement methods used is presented to the Supervisory Board twice a year. In 2020, a report was made to the Supervisory Board at every meeting due to the special situation resulting from the coronavirus pandemic.

Internal control system

Oberbank's Internal Control System (ICS) is in conformity with the internationally recognised COSO framework standards. A detailed description of ICS processes and procedures is available; all risk-relevant processes of the Bank and the pertinent control measures are uniformly documented. Responsibilities and functions relating to the ICS are clearly defined. Internal control activities are reported regularly in a multi-layered process regarding efficacy and maturity. Control activities are documented and reviewed, and ICS-relevant risks are regularly evaluated and adjusted. This ongoing optimisation process contributes to quality assurance. The Internal Audit department of Oberbank AG serves as an independent monitoring body and in this capacity performs audits of the internal control system. It examines the effectiveness and adequacy of the ICS and reviews compliance with work instructions.

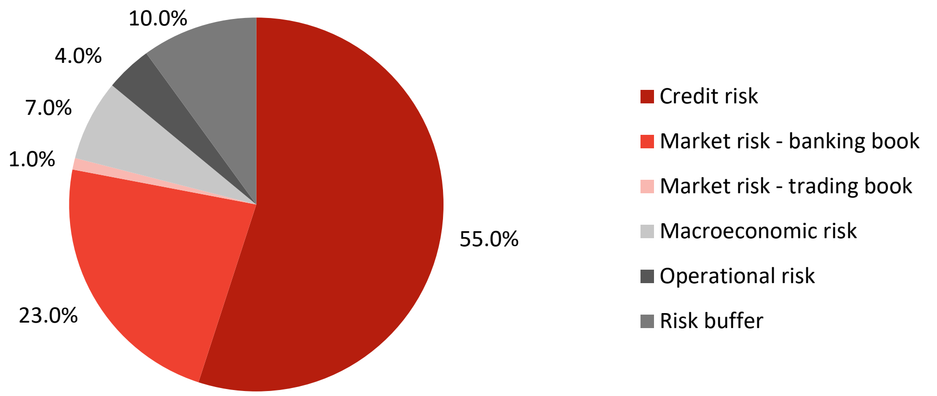
Disclosure pursuant to Part 8 of Regulation (EU) No 575/2013 (CRR)

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

Overall risk management process

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

Share of assigned risk limits in total available capital



On 31 December 2020, limit utilisation stood at 55.6% (31/12/2019: 56.7%). The credit risk limit was utilised to 63.9% (31/12/2019: 61.6%), the limit for market risk in the banking book to 37.8% (31/12/2019: 44.4%), the market risk limit in the trading book to 21.2% (31/12/2019: 25.6%), the limit for the macro-economic risks to 49.0% (31/12/2019: 55.3%) and the limit for operational risk to 65.1% (31/12/2019: 68.7%).

Effects of stress scenarios

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

The overall bank limit was not exceeded in any of the scenarios as at 31 December 2020. In the scenario with the highest quantitative effects, total limit utilisation was 67.7% (31/12/2019: 70.6%).

Responsibility for the Group's risk management by risk category

Credit risk

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

Equity risk

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

Market risk

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

Operational risk

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

Liquidity risk

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

Risk concentration

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

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

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

Intra-risk concentration refers to risk concentrations that may arise from interactions between different risk exposures within a single risk category. Concentrations may occur in all types of risks. Responsibility for the intra-risk concentration risk therefore lies with the units responsible for the individual risk categories.

Owing to the specific business model of Oberbank, the intra-risk concentration risk is a crucial factor especially in credit risk. It arises due to the fact that individual exposures may account for a high percentage of total exposure, or exposures exhibit an above-average degree of correlation (concentrations within exposure groups, business segments, sectors, countries, customer groups, etc.). The intra-concentration risk in credit risk is taken into account within the framework of the risk-bearing capacity calculation. Concentration risk is managed by means of country limits, large-loan limits and portfolio limits.

The individual country limits are determined on the basis of the country rating and the economic strength of the respective country as well as Oberbank's expert opinion based on information accumulated in the context of customer transactions with the respective country. Operative business limits are broken down into individual product categories. Compliance with the individual limits is automatically monitored by means of a limit system.

Portfolio limits are also in place in the area of foreign currency financing.

The share of the Bank's ten largest borrowers (groups of related customers) in terms of loans and receivables and fixed-interest bearing securities amounted to 15.49% (pr. yr. 12.86%). Around 85% of the 15.49% (pr. yr. 82%) are attributed to receivables from the public sector in the home market of Oberbank.

Concentration broken down by sovereign and sector reflects the risk and business strategy as a regional universal bank and is presented in the tables in Note 43) – as well as further quantitative information on concentration risk.

The volume of entire large-loan exposures was far below the regulatory cap in the reporting period.

43) Credit risk

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

Credit risk strategy

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

In Austria and in Germany, the principal focus is on lending to industry and small and medium-sized enterprises. In the Czech Republic, Slovakia and Hungary, Oberbank lends mainly to small and medium-sized businesses. Operational risk targets are defined jointly at least once a year by the Management Board together with the head of the Credit Management department within the framework of the budgeting process and, if required, following an analysis of the business situation and current developments. The volume of foreign currency loans is limited to 5% of the total volume of loans to customers and to 7% of the volume of personal loans. Effective January 2017, new foreign currency loans to consumers became subject to compliance with the strict FMA minimum standards. The organisational structure is in conformity with the minimum standards for credit operations.

Lending decision process

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

Internal rating and assessment of creditworthiness

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

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

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

Risk management and controlling

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

Presentation of the portfolio

Credit risk exposure is made up of the item Loans and advances to central banks included in the line item cash and balances at central banks and of the items Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities of financial investments, credit risk exposure from derivatives and contingent liabilities, including non-utilised credit lines as well as receivables from operating leasing of the entire Oberbank Group, and is shown gross, i.e. before charges for losses on loans and advances. The items of the leasing subgroup as at 31 December 2019 are presented in order to obtain a current view of the risk situation.

in €k	As at 31/12/2020	As at 31/12/2019
Loans and receivables	20,251,777	18,429,945
Fixed-income securities	2,003,002	2,242,755
Credit risks from derivatives and contingent liabilities	5,966,361	5,544,177
Total exposure	**28,221,140**	**26,216,877**

The steep increase in credit risk exposure compared to the preceding year is attributable up to EUR 1.1 billion to the rise in deposits with the central banks. This is a consequence of the increased use of the TLTRO programme of the ECB and the robust expansion in customer deposits. The remainder is attributed to normal credit growth in connection with an increase of the unused credit line.

Breakdown by credit rating

The rating category "very strong" includes the rating grades AA, A1, A2, 1a and 1b, the rating category "strong" the rating grades 2a, 2b, 3a and 3b and the category "weak" the rating grades 4a and 4b. The category "non-performing" comprises exposures to which a default definition within the meaning of Basel III applies. The rating grade 5a refers to exposures not yet transferred to the workout process. Exposures in the rating grades 5b and 5c are already in the process of liquidation. The total exposure volume of non-performing loans includes EUR 52.9 million (pr. yr. EUR 61.4 million) in non-impaired receivables due to excess cover with stable-value collateral.

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

Rating category in €k as at 31/12/2019	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Very strong	8,132,467	2,167,451	2,897,685	13,197,603
Strong	9,374,256	75,305	2,491,733	11,941,294
Weak	539,914		108,116	648,030
Non-performing	383,308		46,643	429,952
Total exposure	**18,429,945**	**2,242,755**	**5,544,177**	**26,216,877**

Distribution by region

The credit risk volume in geographical terms is presented on a country-of-debtor basis. The following tables show the overall credit risk volume of the Oberbank Group as at 31 Dec. 2020 and 31 Dec. 2019 by Oberbank markets and other regions.

Geographic distribution in €k as at 31/12/2020	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Austria	11,835,485	650,915	4,266,307	16,752,706
Germany	4,317,657	95,619	1,216,728	5,630,004
Eastern Europe (CZ, SK, HU)	3,676,814	445,535	391,787	4,514,136
Western Europe (ex DE)	242,519	294,036	28,626	565,182
PIGS countries	26,246	40,526	1,610	68,382
Other countries	153,056	476,371	61,302	690,729
Credit risk	**20,251,777**	**2,003,002**	**5,966,361**	**28,221,140**
Geographic distribution in €k as at 31/12/2019	**Loans and receivables**	**Fixed-income securities**	**Credit risks from derivatives and contingent liabilities**	**Total**
Austria	10,452,183	882,471	3,997,248	15,331,902
Germany	3,409,992	104,039	1,111,664	4,625,696
Eastern Europe (CZ, SK, HU)	4,138,175	401,761	346,410	4,886,347
Western Europe (ex DE)	239,154	295,230	34,449	568,834
PIGS countries	39,374	40,871	798	81,043
Other countries	151,066	518,382	53,608	723,056
Credit risk	**18,429,945**	**2,242,755**	**5,544,177**	**26,216,877**

The table below shows the PIGS group of countries in detail:

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

Geographic distribution in €k as at 31/12/2019	Loans and advances to credit institutions	Loans and receivables to sovereigns	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Portugal	0	-	0	151	151
Italy	31,049	-	15,473	405	46,927
Greece	149	-	0	13	162
Spain	8,176	-	25,398	229	33,803
Credit risk	**39,374**	**-**	**40,871**	**798**	**81,043**

Breakdown by sector

The following tables show the credit risk volume as at 31 December 2020 and as at 31 December 2019 broken down by sector.

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

Sectors in €k as at 31/12/2019	Loans and receivables	Fixed-income securities	Credit risks from derivatives and contingent liabilities	Total
Credit and insurance industry	439,210	757,733	339,040	1,535,982
Public sector	1,999,135	1,394,156	138,104	3,531,395
Raw materials processing	676,953	16,031	293,796	986,780
Metals processing	975,792	10,259	531,662	1,517,712
Manufacture of goods	1,069,957		415,562	1,485,520
Trade	1,289,040		867,249	2,156,289
Services	2,321,157	17,348	725,877	3,064,382
Construction	772,087	4,100	477,061	1,253,248
Real estate	1,654,635		315,442	1,970,077
Transportation	838,095		84,725	922,821
Utilities	127,014	7,076	61,029	195,119
Agriculture and forestry incl. mining	133,117		19,131	152,249
Holding and investment companies	1,759,694	36,053	497,209	2,292,956
Individuals and self-employed	3,699,185		680,325	4,379,510
Other	674,872		97,964	772,837
Credit risk	**18,429,945**	**2,242,755**	**5,544,177**	**26,216,877**

Collateral

Strategies and processes applied in measuring and managing collateral securities

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

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

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

The method of assessing the objective current nominal value of collateral is bindingly prescribed for each type of collateral. The resulting value is recognised as a basis for calculating the coverage value of the collateral for internal risk management purposes and for credit risk mitigation within the framework of Basel III. The internal coverage values are maximum values used for determining the cover shortfall. In duly substantiated cases, the valuation of a collateral asset may be adjusted downward by the respectively competent entity. An upward adjustment of a valuation is only possible in well-founded exceptional cases and is done by the back office.
The currently applicable valuation principles are derived from estimates based on debt collection and the bank's experience in the realisation of collateral. The measurement methods are reviewed annually within the scope of the LGD validation and adjusted as necessary. The valuation discount applied in the valuation process accounts for the valuation risk and the liquidation risk involved in the respective collateral asset as well as the interest effect resulting from the realisation period required for the respective collateral security.

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

As a rule, internally used collateral assets are subject to the same strict quality requirements in terms of up-to-date status and legal enforceability as collateral accepted under Basel III.

Property pledged as collateral plays a subordinated role. Reported financial assets as at a 31/12/2020 does not include any amount (as in the preceding year) from the acquisition of real property pledged as collateral. Oberbank only acquires property pledged as collateral when the immediate realisation of such assets at a reasonable price (e.g. in an auction or on the open market) is prevented by certain sales obstacles. In such a case, the declared goal is to remove any such sales obstacle and then duly sell the respective property in an orderly manner as quickly as possible. Property pledged as collateral is not used in ongoing business operations. In the reporting period, no collateral assets were liquidated that meet the recognition criteria of IFRS.

Types of collateral
The most important types of collateral are mortgages on residential real estate and commercial property, financial collateral (cash deposits, bonds and shares) as well as personal pledges (sureties, guarantees). The exposure type "Loans and receivables" accounts for the major portion of collateral assets (excluding personal collateral) at 91.06% (pr. yr. 91.49%); the remainder relates to the exposure types "Credit risk from derivatives and contingent liabilities" with 8.94% (pr. yr. 8.51%).

The tables below show the reported value of eligible collateral to secure exposures established within the framework of ICAAP quantification of credit risks.

in €k	Collateralised exposure	
Collateral category	**31/12/2020**	**31/12/2019**
Financial collateral	**1,273,312**	**1,141,342**
Cash deposits	1,141,469	969,023
Bonds	42,234	45,676
Shares and other variable-yield securities	89,610	126,643
Real estate collateral	**6,432,419**	**5,986,309**
Residential real estate	3,200,548	3,002,751
Commercial property	3,231,871	2,983,557
Physical collateral	**771,130**	**639,938**

Personal guarantees accepted by the Bank are restricted to sureties and guarantees. The six most important guarantors, which account for 87.60% (previous year: 86.86%) of the entire volume of personal guarantees, are listed below.

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

in €k as at 31/12/2019	External rating	Collateralised exposure	in %
Personal collateral		**918,879**	**100%**
thereof Austria	AA+	601,940	65.5%
thereof Slovakia	A+	64,749	7.0%
thereof municipality of Graz	AA	50,000	5.4%
thereof province Upper Austria	AA+	44,196	4.8%
thereof Germany	AAA	20,002	2.2%
thereof LfA Förderbank Bayern	AAA	17,255	1.9%

Impairment charges and non-performing loans

Allocation of impairment charges (impairment losses and provisions)

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

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

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

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

Development of impairment charges

The balance of impairment charges for loans and advances increased by EUR 29.6 million to EUR 41.82 million versus 2019.

Movements in loan loss provisions (income statement view)

in €k	31/12/2020	31/12/2019
Additions to charges for losses on loans and advances	99,098	98,748
Reversals of loan loss provisions	-57,756	-83,875
Direct write-offs of receivables	1,628	1,101
Recoveries of written-off receivables	-2,680	-2,860
Result from non-significant modifications	-7	-2
Impairment gain from POCI	1,547	-902
Total	**41,830**	**12,210**

Movements in impairment provisions (balance sheet view)

in €k	As at 1/1/2020	Additions	Reversals	Used	Other effects[2)]	As at 31/12/2020
for cash reserves stage 1 + 2	47	277	0	0	0	324
for receivables from banks stage 1 + 2	780	0	-657	0	0	123
for receivables from banks stage 3	0	0	0	0	0	0
for receivables from customers stage 1 + 2	37,610	12,033	-1,110	0	-7	48,526
for receivables from customers stage 3	164,360	63,546	-36,108	-24,304	-1,753	165,741
for financial investments stage 1 + 2	872	0	-161	0	42	753
Charges for losses on loans and advances [1)]	**203,669**	**75,856**	**-38,036**	**-24,304**	**-1,718**	**215,467**
for off-balance sheet transactions stage 1 + 2	11,542	8,892	0	0	0	20,434
for off-balance sheet transactions stage 3	110,222	14,350	-19,720	0	-8,127	96,725
Total risk provisions	**325,433**	**99,098**	**-57,756**	**-24,304**	**-9,845**	**332,626**

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

[2)] Thereof from consolidation + € 8,177/m, from risk provisions for securities measured at FVOCI - 35/m, from transfers POCI + € 219/m, from exchange rate changes + € 1,482/m

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

The tables below show the impairments of gross carrying values as well as risk provisions in the reporting year 2020 for balance sheet assets under the impairment rules of IFRS 9.

