

SUMMERY OF THE MANAGEMENT REPORT

(ENGLISH COMPREHENSIVE VERSION)

as of December 31, 2022

SPARKASSE 
Oberösterreich

CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

The attached Income Statement and Balance Sheet are part of the Consolidated Financial Statement. It also includes statements of changes in equity and of cash flows and notes. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and audited by the Sparkassen-Prüfungsverband (Savings Banks Audit Association). The Financial Statements are available in German language.

TREND OF BUSINESS

In the third year of the Corona Pandemic, the Austrian economy recovered significantly in the first half of 2022. After the Russian invasion of Ukraine in February 2022 no ease of tensions could be seen until the year-end and therefore early indicators showed a stagnation for the winter half year. In spite of a weakened economic growth from the third quarter 2022 onwards, caused by a global energy crisis, the gross domestic product (GDP) in Austria increased by (preliminary) 4.7%. In the European Union (EU 27) economic growth was comparatively lower at (preliminary) +3.6%.

The value added of Austrian sectors developed in 2022 with a total of +4.8% positively, as in the previous year. Industrial production (incl. construction) was not able to reach last years' level of growth but still increased by 2,3%. The service sector, including tourism and finance, took the role as a bearer for growth. The value added of this sector grew by 12,6%. Transport, information, communication and real estate (+4.6%) was significantly higher than in the previous year (+1.9%). Retail (+2.5%) as well as health and social services (+2.4%) also reported positively. Agriculture and forestry shrank slightly by -2.0%.

The low international economic activity strained Austrian exports only from the second half year onwards, so that it was still a high increase of (preliminary) +8.8% for the whole year 2022. Due to a decline in domestic demand, imports stagnated

from the third quarter onwards. The course of the year showed an increase of (preliminary) +5.1%, resulting in an even current account balance (0.0% of GDP).

Investments (+0,5%) rose only slightly, since companies revised their investment planning due to the high uncertainties of the energy crisis. Consumption (+3,3%) expanded despite of a dwindling purchasing power caused by the high inflation.

Extensive government support in relation to the energy crises had a supportive effect on the economy but a considerable impact on the fiscal accounts. According to the current available figures from the 3rd quarter of 2022, Austria's public debt was in 2022 81.3% of GDP or EUR 355.6 billion. As in previous years, the Maastricht target of 60% of GDP was not achieved. The government's budget deficit of 5.9% of GDP in 2021 should have fallen according to forecasts down to 3.3% of GDP in 2022, since the state benefited from tax income due to high inflation. The Maastricht limit of 3% of GDP has not been achieved the third year in a row.

Development on the labour market deteriorated only slightly in the second half of 2022 despite the explicit decrease of economic trend. In November 2022, 3.9 million people were employed in Austria, up by 2.1% or 80,377 people more than in November of the previous year. With 374,871 people registered as unemployed or in training in December 2022, the decrease compared to December 2021 was 6.8% or 27,507 people. The Austrian unemployment rate (as defined by Eurostat) decreased from 6.2% in 2021 to 4.7% in 2022 (preliminary) and remained below the comparative value of the European Union (at a preliminary 6.1%).

The insolvency statistics of the Kreditschutzverband (KSV) show a trend of normalisation. Although personal and corporate bankruptcies increased significantly in comparison to the previous year, the pre-corona level of the year 2019 has not been reached. The number of corporate bankruptcies for the year 2022 with 4.770 cases was higher than in the previous year 2021 (+57,2%). Before the corona crises in 2019 the comparison number was at 5.018

cases. The number of personal bankruptcies opened was also higher than in the previous year with 8.325 cases (+15,2%), but still below the level of 2019 with 9.456 cases.

In order to counter high inflation, the European Central Bank (ECB) has risen the key interest rate. Since 21.07.2022 the key interest rate has been increased four times from 0% to 2,5%. Additionally, the inter-bank offered rate for banks, which are investing money overnight at the ECB, rose within the second half of the year from -0.5% to 2.0%. Inflation in Austria, as measured by the consumer price index (CPI), was significantly higher at 8.6% in 2022, compared to 2.8% in the previous year. According to Statistics Austria, prices for housing, water, and energy were among the main inflation drivers.

In 2022, the interest rates of Austrian credit institutions increased, in both the loan and deposit portfolios.

Banks were able to expand lending activity despite new installed regulations on credit guidelines. In an increasing interest rate environment domestic lending increased accordingly by 5.2% (from year-end 2021 to November 2022). Corporate lending (+9.3%) grew with high rate and personal loans (+3.6%, of which housing loans are +3.8%) increased as well. This development was accompanied by sharply rising real estate prices, as indicated by the residential real estate index of the Oesterreichische Nationalbank (OeNB) (+10.4% as of 2022).

The savings ratio fell sharply from 12.0% to 7.3% of the household income. In accordance with this development retail bank deposits grew moderately to +0.6% until November 2022. For corporate deposits, a clear downward trend (-1.2%) was detected. The loan-to-deposit ratio of Austrian banks (customer loans as a percentage of customer deposits) increased year-on-year and amounted to 98.4% in November 2022 (2021: 94.1%).

At its meeting in mid-December, the Financial Market Stability Board (FMSG) referred to a decline in real estate loans and therefore to lower systemic risk. Indicators show a declining dynamic of real

estate prices being on a high level. The board also referred to the fact that loans for corporate lending are still high, however, due to the current interest rate development a decrease is expected. As a result, the board recommended a countercyclical capital buffer (CCBP) at 0% of risk-weighted assets, combined with a solicitation for banks to act cautious and restrained towards distribution of profits.

The Financial Market Authority (FMA) and the Central Bank of Austria (OeNB) have set common priorities in regards to banking authority for the year 2023. FMA-minimum requirements have been amended in 2022 and their implementation and compliance by a supervisory review and evaluation process (SREP) as well as dialogues with banks is going to be monitored and