Financial assets recognised at amortised cost:

	Stage 1:	Stage 2:	Stage 3:		
Gross carrying values of assets at AC in €k	**12-M ECL**	**LT-ECL**		**POCI**	**Total**
As at 31/12/2019	16,184,523	3,215,327	358,286	2,629	19,760,765
Transfer to Stage 1	270,910	-262,340	-8,570		
Transfer to Stage 2	-576,618	585,893	-9,275		
Transfer to Stage 3	-79,537	-42,941	122,478		
Changes based on newly granted or acquired assets incl. POCI reclassification	6,442,509	932,823	-375	375	7,375,332
Repayments	-5,005,438	-927,590	-85,323		-6,018,351
Modifications due to model changes	-1,138,647	1,138,647			
Modifications based on risk parameters	777	516,056	603	-1,753	515,683
Changes due to modifications without derecognition	-673	-173			-846
Modifications due to derecognition					
Modifications due to depreciation/amortisation					
Modifications due to changes in exchange rates and other adjustments	10,177	505	126		10,808
As at 31/12/2020	**16,107,984**	**5,156,207**	**377,949**	**1,251**	**21,643,391**

	Stage 1:	Stage 2:	Stage 3:	
Impairments of financial assets at AC in €k	**12-M ECL**	**LT-ECL**		**Total**
As at 31/12/2019	16,747	22,435	164,360	203,542
Transfer to Stage 1	5,721	-3,920	-1,801	
Transfer to Stage 2	-3,445	4,438	-994	
Transfer to Stage 3	-352	-591	944	
Changes based on newly granted or acquired assets incl. POCI reclassification	3,777	5,149	3,199	12,125
Repayments	-3,647	-3,256	-11,458	-18,361
Modifications due to model changes	-7,205	7,205		
Modifications based on risk parameters	3,605	2,852	11,491	17,948
Modifications due to model changes without derecognition				
Modifications due to derecognition				
Modifications due to depreciation/amortisation				
Modifications due to changes in exchange rates and other adjustments	49	1	1	51
As at 31/12/2020	**15,251**	**34,313**	**165,742**	**215,305**

Financial assets recognized directly in equity and measured at fair value

Gross carrying values of assets at FVOCI in €k	Stage 1: 12-M ECL	Stage 2: LT-ECL	Stage 3:	POCI	Total
As at 31/12/2019	212,160				212,160
Transfer to Stage 1					
Transfer to Stage 2	-23,000	23,000			
Transfer to Stage 3					
Modifications due to newly derecognized or acquired assets incl. POCI reclassification	93,896				93,896
Repayments	-107,665				-107,665
Changes due to model changes					
Changes based on risk parameters	-2,331	508			-1,823
Changes due to modifications without derecognition					
Changes due to derecognition					
Changes due to depreciation/amortisation					
Changes due to exchange rate changes and other adjustments	3				3
As at 31/12/2020	**173,063**	**23,508**			**196,571**

Gross carrying values of assets at FVOCI in €k in €k	Stage 1: 12-M ECL	Stage 2: LT-ECL	Stage 3:	Total
As at 31/12/2019	126			126
Transfer to Stage 1				
Transfer to Stage 2	-29	29		
Transfer to Stage 3				
Changes based on newly derecognized or acquired assets incl. POCI reclassification	28			
Repayments	-16			-1
Modifications due to model changes				
Modifications based on risk parameters	-27	51		37
Changes due to modifications without derecognition				
Changes due to derecognition				
Changes due to depreciation/amortisation				
Changes due to exchange rate changes and other adjustments	0			0
As at 31/12/2020	**82**	**80**		**162**

The Oberbank Group's maximum default risk results from the receivables recognised in the balance sheet item Cash and balances at central banks and Loans and advances to credit institutions, Loans and advances to customers, Fixed-interest securities held as financial investments as well as credit risks from derivatives and contingent liabilities including non-utilised credit lines and from operating leasing receivables and amounts to EUR 28,221 million (pr. yr: EUR 26,217 million). This value contrasts with a total of EUR 11,294.9 million (pr. yr. EUR 10,918.3 million) of which EUR 176.3 million (pr. yr. EUR 195.4 million) are for impaired and non-performing loans and advances. Interest and similar income includes an amount of EUR 11.5 (pr. yr. EUR 11.0 million) from impaired loans and advances to customers.

The maximum default risk from receivables measured at fair value corresponds to their fair value.

The impairment criteria for debt securities carried under financial assets are presented in Note 2.5 “Impairment losses on debt securities”.

Non-performing loans

Assets are classified as non-performing if a default definition within the meaning of Basel III applies: A material financial obligation is more than 90 days overdue or full repayment is improbable. The following criteria are an indication that a claim is unlikely to be settled:

1. Waiving current interest;
2. New credit risk adjustment in Stage 3 due to the marked deterioration of the debtor’s credit quality;
3. The credit exposure requires restructuring;
4. Initiation of collection procedures because of inability or unwillingness to pay, fraud, or for other reasons
5. Factoring with material losses due to deteriorated credit rating;
6. Insolvency.

Assets that meet these criteria are recognised in the category of non-performing loans and form part of the balance sheet items below. The development of the key indicators "non-performing loans ratio" is shown in the table below.

In €k [1)]	NPL before deduction of impairment allowance		NPL after deduction of impairment allowance	
Balance sheet item	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	378,891	358,286	213,531	195,082

	before deduction of impairment allowance		after deduction of impairment allowance	
	31/12/2020	**31/12/2019**	**31/12/2020**	**31/12/2019**
Non-performing loans ratio gross	2.05%	1.96%	-	-
Non-performing loans ratio net	-	-	1.17%	1.08%

1) The figures given are carrying values.

The credit risk volume from non-performing loans (on and off balance sheet) is compared with impairment provisions as well as collateral assets by sector in the table below.

Sectors in €k as at 31/12/2020	Non-performing credit risk exposure	Impair allowance Stage 3		Collateral
		On-balance	Off-balance	
Credit and insurance industry	688	648	3	59
Public sector	17	17	0	0
Raw materials processing	18,939	11,006	1,066	5,715
Metals processing	68,377	13,020	3,265	22,557
Manufacture of goods	10,269	1,620	1,655	6,348
Trade	50,634	26,409	1,716	17,529
Services	70,084	19,385	7,121	32,617
Construction	28,159	9,141	3,409	14,321
Real estate	14,796	6,938	330	7,737
Transportation	32,721	10,419	411	17,490
Utilities	2,954	1,347	259	1,222
Agriculture and forestry incl. mining	2,272	470	60	1,664
Holding and investment companies	48,778	20,638	171	17,028
Individuals and self-employed	69,724	38,235	90	27,989
Other	11,439	6,449	1,394	3,990
Impairment provisions not assignable to a specific sector			75,776	
Total	**429,852**	**165,741**	**96,725**	**176,264**

Sectors in €k as at 31/12/2019	Non-performing Credit risk exposure	Impair allowance Stage 3		Collateral
		On-balance	Off-balance	
Credit and insurance industry	861	584	23	256
Public sector	18	18	0	0
Raw materials processing	23,772	10,649	2,487	7,594
Metals processing	70,270	11,294	5,002	29,769
Manufacture of goods	33,679	17,397	2,476	13,155
Trade	58,147	25,021	1,473	26,366
Services	63,702	19,662	9,257	33,067
Construction	29,115	16,419	2,341	7,334
Real estate	16,207	6,163	1,284	9,850
Transportation	29,671	4,380	723	22,721
Utilities	9,705	6,399	1,857	2,819
Agriculture and forestry incl. mining	1,459	560	53	858
Holding and investment companies	5,897	945	127	3,008
Individuals and self-employed	71,032	38,150	47	30,583
Other	16,414	6,719	1,438	8,008
Impairment provisions not assignable to a specific sector			81,634	
Total	**429,952**	**164,360**	**110,222**	**195,388**

The table below shows non-performing credit risk exposure, impairment provisions and collateral assets by region.

Geographic distribution as at 31/12/2020 in €k	Non-performing credit risk exposure	Impair allowance Stage 3		Collateral
		On-balance	Off-balance	
Austria	193,497	71,963	8,229	82,654
Germany	147,982	51,866	11,615	56,605
Eastern Europe (CZ, HU, SK)	86,387	41,322	1,092	35,678
Western Europe (ex DE)	434	49	0	330
PIGS countries	6	5	0	0
Other countries	1,547	535	13	997
Impairment provisions not assignable to a specific region			75,776	
Total	**429,852**	**165,741**	**96,725**	**176,264**

Geographic distribution as at 31/12/2019 in €k	Non-performing credit risk exposure	Impair allowance Stage 3		Collateral
		On-balance	Off-balance	
Austria	199,093	66,981	14,455	86,978
Germany	126,152	54,193	12,679	54,460
Eastern Europe (CZ, HU, SK)	102,742	42,838	1,448	52,412
Western Europe (ex DE)	63	34	0	21
PIGS countries	8	7	0	0
Other countries	1,895	306	6	1,517
Impairment provisions not assignable to a specific region			81,634	
Total	**429,952**	**164,360**	**110,222**	**195,388**

In addition, there are impairment allowances for ECLs in Stage 1 and 2 for performing categories with a volume of €k 70,160 (pr. yr. €k 50,851).

Impairment stages pursuant to IFRS 9 by rating structure

Charges for losses on loans and advances pursuant to IFRS 9 are calculated for all exposure items measured at amortised cost or directly in equity at fair value. This includes lines of credit and loans, and debt securities, receivables from finance leases and from trade receivables. Provisions for financial guarantees and unused lines of credit are calculated provided they are subject to the IFRS 9 impairment rules.

Default risk of financial assets by rating category as at 31/12/2020 in €k	Stage 1: 12-month ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	9,866,532	766,407			10,632,939
Strong	6,174,196	4,090,939			10,265,135
Weak	123,720	428,114			551,834
Non-performing			388,802	1,251	390,053
Gross carrying value	**16,164,448**	**5,285,460**	**388,802**	**1,251**	**21,839,961**
Loan loss provisions	-15,333	-34,393	-165,742		-215,467
Carrying value, net	**16,149,115**	**5,251,068**	**223,061**	**1,251**	**21,624,494**

Default risk of financial assets by rating category as at 31/12/2019 in €k	Stage 1: 12-month ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	9,130,192	722,614			9,852,806
Strong	7,210,907	2,235,853			9,446,760
Weak	168,631	379,975			548,606
Non-performing			358,286	2,629	360,915
Gross carrying value	**16,509,730**	**3,338,443**	**358,286**	**2,629**	**20,209,087**
Loan loss provisions	-16,873	-22,435	-164,361		-203,669
Carrying value, net	**16,492,856**	**3,316,008**	**193,925**	**2,629**	**20,005,418**

Default risk of credit commitments by rating category as at 31/12/2020 in €k	Stage 1: 12-month ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	1,985,195	18,804			2,004,000
Strong	1,926,570	346,900			2,273,470
Weak	46,228	28,764			74,992
Non-performing			10,488		10,488
Contingent obligation, gross	**3,957,993**	**394,468**	**10,488**		**4,362,949**
Loan loss provisions	-9,262	-6,956	-4,365		-20,583
Contingent obligation, net	**3,948,731**	**387,512**	**6,123**		**4,342,367**

Default risk of credit commitments by rating category as at 31/12/2019 in €k	Stage 1: 12-month ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	1,908,334	61,973			1,970,307
Strong	1,642,658	258,858			1,901,515
Weak	25,496	21,749			47,245
Non-performing			16,426		16,426
Contingent obligation, gross	**3,576,488**	**342,579**	**16,426**		**3,935,493**
Loan loss provisions	-6,695	-1,901	-1,197		-9,793
Contingent obligation, net	**3,569,793**	**340,678**	**15,229**		**3,925,700**

Default risk of financial guarantees by rating category as at 31/12/2020 in €k	Stage 1: 12-month ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	683,893	10,614			694,507
Strong	449,045	69,730			518,775
Weak	1,052	51,959			53,011
Non-performing			24,517		24,517
Contingent obligation, gross	**1,133,991**	**132,303**	**24,517**		**1,290,810**
Loan loss provisions	-1,909	-2,308	-5,638		-9,855
Contingent obligation, net	**1,132,082**	**129,995**	**18,879**		**1,280,956**

Default risk of financial guarantees by rating category as at 31/12/2019 in €k	Stage 1: 12-month ECL	Stage 2:	Stage 3: LT-ECL	POCI	Total
Very strong	668,791	32			668,823
Strong	473,546	48,084			521,630
Weak	3,390	55,100			58,490
Non-performing			26,419		26,419
Contingent obligation, gross	**1,145,728**	**103,216**	**26,419**		**1,275,363**
Loan loss provisions	-1,582	-1,365	-9,756		-12,702
Contingent obligation, net	**1,144,146**	**101,851**	**16,663**		**1,262,660**

All financial assets not shown in the non-performing category are no more than 90 days overdue. If the remaining financial assets become overdue, the respective customer is deemed to be in default with his/her entire financial assets as shown in the table below.

as at 31/12/2020 in €k[1)]			
Overdue for	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	92,915	9,408	102,324
From 30 to 60 days	10,981	865	11,845
From 60 to 90 days	1,172	22	1,194
Total	**105,068**	**10,295**	**115,362**

1) All financial assets that are overdue by more than 90 days and are not impaired because of excess cover are shown in the non-performing segment in the above tables.

as at 31/12/2019 in €k[1)]			
Overdue for	**Loans and receivables**	**Credit risks from derivatives and contingent liabilities**	**Total**
Less than 30 days	140,686	16,459	157,144
From 30 to 60 days	10,854	262	11,115
From 60 to 90 days	5,093	18	5,111
Total	**156,633**	**16,738**	**173,371**

1) All financial assets that are overdue by more than 90 days and are not impaired because of excess cover are shown in the non-performing segment in the above tables.

Deferment/respite (forbearance)

Oberbank grants deferment of payment or makes other concessions to borrowers in situations in which such borrowers are deemed to be unable to meet the credit terms and conditions owing to their current economic situation. Taking into account the causes of the difficulties, Oberbank may decide to either change the terms and conditions of a specific loan so as to create sufficient scope for the respective borrower to repay the debt, or opt to restructure the loan (wholly or partially).

The exposure is examined in advance as to whether it is to be considered in default. If this is the case, the customer is downgraded to non-performing status and a specific impairment provision is set up in accordance with the method described in Note 2.7).

If there is no default and a thorough analysis of the economic situation shows that the chosen solution will ensure that the borrower will be able to meet the financial obligations in the future, a deferment or other concession may be granted.

In the event that an agreement is reached with customers in payment difficulties that grants terms unusual for new loans, the respective exposure is marked as a deferment.

If deferrals have been granted based on moratoria imposed by law or private moratoria in conformity with EBA guidelines, these were generally not classified as forborne in accordance with the *EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*. In certain cases, however, after an internal review this option was not used, and the transactions were nonetheless classified as forborne. Deferments are monitored within the framework of the 90-day escalation process. If the deferment fails to produce the required result (resumption of the contractually agreed debt service following deferment), the 90-day escalation process automatically results in a downgrade of such debt to non-performing status and the creation of a specific impairment allowance for the unsecured part of the exposure.

This procedure eliminates the risk of non-performing loans being concealed by means of deferments being granted or other contractual concessions.

The measures taken in this respect in the reporting year are shown in the table below.

Deferment/ forbearance in €k	As at 31/12/2019	No longer categorised as deferment/ forbearance	Decline in volume[1)]	Newly categorised as deferment/ forbearance	As at 31/12/2020	Interest received in the reporting period
Term extension for loan	52,513	1,353	21,126	81,201	111,235	2,259
Deferment	26,980	856	15,935	146,383	156,572	3,600
Waiver of other contractual rights	9,600	3,149	4,378	3,084	5,157	272
Restructuring	16,691	2,139	4,781	8,429	18,200	524
Other	144	0	28	385	501	13
Total	**105,929**	**7,497**	**46,250**	**239,482**	**291,664**	**6,668**

[1)] Due to repayments, principal repayments

The table below shows the volume of exposures affected by deferment/forbearance measures by rating category as compared to allocated impairment provisions as well as collateral provided.

as at 31/12/2020 in €k **Rating category**	**Exposure**	**Impairment provisions[1)]**	**Collateralised exposure**
Very strong	1,307	1	919
Strong	185,804	970	109,104
Weak	37,880	714	19,645
Non-performing	66,672	29,337	23,512
Total	**291,664**	**31,022**	**153,179**

[1)] The impairment provisions shown within the performing categories result from impairment provisions for ECL pursuant to IFRS 9.

as at 31/12/2019 in €k **Rating category**	**Exposure**	**Impairment provisions[1)]**	**Collateralised exposure**
Very strong	135	0	109
Strong	23,114	59	18,977
Weak	21,446	346	10,380
Non-performing	61,233	31,545	20,275
Total	**105,929**	**31,950**	**49,741**

[1)] The impairment provisions shown within the performing categories result from impairment provisions for ECL pursuant to IFRS 9.

44) Equity risk

Equity risk is defined as the risk of value impairments caused by lost dividends, partial write-offs and realised losses as well as a reduction of undisclosed reserves caused by the risk of negative business developments.

The most important equity investments of Oberbank AG are the stakes in BKS and BTV with which it forms the 3 Banken Group. The fundamental tenet of Oberbank's equity investment policy is to acquire stakes in other companies only for reasons related to banking or sales, i.e. if their activities are a direct extension of banking activities or constitute services ancillary to banking. The investments of Oberbank in 3 Banken-Generali Investment-Gesellschaft m.b.H., in 3 Banken IT GmbH and in Oberbank Service GmbH belong to this segment.

The equity investment portfolio of Oberbank AG furthermore includes strategic investments in voestalpine AG and Energie AG Oberösterreich. An active industry investment policy above and beyond these equity investments is not consistent with the corporate philosophy of Oberbank. Furthermore, Oberbank holds equity investments of a purely economic nature made on grounds of either concrete yield expectations or indirect profitability expectations. The investment fund, ‘Oberbank Opportunity Fonds’, forms the basis for Oberbank to act as a provider of private equity finance, primarily with the goal of supporting customers in need of a financing solution that goes beyond the scope of traditional finance arrangement. Investments in other mezzanine and equity capital providers are made with the objective of utilising their expertise and entering new markets. In the real estate business, Oberbank holds equity interests in special purpose vehicles set up for the purpose, for example, of construction or management of Oberbank-owned real estate, as well as in selected residential developers that feature as potentially important partners in residential construction finance.

Where new equity investments are to be made, analyses are performed in order to gain as complete a picture as possible of the entity's earning power, strategic fit and legal position.

The carrying values and fair values of equity investments are shown below:

as at 31/12/2020 in €k	**Carrying amounts**	
Groups of equity instruments by valuation type	Carrying value	Fair value
Fair value through OCI		
Exchange-traded positions	0	0
Non-exchange traded positions	237,299	237,299
Fair value through profit and loss		
Non-exchange traded positions	25,645	25,645
Interest in entities accounted for using the equity method		
Exchange-traded positions	897,145	661,839
Non-exchange traded positions		
Total	**1,160,089**	**924,783**

as at 31/12/2019 in €k	**Carrying amounts**	
Groups of equity instruments by valuation type	Carrying value	Fair value
Fair value through OCI		
Exchange-traded positions	0	0
Non-exchange traded positions	238,760	238,760
Fair value through profit and loss		
Non-exchange traded positions	20,632	20,632
Interest in entities accounted for using the equity method		
Exchange-traded positions	914,077	614,643
Non-exchange traded positions		
Total	**1,173,469**	**874,035**

45) Market risk

Market risk is defined as the risk of possible losses arising due to changes in value as a result of movements in prices and interest rates on financial markets. This risk category encompasses both trading book and banking book positions. Market risk is made up of the following risk types: interest rate risk, foreign currency risk, equity price risk and credit spread risk.

Risk management

Market risk is centrally managed by Oberbank AG and includes the Bank's foreign business units as well as its fully consolidated subsidiaries. Within Oberbank, the management of market risks is split between two competent bodies, which manage these risks within the framework of the limits assigned to them.

Responsibilities of the Treasury & Trade department with regard to managing market risks

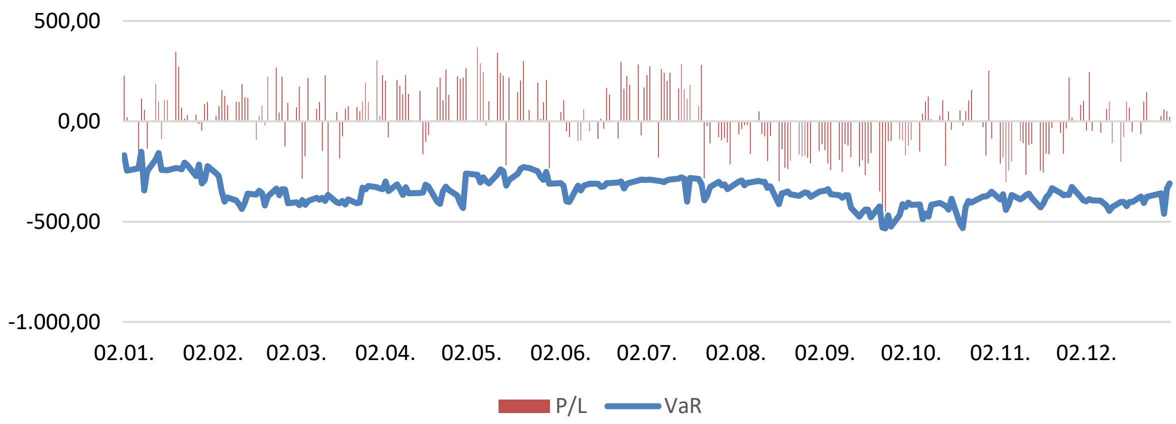
The Treasury & Trade department is responsible for managing the market risks of trading book positions, the interest rate risk in the money market trading book, and the foreign currency risk of the entire Oberbank Group. The money market trading book comprises the short-term banking book positions. Risk is calculated using a value-at-risk model. The value at risk is an estimate of the largest loss likely to be suffered on a portfolio position over a holding period within a given probability (confidence level) in normal market conditions. Value at risk is calculated using the method of historic simulation with a confidence level of 99%, a holding period of ten days and a simulation period of two years. Strategic Risk Management is in charge of the daily calculation of value-at-risk, daily limit control and daily reporting of the risk and earnings situation to the Management Board and to the Treasury & Trade department. The table below shows the development of value at risk in the reporting period:

Value at risk 2020 in €k	31/12/2019	MAX	MIN	Average	31/12/2020
	673	1,689	480	1,109	979

Value at risk 2019 in €k	31/12/2018	MAX	MIN	Average	31/12/2019
	1,336	2,442	355	1,212	673

The quality of the statistical model is checked by backtesting, i.e. comparing the estimated 1-day value-at-risk with the actual results. As shown in the chart below of the back-testing time series for the reporting year, there were no outliers.

Backtesting by VaR model 2020 in €k



Besides value-at-risk limits, measures to limit exposure also include risk-reducing limits such as stop-loss limits and volume limits.

The Treasury & Trade department is also responsible for managing the foreign currency risk, which is part of market risk. The table below shows open currency positions of Oberbank.

	Volume in €k			Volume in €k	
	31/12/2020	31/12/2019		31/12/2020	31/12/2019
AUS	31	73	**PLN**	16	95
CHF	-365	-537	**RUB**	24	63
USD	5,738	-2,203	**SGD**	36	182
GBP	191	199	**JPY**	12	99
HUF	-1,660	-641	**TRY**	41	115
SEK	503	72	**RON**	52	35
CAD	30	51	**NZD**	-47	-34
CNY	-63	-132	**CZK**	-5,745	4,407
DKK	62	104	**Other currencies long**	147	235
HKD	-15	100	**Other currencies short**	-34	-39
NOK	-13	68	**Gold**	1,290	2,307
AUS	31	73			

Determination of market risk – which is the remit of the Treasury & Trade department – for the liquidation approach in the Internal Capital Adequacy Assessment Process (ICAAP) is done using the aforementioned model, but with a uniform confidence level of 99.9% and a holding period of 90 days. As at 31 December 2020, the market risk in the remit of Treasury & Trade was EUR 6.9 million (pr. yr. EUR 7.2 million).

Responsibilities of the Asset/Liability Management Committee for market risk management

The ALM Committee is responsible for managing the interest rate risk of long-term EUR, USD, CZK and HUF positions (rate commitments >12 months), for strategic share and investment fund positions in the banking book as well as for the credit spread risk.

Das ALM Committee meets once every month. Members of the Committee are the Management Board member responsible for risk management as well as representatives of the departments Strategic Risk Management, Treasury & Trade, Accounts and Controlling, Private Banking & Asset Management, Credit Management, Corporate & International Finance, Secretariat & Communication, Internal Audit and Compliance.

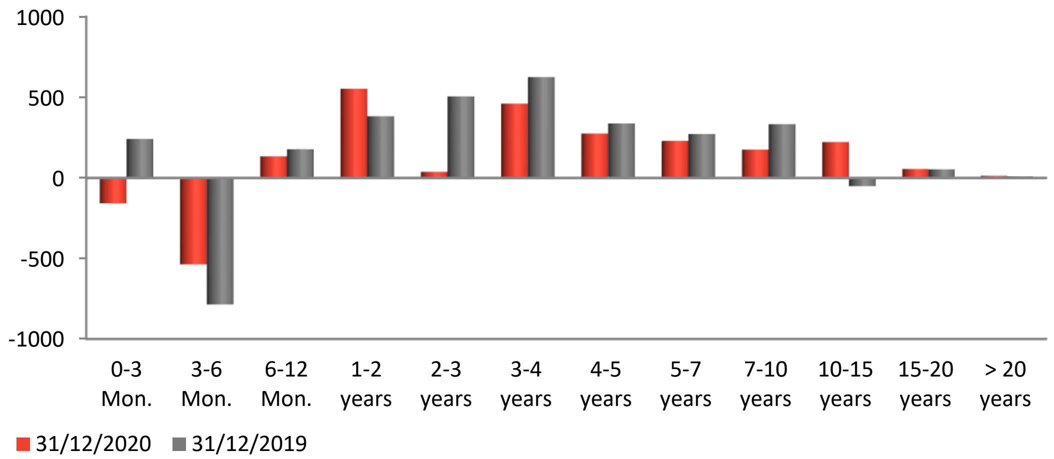
Interest rate risk in the banking book

Accepting interest rate risk, which accounts for the main share of market risk in the banking book, is an integral part of the banking business and an important source of earnings that requires adequate hedging measures within the scope of risk management. The bank's strategy aims at generating interest earnings from maturity transformation by deliberately accepting calculable and actively managed risks. As a way to stabilize interest income and to earn additional net interest income from maturity transformation, the investment strategy invests in positions with fixed long-term interest rates. Currently, this strategy has been discontinued until further notice due to the special interest rate situation.

The interest rate risk in the banking book is measured using classical methods of interest rate fixing analysis (interest-rate gap analysis and interest-rate sensitivity analysis) for the purpose of internal risk management pursuant to EBA Guidelines 2018/02. The magnitude of the interest rate risk is analysed on the changes to the present value of the positions in the banking book, using as basis the various interest rate scenarios. Apart from the present value view, a quarterly simulation of interest returns is carried out using various adverse scenarios. To this end, the deviation of profit and loss from projections is presented for each scenario and for every year as well as for a cumulated a three-year period.

The chart below shows the interest rate sensitivity gap analysis as compared with the end-of-year values of the previous year:

Interest rate gap - banking book positions (comparison 31/12/2020 with 31/12/2019)



The determination of the interest risk in the liquidity approach of ICAAP is based on the EVE model (economic value of equity). The underlying scenario corresponds to the annual interest rate changes, which with a probability of 99.9% are not exceeded. The calibration test of the interest rate shock in the main currencies EUR, USD, CZK and HUF is oriented on the publication Interest Rate Risk in the Banking Book of the BCBS (BCBS d319). Non-interest-bearing positions are not taken into account. As at 31 December 2020, the interest rate risk in the banking book came to EUR 217.16 million (pr. yr. EUR 113.39 million). The increase results from the change in the calculation model from the supervisory approach of interest rate statistics to the abovementioned new approach.

Credit spread risk

The credit spread represents a credit risk premium for the credit risk incurred with a specific investment. The credit spread is the yield differential between a bond and a risk-free reference bond. The risk is measured on the basis of present value fluctuations of the bond portfolio attributable to market changes in credit spreads given an unchanged credit rating of the debtor. The credit spread risk is measured with a confidence level of 99.9% and a holding period of one year. On 31 December 2020, the risk thus established amounted to EUR 64.19 million (pr. yr. EUR 35.48 million). The increase results from an adjustment of the market data used for the model.

46) Macroeconomic risks

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

The effects of a macroeconomic crisis are taken into account by mapping scenarios with a higher probability of default, declines in market values of real estate and a downturn on financial markets. Such an unfavourable scenario involves negative impacts on both the assets of Oberbank and the assets accepted as collateral by the Bank.

As at 31 December 2020, the macroeconomic risk thus estimated was EUR 110.94 million (pr. yr. EUR 122.01 million).

47) Operational risk

Operational risks are an inseparable part of banking operations. This term refers to the risks that affect the operations of the bank. Oberbank defines operational risks as the risk of losses incurred as a result of the inappropriateness or failure of internal procedures and systems, human error or external events. This definition includes legal risks (including the risk of money laundering and terrorist financing), but does not comprise strategic risks and reputational risks.

The individual risks are grouped into the following categories: internal fraud, external fraud, employment practice and job safety, customers, products and customary business practices, business interruptions and system outages, execution, delivery and process management, and damage to property.

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

Systematic risk analyses form the basis for the steering and further development of operational risk management. These are conducted in the form of risk assessments that comprise regular surveys and the quantification of potential operational risks, as well as by evaluating instances of loss or damage as recorded in a special database and by monitoring the key risk indicators. Qualitative analyses in the form of a risk assessment are done at least every two years by using structured questionnaires. An assessment is made of the incidence frequency and the amount of the potential damage. The Strategic Risk Management unit prepares a quarterly Operational Risk Report which is sent to the Management Board and to the unit responsible for the management of operational risk. This report contains information on the development of the key risk indicators and damage incidents for the current financial year. The report groups the damage incidents by business area and damage category.

Concrete measures have been taken to hedge against any major risks identified in the risk analyses (e.g. insurance policies, IT contingency plans, backup data centre).

Based on the increasing significance of digitalisation, IT risks and cyber risks play a key role among operational risks. The strategy of the bank in this case consists of ensuring a state-of-the-art level of security. This is ensured operationally by 3 Banken IT GmbH which has been charged with the implementation. The quantification of operational risk is estimated within the framework of the risk-bearing capacity calculation in accordance with the standardised approach pursuant to Part 3, Title III, Chapter 3 CRR. As at 31 December 2020, the risk was EUR 84.3 million (pr. yr. EUR 86.7 million).

On the average of the past five years, the ratio of the result in the income statement from operational risk incidents compared with total ICAAP risk capital was 2.3%.

48) Liquidity risk

Liquidity risk (or refinancing risk) is defined as the risk of a bank being unable to meet its present and future payment obligations fully and on schedule or having to raise additional capital at increased cost.

The liquidity risk comprises insolvency risk and liquidity spread risk. The insolvency risk or liquidity risk in the narrower sense is defined as the risk that the bank will be unable to satisfy its current and future payment obligations in full and in a timely manner. The insolvency risk includes the maturity risk (that the receipt of agreed payments, e.g. loan repayments, will be delayed, leading to a liquidity shortage), the call risk (the risk of customers prematurely or unexpectedly making calls on deposits or credit lines) and the rollover risk (the risk of an inability to fund follow-up financing arrangements for long-term asset-side positions). In addition to risks potentially liable to trigger insolvency, there is the risk that the funding required for follow-up refinancing arrangements will have to be raised at elevated market rates (spreads) and thus diminish profits (liquidity spread risk).

The primary objectives of liquidity risk management are therefore to ensure that the bank is solvent at all times and to optimise the bank's refinancing structure in terms of risk and results.

To limit the risk of refinancing being dependent on the volatile money markets for banks, the ratio of customer loans to total primary deposits, own issues and the deposits of the special banks handling subsidized loan schemes is restricted to a strategic limit of 110%. The loan/deposit ratio was 95.1% (pr. yr. 99.1%) on 31 December 2020.

Furthermore, Oberbank holds appropriate reserves (liquidity buffer) in the form of securities and loan assets eligible for refinancing with central banks and deposits held with central banks. Apart from this, Oberbank has a potential of unused credit lines at banks at its disposal. A further strategic principle is the goal of having as highly diversified sources for refinancing as possible to avoid dependence on the interbank money market and capital market. This includes a proactive approach to eligible collateral when granting loans.

Regulatory liquidity indicators

The liquidity cover ratio (LCR) defines the minimum volume of (highly) liquid assets that the bank must hold as liquidity reserve in order to be able to cover net payment obligations in the event of distressed market conditions for a period of 30 days. On 31 December 2020, the LCR stood at 131.7% (31/12/2019: 170.4%). The net stable funding ratio (NSFR) is the minimum standard for lowering refinancing risk over a longer period of time. The purpose of the structural liquidity ratio is to secure a sustainable refinancing structure by limiting the maturity transformation between the lending business, on the one hand, and refinancing on the other, and thus mitigate the risk of future refinancing problems. The NSFR as at 31 December 2020 was EUR 126.0% (31/12/2019: 119.3%).

Responsibility for liquidity risk management

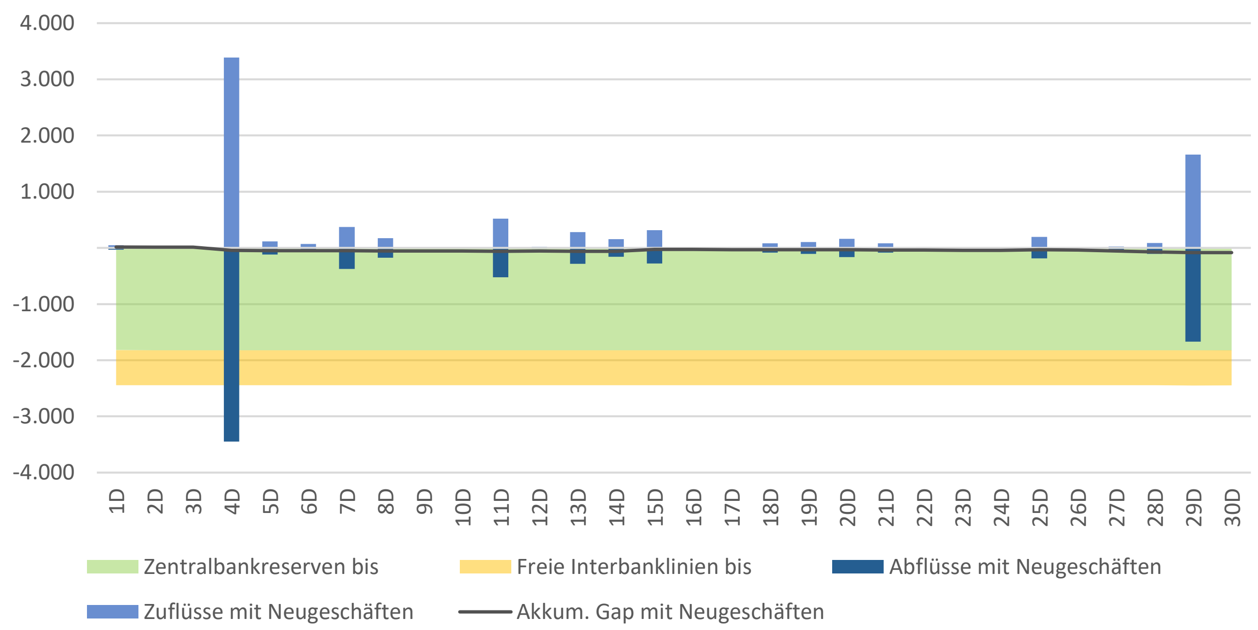
Strategic Risk Management is responsible for the operational risk reporting and for defining and monitoring the relevant risk limits. It is likewise responsible for the further development and maintenance of the risk management models used, for defining the parameters used for the liquidity gap analysis, and for back-testing the models.

Short-term liquidity management

Treasury & Trade is responsible for the short-term, daily management of liquidity in all currencies. Daily liquidity management is done by conducting a short-term forward liquidity gap analysis. A forward liquidity gap analysis is prepared daily including assumptions for new business for the next 30 days that represent the net cash inflows and outflows as well as the aggregate forward liquidity gap of the Bank. Amounts held with central banks less the minimum reserve requirements and the free unappropriated inter-bank credit lines (uncommitted inter-bank lines less actual and/or planned utilisation) are presented as limit lines and constitute the counterbalancing capacity.

Furthermore, a 30-days forward liquidity gap analysis for day-to-day liquidity management is prepared based only on the contractual cash flows of Oberbank.

30-days forward liquidity gap analysis incl. assumptions for new business as at 31/12/2020 in €m



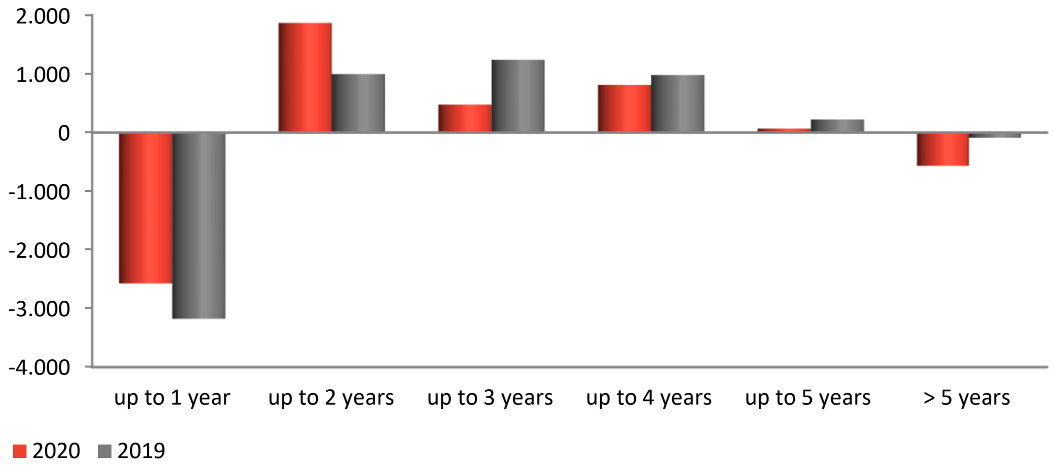
Legend from left to right: *Central reserves until* *Free interbank credit lines until* *Outflows with new business* *Inflows with new business* *Accum. gap with new business*

Long-term and strategic liquidity management

Oberbank's long-term and strategic liquidity is the responsibility of the Management Board and the Assets/Liability Management (ALM) Committee. The Strategic Risk Management department is responsible for reporting. A comprehensive forward liquidity gap analysis is drawn up for the purpose of the medium and long-term liquidity risk management of the bank that sums up the payment flows per maturity band resulting from banking transactions.

To manage the liquidity risk in each of the currencies, the liquidity gaps for the major currencies are reported individually (EUR, USD, CZK and HUF).

Medium to long-term liquidity gap analysis as at 31/12/2020 and 31/12/2019 in €m



The capital commitment report (without newly acquired business) shows a gross funding requirement of EUR 2.6 billion (pr. yr. EUR 3.2 billion) as at the end of the first year. This corresponds to a funding ratio of 79.6% (pr. yr. 72.8%) and is hence much better than the internally fixed limit of 70%.

The following table shows the maturity structure of securities and loans eligible for repo transactions:

in €k as at 31/12/2020	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	210,270	550,051	1,314,641	433,824

in €k as at 31/12/2019	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Securities and loans eligible for repo transactions	17,056	594,883	1,304,298	281,719

Additionally, as at 31 December 2020 Oberbank had collateral assets with a cover value of EUR 691.0 million (pr. yr. EUR 1,200.9 million) from reverse repos with central bank at its disposal that may be deposited with the central bank at any time to obtain liquidity. The status of the eligible reserves with central banks that can be called at any time was EUR 1,811 million as at 31/12/2020 (pr. yr. EUR 145 million).

The calculation of liquidity gaps is based on contractual cash flows. Assumptions are made for positions without a defined maturity for the repayment of the principal (e.g. sight deposits are shown as rolling twelve-month positions, other assets/liabilities as rolling long-term positions and equity as long-term positions).

Furthermore, stress scenarios are calculated to illustrate the effects of liquidity crises. Specifically, the scenarios "deterioration of reputation" and "market crisis" are combined to a "worst case" scenario for a simulation. A contingency plan is in place for the eventuality of extreme market conditions.

Contractual cash flows of financial liabilities pursuant to IFRS 7/39 a and b

as at 31/12/2020 in €k	Carrying value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	5,065,643	5,152,345	1,297,898	344,646	2,819,514	690,288
thereof deposits for subsidised loans	2,734,678	2,766,987	472,009	278,711	1,329,011	687,257
Amounts owed to customers	13,087,167	13,123,164	11,958,447	320,769	493,150	350,798
Securitised liabilities	1,854,005	1,979,536	18,651	170,574	566,650	1,223,662
Subordinated liabilities	485,774	533,101	21,401	17,766	256,460	237,474
Derivative liabilities IRS/CCS	50,673	63,478	356	14,022	36,927	12,172

as at 31/12/2019 in €k	Carrying value	Contractual cash flows	up to 1 month	1 to 12 months	1 to 5 years	> 5 years
Amounts owed to credit institutions	4,795,833	4,895,021	1,832,225	749,167	1,676,164	637,465
thereof deposits for subsidised loans	2,561,437	2,602,189	456,323	330,363	1,181,101	634,403
Amounts owed to customers	11,980,651	12,034,184	10,517,258	531,989	563,143	421,794
Securitised liabilities	1,662,863	1,792,271	1,150	195,244	711,590	884,287
Subordinated liabilities	522,515	567,754	39,001	61,385	236,467	230,900
Derivative liabilities IRS/CCS	41,889	53,164	37	8,877	30,811	13,439

49) Risk of excessive indebtedness

Oberbank measures the risk of incurring excessive debt by calculating the debt ratio (leverage ratio) pursuant to Article 429 CRR. An internal limit of 4% was defined for the debt ratio for the purpose of controlling this risk. The leverage ratio was 11.24% on 31 December 2020 (31/12/2019: 10.94%). As of 28 June 2021, a statutory limit of 3% will apply.

50) Sustainability risk

Sustainability risk comprises physical risks that result from extreme weather events and transition risks that result from the changeover to a low-carbon economy. Pursuant to the FMA Recommendations in the *Guidelines for Dealing with Sustainability Risks*, the special topics of sustainability risks are covered in risk management under primary risks.
Currently, work is under way with an external partner within the scope of a project on the evaluation of the sustainability risks in the credit portfolio. The goal is the creation of a sustainability risk heat map for the credit risk portfolio of Oberbank.

51) Other assets

The category Other risks comprises risks which are classified as non-material within the framework of the business model of Oberbank and therefore no individual limit is derived from the economic coverage capital.

The category Other risks includes the following banking risks:

- <u>Reputational risks</u> result from negative publicity impairing the reputation of a bank in the eyes of the general public. The damage to the good reputation of the bank (e.g. among customers, business partners, shareholders, authorities) and the resultant loss of confidence may lead to lower earnings or losses.

- Business risks are risks that result from unexpected changes in earnings due to a change in the general business environment (e.g. lower earnings that cannot be offset by cutting expenses to the same extent, a change in the competitive environment, a change in customer behaviour, the impact of technological progress, etc.).
- Strategic risks result from failure to meet long-term corporate goals based on underlying business assumptions or due to a change in the general business environment. Such risks may be avoided or reduced by constantly monitoring the market and competitive conditions as well as by rolling strategic planning with continual adjustments for the market environment.

52) Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The MREL requirement has the purpose of ensuring that a bank has at all times a minimum ratio of own funds and MREL-eligible liabilities (sufficient buffer of loss absorption capital for the event of resolution). This ratio is expressed either as a percentage of the total risk exposure amount (TREA) or as a percentage of the total liabilities and own funds (TLOF).
The prescribed amount of the ratios is not defined uniformly for all credit institutions in the EU, but rather on a case-by-case basis. The FMA has defined the following ratios for Oberbank AG that must be observed as of 1 January 2022:

- mandatory TREA ratio: 21.72%
- mandatory TLOF ratio: 14.25%

As at 31 December 2020, the TREA ratio was 28.54% (31/12/2019: 27.64%) and the TLOF ratio was 17.98% (31/12/2019: 18.57%).

53) Risk report - summary

At Oberbank, risk management is an integral element of the Bank's business policy, internal planning of strategic targets, and operational management and controlling. Central responsibility for risk management lies with the full Management Board of Oberbank AG.
For each material risk within the Oberbank Group there are defined remits for management and control processes as well as economic capital allocated to specific risks (limits) or defined management processes.

54) Total outstanding positions in derivative financial instruments

Derivative financial transactions not yet settled at the balance sheet date are shown in the table below. A presentation of derivatives in accordance with the Guidelines on Financial Reporting published by the European Banking Authority (EBA) is included in the disclosures pursuant to Part 8 CRR available at the website of Oberbank (www.oberbank.at). At Oberbank, financial derivatives are used mainly for hedging market risk in business with customers and for managing the banking book.

Oberbank's hedging strategy is based on the following principles:

- Positions in derivative products sold to business customers are closed out as a matter of principle.
- Derivative products are also used for hedging interest rate risk and foreign exchange risk resulting from cash transactions.
- Long-term own debt securities issued and borrowers' notes used to secure liquidity are hedged using interest rate swaps.
- In specific cases, fixed-interest securities for the banking book are hedged by swaps.
- Therefore, open positions in derivative products exist on a small scale only in the trading book.
- Oberbank has no credit derivatives in its portfolio.

	Nominal amounts			2020			2019		
	Remaining time to maturity			Nominal	Fair values		Nominal	Fair values	
in €k	up to 1	1 - 5 yrs	> 5 yrs	Total	positive	negative	Total	positive	negative
Interest rate contracts									
Interest rate options									
Call	26,200	6,170		32,370	22		54,046	28	
Put	26,730	6,820	600	34,150		-23	48,814		-29
Swaptions									
Call									
Put			13,000	13,000		-611			
Interest rate swaps									
Call	47,223	191,341	423,082	661,646	11	-45,697	528,947	113	-38,463
Put	146,060	647,746	1,235,319	2,029,125	168,954	-1	1,916,814	142,492	-355
Bond options									
Call									
Put									
Currency contracts									
Currency options									
Call	26,444			26,444	112		34,541	203	
Put	23,718			23,718		-69	33,564		-193
Currency forwards									
Call	1,988,474	203,898		2,192,372	25,220		2,793,434	11,312	
Put	1,995,073	206,394		2,201,467		-30,752	2,814,828		-30,283
Cross currency swaps									
Call		228,260		228,260		-3,169	188,917	268	-387
Put	101,738	21,347	4,252	127,337	5,127	-1,806	133,261	2,493	-2,684

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. The fair values of symmetrical products (interest rate swaps, forward exchange deals) were measured applying present values on a clean price basis. Calculations were based on Reuters yield curves. The exchange rates used are the reference rates published by the ECB. The fair values of asymmetrical products were calculated using the Black-Scholes option pricing model. Options were measured using implicit volatilities.

55) Letters of comfort on behalf of subsidiaries

Oberbank AG has an interest in the companies listed below being able to fulfil their contractual obligations:

Other finance companies: Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz

Property companies: “AM” Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz
OBERBANK NUTZOBJEKTE VERMIETUNGS-GESELLSCHAFT m.b.H., Linz

Disclosures required by Austrian law

56) Shareholders’ equity

Consolidated equity was made up of the paid-in capital of Oberbank AG (share capital plus capital reserves) and earned capital (the Group's retained earnings plus consolidated net profit for the year). Oberbank AG’s equity is EUR 2,187.2 million (pr. yr. EUR 2,085.5 million), thereof share capital of EUR 105.4 million (pr. yr. EUR 105.8 million).

As Oberbank AG distributes dividends on the basis of Austrian law, only part of the equity measured in accordance with the Austrian Business Code/Banking Act was distributable, namely net profit, non-appropriated retained earnings and the non-appropriated capital reserve. For 2020, a maximum amount of EUR 1,277.2 million would be distributable. The net distributable profit is EUR 31.1 million.

57) Human resources

Averaged over the year, the Oberbank Group had the following human resources in 2020:

Full-time equivalents, without the management board members/managing directors	2020	2019
Salaried employees	2,168	2,150
Blue-collar	7	9
Total resources	2,175	2,159

58) Breakdown of securities pursuant to the Austrian Banking Act in €k

	Unlisted	Listed	Measured as fixed assets	Other measurement method	Total
Bonds and other fixed-interest securities	130,499	1,904,862	1,763,698	271,663	2,035,361
Shares and other variable-yield securities	162,203	62,418	56,272	168,349	224,621
Equity investments	126,018	303,585	429,603	0	429,603
Investments in subsidiaries	131,874	0	131,874	0	131,874
	550,594	**2,270,865**	**2,381,447**	**440,012**	**2,821,459**

59) Consolidated own funds and regulatory own funds requirement

As of 1 January 2014, Oberbank AG became subject to the provisions of Regulation (EU) No. 575/2013 (CRR) as well as CRD IV. The defined minimum capital requirements were met at all times. The own fund components disclosed are also used for purposes of internal capital management.

Regulatory capital pursuant to Part 2 of Regulation (EU) No 575/2013 - Pillar I in €k	**2020**	**2019**	**Change absolute**	**in %**
Subscribed capital	105,922	99,622	6,300	6.3
Capital reserves	505,523	505,523	-	-
Retained earnings[1)]	2,288,023	2,181,127	106,896	4.9
Minority interests	0	0	-	-
Cumulated other comprehensive income	64,698	70,069	-5,371	-7.7
Regulatory adjustment items	-9,303	6,530	-15,833	>-100
Deductions from common equity tier 1 capital items	-249,653	-203,899	-45,754	22.4
COMMON EQUITY TIER 1 CAPITAL	**2,705,210**	**2,658,972**	**46,238**	**1.7**
AT1 capital instruments	50,000	50,000	-	-
AT1 capital instruments pursuant to national implementation rules	0	0	-	-
Deductions from AT1 capital items	0	0	-	-
Additional tier 1 capital	**50,000**	**50,000**	**-**	**-**
TIER 1 CAPITAL	**2,755,210**	**2,708,972**	**46,238**	**1.7**
Qualifying supplementary capital instruments	356,117	352,382	3,735	1.1
Nominal capital preference shares purs. to transition rules	0	6,300	-6,300	-100.0
AT1 capital instruments pursuant to transition rules	0	0	-	-
Supplementary capital (tier 2) items pursuant to national implementation rules	5,050	9,406	-4,356	-46.3
General credit risk adjustments	0	0	-	-
Deductions from tier 2 capital items	-17,047	-18,992	1,945	-10.2
Supplementary capital (tier 2)	**344,120**	**349,096**	**-4,976**	**-1.4**
OWN FUNDS	**3,099,330**	**3,058,068**	**41,262**	**1.3**
Total risk exposure pursuant to Art. 92 CRR				
Credit risk	14,074,381	13,978,718	95,663	0.7
Market risk, settlement risk and CVA risk	39,278	52,758	-13,480	-25.6

Operational risk	1,053,164	1,083,459	-30,295	-2.8
Total exposure	**15,166,823**	**15,114,935**	**51,888**	**0.3**
Own funds ratio pursuant to Art. 92 CRR				
Common equity tier 1 capital ratio	17.84%	17.59%	0.24% ppt	
Tier 1 capital ratio	18.17%	17.92%	0.24% ppt	
Total capital ratio	20.43%	20.23%	0.20% ppt	
Regulatory requirement own capital ratios pursuant to transition rules in %				
Common equity tier 1 capital ratio	7.05%	7.13%	-0.08% ppt	
Tier 1 capital ratio	8.55%	8.63%	-0.08% ppt	
Total capital ratio	10.55%	10.63%	-0.08% ppt	
Regulatory capital requirements purs. to transition rules in €k				
Common equity tier 1 capital	1,069,261	1,078,299	-9,038	-0.8
Tier 1 capital	1,296,763	1,305,023	-8,260	-0.6
Total capital	1,600,100	1,607,322	-7,222	-0.4
Free capital components				
Common equity tier 1 capital	1,635,949	1,580,673	55,276	3.5
Tier 1 capital	1,458,447	1,403,949	54,498	3.9
Total capital	1,499,230	1,450,746	48,484	3.3

1) Incl. allocation to retained earnings 2020 subject to approval by the Supervisory Board on 17 March 2021

60) Other disclosures required pursuant to the Austrian Banking Act and Austrian Business Code

A nominal total of EUR 173.3 million of bonds issued by Oberbank will mature in the financial year 2021. As at 31 December 2019, there was one subordinated liability in an amount of EUR 50.0 million that exceeded 10% of the aggregate amount of subordinated liabilities. Other subordinated borrowings individually coming to 10% or less of aggregate subordinated liabilities totalled €k 463,112.0 (nominal) refer to supplementary capital subject to interest rates of 0.0% to 5.5% and maturities in the years 2021 to 2030. The Company incurred €k 15,167.6 in expenses on subordinated liabilities in the reporting year. Applying market prices, the trading book was valued at a total of EUR 80.5 million as at 31 December 2020. This breaks down into securities (fair value) EUR 0.7 million and other financial instruments EUR 79.8 million (fair value). The lease portfolio was worth EUR 1,500.9 million as at 31 December 2020.

Expenses for the auditor amounted to €k 1,236.1 (incl. VAT and incl. leasing companies and subsidiaries). Of this total, the audit of the single-entity and consolidated financial statements accounted for €k 784.9 and €k 18.6 for other audit services as well as €k 205.9 for tax advisory services and €k 226.7 for other services.

Expenses for the auditor of ALPENLÄNDISCHEN GARANTIE-GESELLSCHAFT m.b.H, which were accounted for proportionately in the consolidated financial statements, were EUR 14.3 thousand.

Disclosure regarding branch establishments pursuant to § 64 (1) no. 18 Banking Act in €k

Name of establishment (incl. leasing companies)	Regional Division Germany	Regional Division Czech Republic	Regional Division Hungary	Regional Division Slovakia
Business areas	Southern Germany Germany Central			
State of registered office	Federal Republic of Germany	Czech Republic	Hungary	Slovakia
Net interest income	36,896	33,199	24,706	10,029
Operating profit	51,921	40,531	31,421	11,136
Number of employees (full-time basis)	291.4	197.4	130.9	51.6
Profit for the period before tax	1,025	20,798	15,106	5,198
Income taxes	1,528	-3,656	-1,494	-659
Public subsidies received	0	0	0	0

Return on investment pursuant to § 64 (1) 19 Banking Act is 0.50%.

61) List of equity investments pursuant to Austrian Business Code

As at 31 December 2020, the Company held stakes in the following companies at least 20% shares:	Consolidation method*	Share in capital in %5) direct	total	Equity3)	Result of preceding financial year4)	Financial state-ments	Comment
a) Direct investments							
"AM" Bau- und Gebäudevermietung Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
"LA" Gebäudevermietung und Bau – Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
"SG" Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1.6
"SP" Bau- und Gebäudevermietungsgesellschaft m.b.H., Linz	N	100.00	100.00				1.6
3 BANKEN IT GmbH, Linz	N	40.00	40.00				6
3 Banken Versicherungsmakler Gesellschaft m.b.H., Innsbruck	N	40.00	40.00				6
3 Banken-Generali Investment-Gesellschaft m.b.H., Linz	N	20.57	20.57				6
3-Banken Wohnbaubank AG, Linz	V	80.00	80.00	8,240	49	2020	1
ALPENLÄNDISCHE GARANTIE-GESELLSCHAFT m.b.H., Linz	Q	50.00	50.00	8,894	0	2020	
Banken DL Servicegesellschaft m. b. H., Linz	N	100.00	100.00				1.6
Beteiligungsverwaltung Gesellschaft m.b.H., Linz	N	40.00	40.00				6
Betriebsobjekte Verwertung Gesellschaft m.b.H., Linz	N	100.00	100.00				1,2,6
Biowärme Attnang-Puchheim GmbH, Attnang-Puchheim	N	49.00	49.00				6
Donauländе Holding GmbH, Linz	V	100.00	100.00	354	-6	2020	1
GAIN CAPITAL PARTICIPATIONS II S.A. SICAR, Luxembourg	N	33.11	33.11				6
GAIN CAPITAL PARTICIPATIONS SA, SICAR, Luxembourg	N	58.69	58.69				1.6
GAIN CAPITAL PRIVATE EQUITY III SCSp, Luxembourg	N	35.21	35.21				6
Gasteiner Bergbahnen Aktiengesellschaft, Bad Hofgastein	N	32.62	32.62				6
Ober Finanz Leasing gAG, Budapest	V	1.00	100.00	16,310	2,393	09/2020	1
Ober Leasing Gesellschaft mit beschränkter Haftung, Budapest	V	1.00	100.00	1,271	-32	09/2020	1
Oberbank Beteiligungsholding Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
Oberbank Immobilien Leasing GmbH Bayern, Neuötting	V	6.00	100.00	2,081	11	09/2020	1
Oberbank Immobilien-Service Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
OBERBANK LEASING GESELLSCHAFT MBH., Linz	V	100.00	100.00	52,978	21,527	09/2020	1.2
Oberbank Leasing Prievidza s.r.o., Bratislava	V	15.00	100.00	0	0	09/2020	1
BKS-Leasing s.r.o., Bratislava	V	0.10	100.00	6,322	722	09/2020	1
Oberbank Leasing spol. s.r.o., Prague	V	1.00	100.00	39,276	-255	09/2020	1
OBERBANK NUTZOBJEKTE VERMIETUNGSGESELLSCHAFT m.b.H., Linz	N	100.00	100.00				1,2,6
Oberbank Opportunity Invest Management Gesellschaft m.b.H., Linz	N	100.00	100.00				1.6
Oberbank PE Holding GmbH, Linz	N	100.00	100.00				1.6
Oberbank Unternehmensbeteiligung GmbH, Linz	N	100.00	100.00				1,2,6

Oberbank Vsetaty Immobilienleasing s.r.o., Pilsen (formerly Oberbank Leasing	V	10.00	100.00	1	-4	09/2020	1
OÖ HightechFonds GmbH, Linz	N	24.70	24.70				6
Samson České Budějovice spol. s.r.o., Budweis	N	100.00	100.00				1.6
TZ-Vermögensverwaltungs GmbH, Linz	N	100.00	100.00				1.6
b) Indirect investments							
“ST“ BAU Errichtungs- und Vermietungsgesellschaft m.b.H., Linz	N		99.90				1.6
3-Banken Beteiligung Gesellschaft m.b.H., Linz	N		40.00				6
3-Banken Kfz-Leasing GmbH, Linz	V		80.00	24,033	1,994	09/2020	1
Donaulände Garagen GmbH, Linz	V		100.00	36	8	2020	1
Donaulände Invest GmbH, Linz	V		97.50	433	12	2020	1
GSA Genossenschaft für Stadterneuerung und Assanierung, gemeinnützige registrierte Genossenschaft mit beschränkter Haftung, Linz	N		25.85				6
Herold NZ Verwaltung GmbH, Mödling	N		24.90				6
Nutzfahrzeuge Beteiligung GmbH, Wien	N		36.94				6
Oberbank airplane 2 Leasing GmbH, Linz	V		100.00	35	-2	09/2020	1
Oberbank Bergbahnen Leasing GmbH, Linz (formerly Oberbank airplane Leasing	V		100.00	35	176	09/2020	1
Oberbank Ennshafen Immobilienleasing GmbH, Linz	V		94.00	35	187	09/2020	1
Oberbank Eugendorf Immobilienleasing GmbH, Linz	V		100.00	35	196	09/2020	1
Oberbank FSS Immobilienleasing GmbH, Linz	V		100.00	35	245	09/2020	1
Oberbank Goldkronach Beteiligungs GmbH, Neuötting	V		100.00	10	-2	09/2020	1
Immobilien Abwicklung 01 GmbH, Neuötting (formerly Oberbank Idstein Immobilien-Leasing GmbH)	V		100.00	22	-3	09/2020	1
Oberbank Immobilie-Bergheim Leasing GmbH, Linz	V		95.00	1,275	46	09/2020	1
Oberbank Immobilien-Leasing Gesellschaft m.b.H., Linz	V		100.00	741	1,382	09/2020	1
Oberbank Immobilien-Leasing GmbH Bayern & Co. KG Goldkronach, Neuötting	V		6.00	0	27	09/2020	1
Oberbank Industrie und Handelsbeteiligungsholding GmbH, Linz	N		100.00				1.6
Oberbank KB Leasing Gesellschaft m.b.H., Linz	V		100.00	69	349	09/2020	1
Oberbank Kfz-Leasing GmbH, Linz	V		100.00	35	1,623	09/2020	1
Oberbank Leasing GmbH Bayern, Neuötting	V		100.00	6,148	3,050	09/2020	1
Oberbank Leasing JAF HOLZ, s.r.o., Prague	V		95.00	5,143	345	09/2020	1
Oberbank Leasing Palamon s.r.o., Prague	V		100.00	6,564	-68	09/2020	1
Oberbank Leobendorf Immobilienleasing GmbH, Linz	V		100.00	35	416	09/2020	1
Oberbank MLC - Pernau Immobilienleasing GmbH, Linz	V		99.80	35	54	09/2020	1
Oberbank Operating Mobilienleasing GmbH, Linz	V		100.00	35	514	09/2020	1
Oberbank Operating OPR Immobilienleasing GmbH, Linz	V		100.00	35	326	09/2020	1
Oberbank PE Beteiligungen GmbH, Linz	N		100.00				1.6

Oberbank Pernau Immobilienleasing GmbH, Linz	V	100.00	35	143	09/2020	1
Oberbank Reder Immobilienleasing GmbH, Linz	V	100.00	35	74	09/2020	1
Oberbank Riesenhof Immobilienleasing GmbH, Linz	V	100.00	35	105	09/2020	1
Oberbank Seiersberg Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	35	133	09/2020	1
Oberbank Unterpremstätten Immobilienleasing GmbH, Linz	V	100.00	18	85	09/2020	1
Oberbank Weißkirchen Immobilienleasing GmbH, Linz	V	100.00	35	113	09/2020	1
Oberbank NGL Immobilienleasing GmbH, Linz (fomerly Oberbank Wien Süd Immobilienleasing GmbH)	V	100.00	35	-3	09/2020	1
Oberbank Wiener Neustadt Immobilienleasing GmbH, Linz	V	100.00	35	60	09/2020	1
Oberbank-Kremsmünster Immobilienleasing Gesellschaft m.b.H., Linz	V	100.00	168	300	09/2020	1
OBK Ahlten Immobilien Leasing GmbH, Neuötting	V	94.00	1,000	101	09/2020	1
OBK München 1 Immobilien Leasing GmbH, Neuötting	V	100.00	27	-2	09/2020	1
OBK München 2 Immobilien Leasing GmbH, Neuötting	V	100.00	30	-13	09/2020	1
OBK München 3 Immobilien Leasing GmbH, Neuötting	V	100.00	30	112	09/2020	1
POWER TOWER GmbH, Linz	V	99.00	70	-16	09/2020	1
Techno-Z Braunau Technologiezentrum GmbH, Braunau	N	21.50				6

*) Method of inclusion in the consolidated financial statements: V = consolidated, E = accounted for using the equity method, Q = accounted for by proportionate consolidation, N = not included in the consolidated financial statements purs. to IAS 27 in conjunction with Framework 29

1) Subsidiary; 2) Profit transfer agreement; 3) Includes untaxed reserves; 4) Profit (loss) for the year pursuant to § 231 (2) no. 21 Austrian Business Code (UGB); 5) Indirect investments in credit institutions and other financial institutions were measured in accordance with § 30 of the Austrian Banking Act (BWG); indirect investments in other companies pursuant to the Business Code (UGB); 6) Use was made of § 242 (2) Austrian Business Code.

Closing Remarks by the Management Board of Oberbank AG

The Management Board of Oberbank AG has prepared the consolidated financial statements for the period ended 31 December 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. These consolidated financial statements comply with the statutory requirements for exemption from the preparation of consolidated financial statements in accordance with Austrian law and are in conformity with the applicable EU regulations. The consolidated financial statements and the Group management report contain all the required disclosures.

Statement pursuant to § 124 (1) 3 Stock Exchange Act

Statement by all legal representatives of the Company

We state to the best of our knowledge that the consolidated financial statements prepared in accordance with the relevant financial reporting standards provide a true and fair view of the financial position and performance of the Group, and that the management report of the Group presents the business trends, including business results and the position of the Group, in such a way as to provide a true and fair view of the financial position and performance of the Group and that it describes the material risks and uncertainties to which the Group is exposed.

Linz, 3 March 2021

The Management Board

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

Report on the consolidated financial statements

Audit Opinion

We have audited the consolidated financial statements of

Oberbank AG
Linz

and its subsidiaries (Group) consisting of the consolidated financial statements for the year ended on 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ending on said closing date as well as the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements comply with the legal provisions and present fairly in all material respects the assets and financial position of the Group as at 31 December 2020 as well as the result of operations and cash flows for the financial year ended on this closing date in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of § 245a Business Code and § 59a Banking Act.

Basis for opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and generally accepted Austrian standards for the auditing of financial statements. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these rules and standards are described in more detail under "Responsibility of the auditor for the audit of the consolidated financial statements” in our audit certificate. We are independent of the Group as stipulated by Austrian company law and statutory professional standards, and have complied with our other professional duties in accordance with these requirements. We believe that we have obtained sufficient and suitable audit evidence up until the date of this audit opinion so that our audit provides an adequately reliable basis for our audit opinion as at this date.

Key audit matters

Key audit matters are those that in our professional opinion had the greatest significance for our audit of the consolidated financial statements for the period being audited. These matters were taken into consideration in the context of our audit of the consolidated financial statements in their entirety and when forming our audit opinion, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

— Recoverable value of loans and advances to customers and measurement of provisions for credit risks

— Measurement of associates

— Financial instruments – fair value measurement (Level 3)

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

Recoverable value of loans and advances to customers and measurement of provisions for credit risks

Risk for the financial statements

Loans and advances to customers in the consolidated balance sheet are €k 17,478,932; the loan loss provisions for this purpose amounted to €k 214,267, and provisions for credit risks were €k 117,159.

In the Notes, the Management Board of Oberbank AG describes the procedure for determining charges for losses on loans and advances (see Note "Discretionary decisions, assumptions and estimates", “Financial assets and obligations under hedging contracts”, “Loan loss provisions”, “Charges for losses on loans and advances”, "Credit risks” and “Effects of the COVID-19 pandemic on the Group”).

Impairment losses are recognised for defaulted borrowers in the amount of the lifetime expected credit loss (Stage 3 Loan loss provisions). The identification of credit defaults and the determination of impairment losses for significant borrowers in default are subject to substantial assessment uncertainties and room for discretion. These result from the economic situation and development of the respective borrower as well as from the measurement of collateral for loans, and therefore, have effects on the amount and time of expected future cash flows. Impairment charges for nonsignificant borrowers in default are based on models and statistical parameters, and therefore, also include discretionary decisions and assessment uncertainties.

For loans with low risk levels or for which the default risk has not increased significantly since being added (Stage 1), a 12-month expected loss is calculated. In the case of a significant increase in credit risk (Stage 2), impairment charges are allocated in the amount of the lifetime expected loss. When assigning stages and determining expected credit losses in Stage 1 and 2, extensive estimates and assumptions are required.

As the impairment loss model applied cannot adequately represent extraordinary situations such as the coronavirus crisis, in addition to the result of the model, the Bank has temporarily increased the impairment charge amount (“management overlay") based on an internal assessments by the Bank using external forecasts on the development of the economy. This management overlay has the form of a collective stage transfer to Stage 2 for identified segments of portfolios.

The risk for the financial statements is that the determination of the impairment charges computed by taking into account the management overlay is based to a significant extent on estimates and assumptions.

Our procedure for the audit

The recoverable value of loans and advances to customers and the measurement of provisions for credit risks have been analysed by the following key audit activities:

— We examined the rating monitoring process and assessed if it is suitable for identifying impairment losses in a timely manner and for defining the adequate amount of impairment charges to be recognized. To this end, we conducted interviews with all responsible staff members and critically reviewed the internal guidelines. We examined the key controls in this context as to their design and implementation and also took random samples to ascertain their effectiveness.

— Based on random samples, we examined if the rating was assigned in accordance with the internal guidelines and if impairment events were identified in time. The selection of samples was risk-based, with a special weighting being given to rating grades with higher default risks and to sectors that are expected to be more severely affected by the coronavirus crisis. To evaluate the amount of provisions for significant, non-performing borrowers, special attention was given to the assessment of the management with respect to future payment flows and the assumptions made – taking into account evidentiary material of the economic situation and development of the borrower as well as the assessment of credit collateral – to ascertain if the amounts were adequate, plausible and consistent.

— We verified the models and their parameters to determine the provisions for nonsignificant, non-performing borrowers (lump sum impairment allowances) and analysed these for suitability for determining provisions in adequate amounts. We verified the correctness of the calculation of the risk provisions.

— For impairment charges calculated at the portfolio level (Stage 1 and 2), we evaluated the underlying calculation models including the parameters applied and macroeconomic forecasts to assess if these are suitable for adequately determining the required impairment allowances. We analysed the rationale and reasoning of the management overlay as well as the underlying assumptions with respect to suitability. We used the services of internal specialists for these audit activities.

Measurement of associates

Risk for the financial statements

The Oberbank Group recognises associated companies by applying the equity method. In total, the companies recognised using the equity method on the balance sheet have a carrying value of €k 897,145. With respect to the classification of an investee as an associated company, there is room for discretion. Discretionary decisions may concern, above all, the question of whether there is a material influence on the respective investee.

In the Notes, the Management Board of Oberbank AG describes the procedure for the measurement of companies using the equity method (see Note "Discretionary decisions, assumptions and estimates" and "Financial assets", and also Note "Effects of the COVID-19 pandemic on the Group").

The equity method is an accounting method in which equity investments are first recognised at cost, but subsequently adjusted for any changes to the share of the investor in the net assets of the investee. If there are objective grounds for impairment, the recoverable amount is determined. The determination of the recoverable amounts depends on estimates such as future expected cash flows or results, discount interest rates or assumptions for growth rates.

The risk for the financial statements derives from the circumstance that these assessments leave room for discretion within certain bandwidths and contain assessment uncertainties and this may result in a potential misstatement in the financial statements.

Our procedure for the audit

We conducted the following key audit activities for the measurement of associates:

— With respect to the measurement models, the assumptions underlying the projections and the measurement parameters for the valuation of the shares in associated companies, we employed our own specialists. In this context, the measurement models used were verified and an assessment conducted to ascertain their suitability for determining recoverable amounts. The measurement parameters used in the models were evaluated – primarily the interest rate components. We compared the assumptions for the interest rate used with market reference values and reference values for specific sectors to assess suitability.

— We verified the correctness of the calculation of the recoverable values.

Financial instruments – fair value measurement (Level 3)

Risk for the financial statements

The Oberbank Group recognised financial instruments at fair value on the asset side in an amount of €k 1,361,264. The measurement of financial instruments in amount of €k 287,600 was done based on unobservable measurement parameters (Level 3 category).

In the Notes, the Management Board of Oberbank AG describes the accounting and valuation policies (see Note "Discretionary decisions, assumptions and estimates" and the note "Fair value of financial instruments").

The risk for the financial statements consists of the fact that the measurement of the fair value of financial instruments on the assets side and liabilities side uses valuation parameters that cannot be observed on the market due to the strong dependence on measurement models and parameter estimates, making it a highly discretionary process.

Our procedure for the audit

We conducted the following key audit activities for the measurement of the fair value of financial instruments (Level 3):

— We looked at the expert specifications (“Fachkonzept”, published by the Austrian Chamber of Public Accountants and Tax Advisors) and the internal procedures of the Group for the classification of financial instruments to evaluate if these are suitable for adequately representing the classification of financial instruments.

— We conducted random checks of the categories to which the financial instruments were assigned and investigated if the subsequent valuations corresponded to the respective category assignments.

— We employed specialists for the audit of the financial instruments belonging to Level 3 who analysed the measurement models and assumptions applied. The valuation models were checked to ascertain if these were widely recognised market models and if the parameters were comparable to market data and the derived data was appropriate. We verified the random samples of the calculation of the fair values determined by the Bank.

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

Risk for the financial statements

UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H. filed a petition with the Takeover Commission requesting an investigation of compliance with takeover law (mandatory bid).

In the Notes, the Management Board of Oberbank AG describes the status of the legal dispute of 3 Banken (Oberbank AG, BKS Bank AG, Bank für Tirol und Vorarlberg Aktiengesellschaft) with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m. b. H. as well as a current assessment of the matter (Note “Discretionary decisions, assumptions and estimates”).

The Management Board must make an assessment of the legal risks and effects on the financial statements based on the assessments of external legal experts, expert opinions and the current status of proceedings.

The risk for the financial statements results from the assessment of the aforementioned factors, in particular, the further decisions taken in the ongoing proceedings and the assessment with respect to any claims of shareholders should the bank (as a member of the syndicates of BVT and BKS) be obliged to make a mandatory offer. This results in assessment uncertainties regarding the potential risk provisions required due to the legal disputes with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

Our procedure for the audit

We conducted the following key auditing actions with respect to the legal dispute of the 3 Banken Group with UniCredit Bank Austria AG and CABO Beteiligungsgesellschaft m.b.H.

— In our audit, we inspected relevant documents, verified the assessments regarding risk provisions to be set up and checked the presentation in the financial statements.

— We verified the assessment of the Management Board, in particular, the assumptions made and the conclusions drawn for the financial reporting. To this end, we obtained and analysed the expert opinions and statements submitted by the plaintiffs to the law office contracted by the bank to deal with the legal proceedings to ascertain if the assessments of the Management Board are consistent with the current status of the legal proceedings.

— Finally, an assessment was made to check if the pertinent information in the Notes to the consolidated financial statements are correct.

Other information

The legal representatives of the company are responsible for the other information. Other information refers to all information in the Annual Report with the exception of the consolidated financial statements, the Group management report and the auditor’s report.

Our audit opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance in this respect.

With respect to our audit of the consolidated financial statements, we have the responsibility to read the other information and assess if it contains any material inconsistency with respect to the consolidated financial statements or to the knowledge we gained during our audit or in any other way seems to be presented incorrectly.

Should we draw the conclusion based on the other information obtained in the course of our work before the date of the auditor’s audit certificate indicating that there is a material misstatement of this information, we are under the obligation to report these facts. We have nothing to report in this regard.

Responsibility of the legal representatives and the Audit Committee for the consolidated financial statements

The legal representatives are responsible for the preparation of the consolidated financial statements and must ensure that these are in compliance with the IFRS as applicable within the European Union and present fairly in all material respects the assets, financial position and the results of operations of the Group. The legal representatives are moreover responsible for the internal controls they deem necessary to prepare consolidated financial statements that are free from material – intentional or unintentional – misrepresentations.

When drafting the consolidated financial statements, the legal representatives are also responsible for assessing the capacity of the Group to continue as a going concern, for stating the matters relating to the going concern – if relevant – and also for applying the accounting policy of going concern unless the legal representatives have the intention of either liquidating the concern or discontinuing operations or have no realistic alternative to these options.

The Audit Committee is responsible for monitoring the accounting process of the Group.

Responsibility of the auditor for the audit of the consolidated financial statements

Our objective is to obtain sufficient certainty with respect to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misrepresentations and to award an audit certificate that states this audit opinion. Sufficient certainty is a high degree of certainty, but not a guarantee that an audit of the financial statements conducted in accordance with the EU Regulation and with accounting standards applicable in Austria that stipulate the application of ISA will always reveal material misrepresentations, if any. Misrepresentations may result from fraudulent acts or from mistakes and are considered material if it can be reasonably assumed that these, in each case or together, have an influence on the economic decisions of users on the basis on these consolidated financial statements.

When conducting an audit in accordance with the EU Regulation and with accounting standards applicable in Austria, which require the application of ISA, we exercise due care and diligence and maintain professional scepticism throughout the entire engagement.

The following also applies:

- We identify and assess the risks of material misstatements — whether due to fraudulent acts or mistakes — in the financial statements; plan audit procedures in response to these risks; and perform audits and obtain audit evidence that serve as a sufficient and appropriate basis for our audit opinion. The risk that material misstatements resulting from fraudulent acts will not be identified is greater than the failure to reveal misstatements resulting from errors, because fraud may include fraudulent cooperation, counterfeiting, deliberate omissions, misleading representations or the overriding of internal controls.
- We obtain an understanding of the internal control system to the extent that these are of relevance for the audit of the financial statements in order to plan the suitable audit activities under the given circumstances, but not to express an audit opinion on the effectiveness of the company’s internal control system.

- We assess the suitability of the accounting policies used by the legal representatives of the company as well as the reasonableness of the estimated values presented by the company's legal representatives in the financial statements and the related information.
- We assess the appropriateness of the legal representatives' use of the going concern basis of accounting; we also determine, based on the audit evidence obtained, whether material uncertainty exists in connection with events or circumstances that may cast significant doubt on the Group's capacity to continue as a going concern. Should we reach the conclusion that there is material uncertainty, we are under the obligation to point out the relevant information in the consolidated financial statements in our audit certificate, or, if giving this information is not reasonable, we must modify our audit certificate. We draw our conclusions on the basis of the audit evidence obtained by the date of our audit certificate. However, future events or circumstances may cause the Group to leave the path of a going concern.
- We assess the overall presentation, the structure and the contents of the consolidated financial statements including the data and also whether the consolidated financial statements reflect the underlying transactions and events in such a manner so as to present a true and fair view of the company.
- We obtain sufficient audit evidence on the financial information of the entities or business activities within the Group so as to be able to reach an audit opinion on the consolidated financial statements. We are responsible for the management, monitoring and execution of the audit of the consolidated financial statements. We are solely responsible for our audit opinion.
- We exchange views with the Audit Committee regarding, among other things, the planned scope and schedule of the audit of the financial statements as well as regarding major audit findings including any significant deficiencies in the internal control system we have discovered during our audit.
- We also give the Audit Committee a statement declaring that we have complied with the relevant professional code of conduct on the independence of the auditor and discuss with the Audit Committee all relationships or other matters that may reasonably be assumed to have an influence on our independence and – if applicable – on related protection measures.
- We decide which matters from among all those we have discussed with the Audit Committee are in our view the most significant for the audit of the consolidated financial statements in the reporting year and are therefore key audit matters. We describe these matters in our audit certificate, unless the law or other statutory provisions rule out the public disclosure of the matter, or, in very rare cases, we determine that a matter does not need to be disclosed in our audit certificate, because it may reasonably be expected that the negative effects of such a disclosure would outweigh the benefits for the public.

Other statutory and legal requirements

Report on the Group Management Report

According to the legislative provisions in force in Austria, the Group management report must be audited to ascertain whether it is consistent with the consolidated financial statements and to ensure that it has been drafted in accordance with the requirements of applicable law.

The company's legal representatives are responsible for preparing the consolidated financial statements in accordance with accounting standards applicable to companies in Austria.

We have conducted our audit in accordance with the principles of professional conduct applicable to the audit of the Group Management Report.

Audit opinion

In our opinion, the Group management report has been drafted in accordance with the requirements of applicable law in Austria; it contains the correct information pursuant to § 243a Business Code and is consistent with the consolidated financial statements.

Statement

Based on our findings from the audit of the consolidated financial statements and the understanding gained of the Group and its environment, we did not find any material misstatements in the Group management report.

Additional information pursuant to Article 10 EU Regulation

We were appointed as auditors of the financial statements at the Annual General Meeting of 14 May 2019, and on 24 May 2019, we were contracted by the Supervisory Board to conduct an audit of the consolidated financial statements of for the financial year ended on 31 December 2020.

We were appointed as auditors at the Annual General Meeting of 20 May 2020 for the financial year ended on 31 December 2021, and on 10 June 2020, we were contracted by the Supervisory Board to conduct the audit of the consolidated financial statements.

We have been the auditors of the consolidated financial statements of the company for over 20 years.

We hereby declare that the audit opinion in the section "Report on the audit of the consolidated financial statements" with the additional report to the Audit Committee is in compliance with Article 11 of the EU Regulation.

We hereby declare that we have not provided any prohibited non-audit services (Article 5 (1) EU Regulation) and that we retained our independence from the Group in the conduct of our audit of the financial statements.

Auditor responsible for the audit mandate

The auditor responsible for the audit mandate is Christian Grinschgl.

Linz, 10 March 2021

KPMG Austria GmbH

Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Christian Grinschgl
Certified Public Accountant

The publication or forwarding of the consolidated financial statements with our audit certificate is only permitted in the version we have certified. This audit certificate refers exclusively to the German language version of the complete consolidated financial statements including the Group Management Report. The provisions of § 281 (2) Business Code apply to any divergent versions.

Profit distribution proposal

After the addition of EUR 90.3 million to reserves and the increase in the profit carryover by EUR 0.3 million, the net profit for 2020 was EUR 31.1 million. Provided the Annual General Meeting gives its approval and taking into account the recommendation of the Financial Market Authority (FMA) regarding dividend distributions during the coronavirus pandemic, the proposal is made to distribute on the net profit of EUR 31,125,728.77 reported in the financial statements for the period ended on 31 December 2020

a) a dividend of EUR 0.58 on every eligible share, unconditionally, and
b) on the conditions precedent that
   (i) the recommendation of the European Central Bank to restrict dividend distributions (Recommendation of the European Central Bank of 15 December 2020 on dividend distributions during the COVID-19 pandemic and repealing Recommendation ECB/2020/35 [ECB/2020/62]) is no longer applicable to Oberbank AG on 31 December 2021 or earlier, and
   (ii) provided that at the time the aforementioned condition precedent occurs, no other legal restriction or recommendation imposed by a supervisory body is in place that would preclude an additional distribution in this amount,

to distribute additionally a dividend of EUR 0.17 on every eligible share.

Linz, 3 March 2021

The Management Board

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

Report of the Supervisory Board

Preamble

Oberbank achieved excellent operating income again in 2020. This success was made possible by the hard work of the Management Board and the staff of Oberbank. The Supervisory Board played an important role in defining the strategic orientation of the Group (business and risk strategy) and in monitoring compliance with the requirements of the law and the Articles of Association.

In addition to my deputy Ludwig Andorfer, all members of the 15-person Supervisory Board contribute their knowledge and experience to the lively discussions. I would like to highlight the excellent work of Herta Stockbauer, my predecessor as Chairwoman of the Supervisory Board, from whom I took over this office on 17 November 2020. She skilfully chaired all meetings of the Supervisory Board in 2020 and the meetings of the various Committees as well as the regular and the extraordinary general shareholders' meetings held in 2020.

Mode of operation of the Supervisory Board

The Supervisory Board held four scheduled meetings as well as two extraordinary meetings during the financial year 2020. These were necessary due firstly to the urgent recommendation of the ECB on dividend distributions, and secondly, because of the resignation of Karl Samstag from his mandate just before the Annual General Meeting.

At the scheduled meetings, the Supervisory Board reached the decisions it is responsible for under the law and the Articles of Association, and conducted the scrutiny required of it by the provisions of the Austrian Joint Stock Companies Act. The Supervisory Board regularly communicated with the Management Board regarding the business situation and important business transactions both in writing and orally.

As a member and as the Chairman of the Supervisory Board, I was in regular contact with the Chairman of the Management Board to discuss the company's strategy, business development and risk management activities.

The concept for conducting training courses on specific supervisory and banking issues within the framework of the Supervisory Board meetings for the implementation of the "fit & proper" regulations was revised in the year 2020.

In future, at least two half-day training courses will be held annually on specific and regulations as well as on special topics. To this end, external experts as well as internal experts will hold the training courses.

Committees of the Supervisory Board

The **Working Committee** approved two time-critical resolutions by way of written circular in 2020. Business matters decided by the Working Committee were subsequently reported and discussed in detail at the next meeting of the full Supervisory Board.

The **Credit Committee** approved a total of 74 time-critical loan applications by way of circular vote in 2020. There were also two direct motions decided by the plenary meeting of the Supervisory Board. Business transactions decided by the Credit Committee were subsequently reported and discussed in detail at the respective next meeting of the full Supervisory Board.

In accordance with banking law, the **Risk Committee** held one meeting in the presence of the staff member responsible for independent risk management at Oberbank and the competent State Commissioner. At this meeting, the Committee dealt in detail with the risk strategy of Oberbank and other issues required by law. At its next meeting, the full Supervisory Board was also informed in detail of the results of the meeting.

Martin Zahlbruckner

Chairman of the Supervisory Board

The **Nomination Committee** held three meetings in 2020 in the presence of the State Commissioner and fulfilled all tasks stipulated by law. At its meeting of 17 March 2020, the Nominations Committee confirmed the statutory ratio of 30% defined for underrepresented gender on supervisory boards and the 25% ratio for the management board.
Since 1 January 2018, the law has defined the minimum ratio of 30% for women and 30% for men on the supervisory board. Shareholder representatives and employee representatives agreed at the AGM meeting of 25 September 2017 to work together to fulfil the ratio stipulated by law and to waive any objections in this respect for a period of five years.

With six female Supervisory Board members out of a total of 15 members, Oberbank reached a ratio of 40%, thus exceeding the mandated statutory ratio of 30% as at 31 December 2020.
The Nominations Committee plays a key role in the replacement of vacant supervisory board mandates and for the timely appointment of new members and reappointments to management board positions. At the meeting of 17 March 2020, the Nominations Committee adopted a separate policy on the mode of procedure in this respect.
At the same meeting, the Nominations Committee requested all members of the Management Board and Supervisory Board to submit certified fit & proper statements and checked these.

Due to the resignation of Karl Samstag from his mandate on the Supervisory Board, a new resolution on the original election candidates became necessary. The Nominations Committee held an extraordinary meeting on 27 April 2020 in the presence of the State Commissioner and discussed the candidacy and the fit & properness of Hannes Bogner, also confirming this.

After a hearing with Martin Seiter on 8 September 2020, the Nominations Committee adopted the resolution at further extraordinary meeting held on 14 September 2020 in the presence of the State Commissioner to propose to the Supervisory Board the appointment of Martin Seiter as a fourth member of the Management Board. The appointment effective as of 1 October 2020 was approved by the full Supervisory Board on 15 September 2020.

At its meeting of 17 March 2020, the **Remuneration Committee** met in the presence of the State Commissioner and discussed in detail the variable remuneration components of the Management Board members for the financial year 2019 based on documented long-term goals and decided, in compliance with margin no 260 et seq EBA Guidelines on Sound Remuneration Policies (EBA/GL/2015/22), to pay this component at a ratio of 50% in equity instruments and 50% in cash, with the respective equity instruments being subject to a holding period of three years and the portion to be deferred for a period of five years having to consist in equal parts of equity instruments and cash.
Applying the Policy governing the internal process for the identification of so-called risk buyers based on the “Delegated Regulation (EU) No 604/2014”, an assessment was conducted of the applicability of the aforesaid remuneration principles to employees below management board level and the variable remuneration to be granted to these employees for the financial year 2019.

The variable remuneration to employees at levels below the management board with an impact on the risk profile of the bank are very low. Therefore, the payout modalities decided are limited to the Management Board of Oberbank members as set out in margin no 260 et seq EBA Guidelines for Sound Remuneration Policy (EBA/GL/2015/22).
At this meeting, the Committee worked intensely and adopted the remuneration policies for the Management Board and for the Supervisory Board to be presented to the Annual General Meeting.
After the resolution was passed by the full Supervisory Board at the March 2020 meeting, the Remuneration Policy was presented for a vote at the Annual General Meeting and adopted by majority vote.
At the extraordinary meeting of 14 September 2020, the Remuneration Committee met in the presence of the State Commissioner to prepare for the Supervisory Board meeting on 15 September and adopted the management contract with Martin Seiter for the event of his appointment to the Management Board.

The **Audit Committee** held two meetings in 2020 and fulfilled all tasks stipulated by law. The results of the work performed by the Audit Committee were presented to the Supervisory Board at its next plenary meeting.

At its meeting on 18 March 2020, the Audit Committee reviewed the annual financial statements, the management report and the corporate governance report of Oberbank AG, and reported thereon to the Supervisory Board. The Supervisory Board endorsed the findings of the review, agreed with the annual financial statements and management report as submitted by the Management Board, including the proposed appropriation of profit and the corporate governance report and approved the financial statements for 2019, which are thus final for the purposes of § 96 (4) of the Joint Stock Companies Act. The Audit Committee examined the consolidated financial statements for the financial year 2019 and the Group management report and reported to the Supervisory Board. The Supervisory Board concurred with the findings of the audit.

At the same meeting, the Audit Committee also examined and approved the Management Board's proposal to pay out a dividend of EUR 1.15 per share out of the net profit for 2019 of EUR 40.8 million and to carry the balance forward to the new account, and reported thereon to the Supervisory Board. This dividend proposal was adapted by the Supervisory Board at its extraordinary meeting of 20 April 2020 in the light of the urgent recommendation of the ECB to restrict dividend payouts to comply with the recommendations.

Due to the obligation to ensure the external rotation of the auditor for the audit of the single-entity and consolidated financial statements for the financial year 2022, the Audit Committee initiated a tender process in the meaning of Art. 16 of the EU Auditor Regulation and worked intensely to vet the candidates for the position. The execution of the tender procedure will probably last until the meeting of the Audit Committee in the 1st quarter of 2021 and be completed with a well-founded recommendation to the Supervisory Board for the appointment of an auditor at the Annual General Meeting 2021 at which at least two proposal for the audit mandate will be presented as well as the preference of the Audit Committee.

Legal Committee

On account of the lawsuit filed by UniCredit Bank Austria (which was represented on the Supervisory Board of Oberbank by two members) against Oberbank contesting resolutions passed by the Annual General Meeting of 14 May 2019, the Supervisory Board at the meeting of 17 September 2019 took the decision to set up a special committee to deal with this legal dispute with UniCredit Bank Austria and all related legal proceedings. This became necessary because confidential information from the Supervisory Board was passed on to the lawyers of the major shareholder filing the lawsuit, which has been meanwhile confirmed by a court of law.

Furthermore, the company is represented in these proceedings by the Management Board and the Supervisory Board. In order meet all deadlines, it is necessary to be well prepared to take quick decisions by way of circular vote which would otherwise take too long on the full Supervisory Board. The Legal Committee met eight times in 2020 in the presence of the State Commissioner. Four of these eight meetings were routine meetings for the preparation of the subsequent Supervisory Board meeting at which the full Supervisory Board was informed of the status of the proceedings

The two meetings in January 2020 served to prepare the extraordinary general shareholders’ meeting requested by the largest single shareholder. The meetings of the end of February and beginning of July were necessary due to the topics addressed at the extraordinary and the regular general shareholders’ meeting.

Bank auditor

KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the accounting records, the annual financial statements 2020 of Oberbank AG and the Group management report. The audit did not give rise to any objections and the legal requirements were fully complied with; therefore the auditors awarded an unqualified opinion.

KPMG Austria KPMG Austria GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, audited the consolidated financial statements for 2020 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Group management report, prepared in accordance with the provisions of the Austrian Business Code. The audit did not give rise to any objections and all requirements of the law were satisfied. In the opinion of the bank auditors, the consolidated financial statements present a true and fair view of the assets and financial position of the Group as at 31 December 2020 as well as of the result of operations and cash flows during the year from 1 January to 31 December 2020.

The auditors confirm that the Group management report is consistent with the consolidated financial statements and that the legislative prerequisites for exemption from the obligation to prepare consolidated financial statements in accordance with Austrian law have been satisfied.

Annual General Meeting

At the end of December 2019, UniCredit requested an extraordinary shareholders' meeting of Oberbank that took place on 4 February 2020. The motions put forth by UniCredit (special review of all capital increases of Oberbank since 1989, termination of arbitration proceedings with Generali-3Banken Holding) did not receive a consenting vote.

The regular Annual General Meeting took place on 20 May 2020 in the form of a virtual meeting due to the coronavirus pandemic. The technical and organisational challenges for this type of meeting were superbly mastered.
The mandates of Peter Mitterbauer and Gregor Hofstätter-Pobst ended due to expiry of the mandate. Karl Samstag resigned from his mandate at the end of the Annual General Meeting. Due to the resolution passed at the extraordinary general shareholders' meeting of 4 February 2020 to reduce the number of shareholder representatives from 11 to 10, as is also recommended by the Austrian Code of Corporate Governance, the election was only between two candidates.
Franz-Peter Mitterbauer and Hannes Bogner were elected to the Supervisory Board by the Annual General Meeting and have since then been on the governing body.
At the Annual General Meeting of 20 May 2020, UniCredit put forth motions requesting special audits, but these did not obtain a majority of votes.

The Supervisory Board thanked the Management Board, the management staff and all employees for their hard work and commitment in the reporting year. The Supervisory Board expressed its special appreciation of the very good operating income which it commended as an outstanding achievement considering the challenging environment.

Linz, in March 2021

The Supervisory Board

Martin Zahlbruckner
Chairman of the Supervisory Board

Governing Bodies as at 31 December 2020

Supervisory Board

Honorary President	Hermann Bell
Chairman	Martin Zahlbruckner
Vice Chairmen	Ludwig Andorfer
Members	Herta Stockbauer Barbara Leitl-Staudinger Barbara Steger Hannes Bogner Stephan Koren Alfred Leu Gerhard Burtscher Franz-Peter Mitterbauer
Staff Representatives	Wolfgang Pischinger, Chairman of the Central Works Council of Oberbank AG Susanne Braun Alexandra Grabner Elfriede Höchtel Sven Zeiss
State Commissioners	Angelika Schlögel, State Commissioner appointed as of 1 August 2017 Jutta Raunig, Deputy State Commissioner appointed as of 1 July 2017
Management Board	Franz Gasselsberger, Chairman Josef Weißl Florian Hagenauer Martin Seiter

Service Information

Organisational Structure of Oberbank
Structure of the Oberbank Group
Business Areas and Branches
Shareholders of the 3 Banken Group by Voting Share

Management Board Members

Chairman of the Management Board
CEO
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Management Board Member
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Management Board Member
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Management Board Member
Martin Seiter
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Banking Departments

Corporate & International Finance: Dietmar Holzinger-Böcskör, ext. 37565, dietmar.holzinger@oberbank.at

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Treasury & Trade: Robert Musner, ext. 32640, robert.musner@oberbank.at

Credit Management: Volkmar Riegler, ext. 37340, volkmar.riegler@oberbank.at

Private Banking & Asset Management: Erich Stadlberger, ext. 37550, erich.stadlberger@oberbank.at

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Service Departments

Human Resources Bernhard Wolfschütz, ext. 37231, bernhard.wolfschuetz@oberbank.at

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Corporate Secretary & Communication: Andreas Pachinger, ext. 37460, andreas.pachinger@oberbank.at

Central Services and Production: Helmut Edlbauer, ext. 37271, helmut.edlbauer@oberbank.at

Compliance: Michaela Gerschpacher, ext. 37397, michaela.gerschpacher@oberbank.at
Compliance-Officer - pursuant to the Banking Act: Michaela Gerschpacher
Compliance Officer - pursuant to the Securities Supervision Act: Peter Richtsfeld
Anti-money Laundering and Sanctions Officer: Claudia Raml

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Business Areas and Branches

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Austria

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Günther Ott, Phone: +43/(0)732/78 02 ext. 37366, guenther.ott@oberbank.at

Affiliated branches
A-4040 Linz – Dornach, Altenberger Straße 9
A-4040 Linz – Harbach, Leonfeldner Straße 75 a
A-4020 Linz – Stadthafen, Industriezeile 56
A-4040 Linz – Urfahr, Hinsenkampplatz 1
A-4070 Eferding, Stadtplatz 32
A-4240 Freistadt, Linzer Straße 4
A-4210 Gallneukirchen, Hauptstraße 4
A-4060 Leonding, Mayrhansenstraße 13
A-4100 Ottensheim, Hostauerstraße 87
A-4320 Perg, Herrenstraße 14
A-4150 Rohrbach, Stadtplatz 16

Main Branch Linz South, A-4020 Linz, Landstraße 37
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Affiliated branches:
A-4030 Linz – Kleinmünchen, Wiener Straße 382
A-4020 Linz – Neue Heimat, Wegscheider Straße 1 – 3
A-4020 Linz – Spallerhof-Bindermichl, Einsteinstraße 5
A-4020 Linz – Weißenwolffstraße, Weißenwolffstraße 1
A-4020 Linz – Wiener Straße, Wiener Straße 32
A-4470 Enns, Hauptplatz 9
A-4400 Steyr – Münichholz, Punzerstraße 14
A-4400 Steyr – Stadtplatz, Stadtplatz 25
A-4400 Steyr – Tabor, Ennser Straße 29
A-4050 Traun, Linzer Straße 12
A-4050 Traun – St. Martin, Leondinger Straße 2

Main Branch Salzburg, A-5020 Salzburg, Alpenstraße 98
Petra Fuchs, Phone: +43/(0)662/6384 ext. 201, petra.fuchs@oberbank.at

Affiliated branches: A-5020 Salzburg – Alter Markt, Alter Markt 4
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A-5020 Salzburg – Liefering, Münchner Bundesstraße 106
A-5020 Salzburg – Maxglan, Neutorstraße 52
A-5020 Salzburg – Schallmoos, Sterneckstraße 55
A-5020 Salzburg – Südtirolerplatz, Südtirolerplatz 6
A-5640 Bad Gastein, Böcksteiner Bundesstraße 1
A-5630 Bad Hofgastein, Kurgartenstraße 27
A-5500 Bischofshofen, Bodenlehenstraße 2 – 4
A-5400 Hallein, Robertplatz 4
A-5310 Mondsee, Rainerstraße 14
A-5760 Saalfelden, Leoganger Straße 16
A-5201 Seekirchen, Bahnhofstraße 1

Main Branch Innviertel, A-4910 Ried im Innkreis, Friedrich-Thurner-Straße 9
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Affiliated branches: A-4950 Altheim, Stadtplatz 14
A-5280 Braunau, Stadtplatz 40
A-5230 Mattighofen, Stadtplatz 16
A-4780 Schärding, Silberzeile 12

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A-4600 Wels – West, Bauernstraße 1, WDZ 9
A-4710 Grieskirchen, Pühringerplatz 3
A-4560 Kirchdorf, Bahnhofstraße 9
A-4550 Kremsmünster, Marktplatz 26
A-4614 Marchtrenk, Linzer Straße 30
A-4810 Gmunden, Esplanade 24
A-4800 Attnang – Puchheim, Dr. Karl-Renner-Platz 2
A-8990 Bad Aussee, Parkgasse 155
A-4820 Bad Ischl, Kaiser-Fr.-Josef-Straße 4
A-4802 Ebensee, Alte Saline 9
A-4663 Laakirchen, Gmundner Straße 10
A-4860 Lenzing, Atterseestraße 20
A-4690 Schwanenstadt, Stadtplatz 1
A-4840 Vöcklabruck, Stadtplatz 31 – 33

Main Branch Lower Austria, St. Pölten, A-3100 St. Pölten, Domplatz 2
Franz Frosch, Phone +43/(0)2742/385 ext. 44, franz.frosch@oberbank.at

Affiliated branches:
A-3100 St. Pölten – Europaplatz, Europaplatz 6
A-3300 Amstetten, Hauptplatz 1
A-7000 Eisenstadt, Esterhazyplatz 6 a
A-3500 Krems, Sparkassengasse 6
A-2000 Stockerau, Schießstattgasse 3 A
A-3430 Tulln, Hauptplatz 9
A-3340 Waidhofen a. d. Ybbs, Unterer Stadtplatz 17
A-2700 Wiener Neustadt, Wiener Straße 25
A-3910 Zwettl, Kuenringer Straße 3

Main Branch Vienna, A-1030 Vienna, Schwarzenbergplatz 5
Andreas Klingan, Phone: +43/(0)1/53421 ext. 55010, andreas.klingan@oberbank.at

Affiliated branches:
A-1090 Wien – Alsergrund, Porzellangasse 25
A-1190 Wien – Döbling, Gatterburggasse 23
A-1220 Wien – Donauspital, Zschokkegasse 140
A-1220 Wien – Donaustadt, Wagramer Straße 124
A-1100 Wien – Favoriten, Sonnwendgasse 13
A-1210 Wien – Floridsdorf, Brünner Straße 42
A-1170 Wien – Hernals, Hernalser Hauptstraße 114
A-1130 Wien – Hietzing, Lainzer Straße 151
A-1080 Wien – Josefstadt, Josefstädter Straße 28
A-1030 Wien – Landstraße, Landstraßer Hauptstraße 114
A-1020 Wien – Leopoldstadt, Taborstraße 11 a
A-1230 Wien – Liesing, Lehmanngasse 9
A-1120 Wien – Meidling, Meidlinger Hauptstraße 33 – 35
A-1070 Wien – Neubau, Neubaugasse 28 – 30
A-1140 Wien – Penzing, Linzer Straße 413
A-1010 Wien – Schottengasse, Schottengasse 2
A-1230 Wien – Süd, Laxenburger Straße 244
A-1180 Wien – Währing, Gersthofer Straße 10
A-1040 Wien – Wieden, Rilkeplatz 8
A-1100 Wien – Wienerberg, Wienerbergstraße 9
A-2120 Wien – Wolkersdorf, Wienerstraße 5
A-2500 Baden bei Wien, Beethovengasse 4 – 6
A-3400 Klosterneuburg, Kierlinger Straße 1
A-2100 Korneuburg, Hauptplatz 21
A-2340 Mödling, Hauptstraße 33
A-2380 Perchtoldsdorf, Wiener Gasse 12
A-2320 Schwechat, Franz Schubert Straße 2a

Regional Divisions in Germany

Regional Division Southern Germany, D-80333 München, Oskar-von-Miller-Ring 38
Robert Dempf, Phone: +49/(0)89/55989 ext. 201, robert.dempf@oberbank.de

Affiliated branches:
D-73430 Aalen, Bahnhofstraße 10
D-86150 Augsburg, Maximilianstraße 55
D-71032 Böblingen, Stuttgarter Straße 10
D-84307 Eggenfelden, Fischbrunnenplatz 11
D-73728 Esslingen, Küferstraße 29
D-79104 Freiburg, Merianstraße 16
D-85354 Freising, Johannisstraße 2
D-82110 Germering, Therese-Giehse-Platz 2
D-85053 Ingolstadt, Erni-Singerl-Straße 2
D-76133 Karlsruhe, Kaiserstraße 182
D-84028 Landshut, Altstadt 391
D-84453 Mühldorf am Inn, Brückenstraße 2
D-85521 Ottobrunn, Rosenheimer Landstraße 39
D-94032 Passau, Bahnhofstraße 10
D-88212 Ravensburg, Eichelstraße 14
D-93047 Regensburg, Bahnhofstraße 13
D-72764 Reutlingen, Gartenstraße 8
D-83022 Rosenheim, Heilig-Geist-Straße 5
D-94315 Straubing, Stadtgraben 93
D-89073 Ulm, Walfischgasse 12
D-85716 Unterschleißheim, Alleestraße 13
D-82515 Wolfratshausen, Bahnhofstraße 28
D-87700 Memmingen, Roßmarkt 5

Regional Division Germany Central, D-90443 Nürnberg, Zeltnerstraße 1
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Affiliated branches:
D-63739 Aschaffenburg, Weißenburger Straße 16
D-96047 Bamberg, Franz-Ludwig-Straße 7 a
D-95444 Bayreuth, Kanalstraße 17
D-09111 Chemnitz, An der Markthalle 3 – 5
D-01067 Dresden, Wallstraße 8
D-99084 Erfurt, Krämpferstraße 6
D-06108 Halle, Große Steinstraße 82 – 85
D-63450 Hanau, Nussallee 7a
D-74072 Heilbronn, Lohtorstraße 27
D-07743 Jena, Kirchplatz 6
D-04109 Leipzig, Dittrichring 18 – 20
D-68165 Mannheim, Friedrichsplatz 8
D-55116 Mainz, Große Bleiche 17-23
D-92318 Neumarkt i. d. Oberpfalz, Ringstraße 5
D-74523 Schwäbisch Hall, Neue Straße 19
D-92637 Weiden, Sedanstraße 6
D-97070 Würzburg, Schweinfurterstraße 4

Main Branch Czech Republic, CZ-12000 Praha 2, nám. I.P.Pavlova 5
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Affiliated Branches: CZ-11000 Praha 1 Klimentská 1246/1
CZ-15000 Praha 5 – Smíchov, Portheimka Center náměstí 14 října 642/17
CZ-17000 Praha 7 – Holešovice, Dukelských hrdinů č. 407/26
CZ-18600 Praha 8 – Karlín, Křižíkova 52/53
CZ-27201 Kladno, Osvobozených politických vězňů 339
CZ-60200 Brno, Lidická 20
CZ-60200 Brno, Trnitá 491/3
CZ-37001 České Budějovice, nám. Přemysla Otakara II. 6/3
CZ-50002 Hradec Králové, Gočárova tř. 1096
CZ-38101 Český Krumlov, Panská 22
CZ-58601 Jihlava, Masarykovo nám 10
CZ-46001 Liberec, Soukenné nám. 156
CZ-77100 Olomouc, Dolni nám. 1
CZ-70200 Ostrava, Stodolní 1
CZ-39701 Písek, Budovcova 2530
CZ-30100 Plzeň, Prešovská 20
CZ-39001 Tábor, Pražská 211
CZ-40001 Ústí nad Labem, Hrnčířská 4
CZ-76001 Zlín, Osvoboditelů 91

Main Branch Hungary, H-1062 Budapest, Váci út 1 – 3
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Affiliated branches: H-1027 Budapest, Henger utca 2
H-1095 Budapest Dél, Soroksári út 30-32
H-1143 Budapest, Hungária körút 17 – 19
H-4026 Debrecen, Bem tér 14
H-9024 Gyõr, Hunyadi u. 16
H-6000 Kecskemét, Kisfaludy utca 8
H-3530 Miskolc¸ Mindszent tér 3
H-8800 Nagykanizsa, Erzsébet tér 23
H-7621 Pécs, Tímár u.2
H-6720 Szeged, Klauzál tér 2
H-8000 Székesfehérvár, Rákóczi út 1
H-9700 Szombathely, Berzsenyi Dániel tér 2

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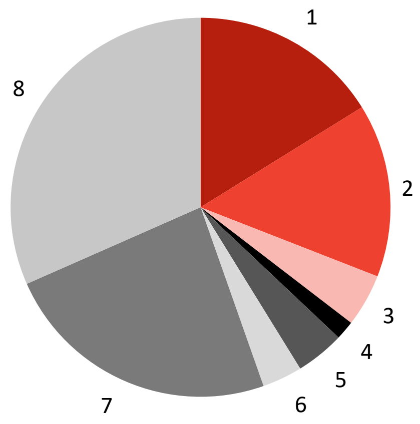
Yvonne Janko, Phone: +421/(02)/581068 ext. 10, yvonne.janko@oberbank.sk

Affiliated branches: SK-949 01 Nitra, Mostná ulica 70
SK-010 01 Žilina, Jána Kalinčiaka 22
SK-04001 Košice, Továrenská 8

Shareholders of the 3 Banken Group by Voting Share

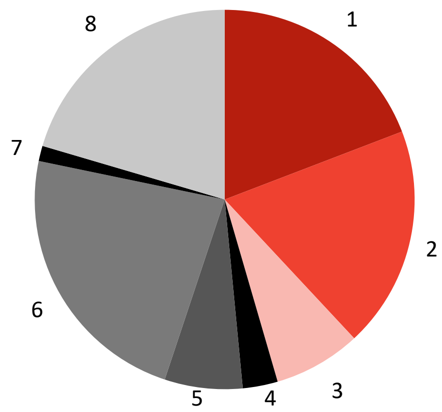
Oberbank

1	Bank für Tirol und Vorarlberg AG (incl. BTV 2000*)	16.15%
2	BKS Bank AG, Klagenfurt (including subordination syndicate with BVG**)	14.79 %
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	4.50%
4	Generali 3 Banken Holding AG, Wien	1.62%
5	Employees	4.15%
6	UniCredit Bank Austria AG, Wien	3.41%
7	CABO Beteiligungsgesellschaft m. b. H., Wien	23.76%
8	Free float	31.62%



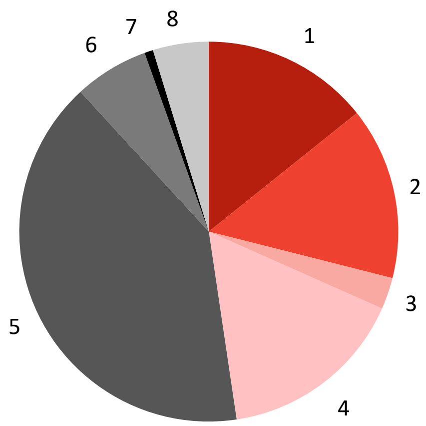
BKS

1	Oberbank AG, Linz (including subordination syndicate with BVG**)	19.17 %
2	Bank für Tirol und Vorarlberg Aktiengesellschaft, Innsbruck	18.89%
3	Generali 3 Banken Holding AG, Wien	7.44%
4	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.98%
5	UniCredit Bank Austria AG, Wien	6.63%
6	CABO Beteiligungsgesellschaft m. b. H., Wien	23.15%
7	BKS – Belegschaftsbeteiligungsprivatstiftung, Klagenfurt	1.30%
8	Free float	20.44%



BTV

1	Oberbank AG, Linz	14.27%
2	BKS Bank AG, Klagenfurt	14.67%
3	Wüstenrot Wohnungswirtschaft reg. Gen.m.b.H., Salzburg	2.70%
4	Generali 3 Banken Holding AG, Wien	16.01%
5	CABO Beteiligungsgesellschaft m. b. H., Wien	40.51%
6	UniCredit Bank Austria AG, Wien	6.34%
7	BTV Privatstiftung, Innsbruck	0.74%
8	Free float	4.76%



* BTV 2000, Beteiligungsverwaltungsgesellschaft m.b.H. (“BTV 2000), 100% subsidiary of Bank für Tirol und Vorarlberg Aktiengesellschaft, holds a stake of 2.26% in Oberbank AG.
** Beteiligungsverwaltung Gesellschaft m.b.H. ("BVG") holds 0.58% in Oberbank AG and 0.65% in BKS.
There is a syndicate agreement with each of the shareholders shown in shades of red.

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Disclaimer - Forward-looking statements

This Annual Report contains statements and forward-looking statements regarding Oberbank AG's future development. These forward-looking statements are usually accompanied by words such as "estimates", "expects", "plans", "predicts", "targets" and similar expressions. The forecasts are our estimates based on the information at our disposal on the copy deadline date. Should the assumptions regarding such forward-looking statements prove incorrect or should risks – as mentioned in the risk report – materialize, the actual results may vary from those currently expected.
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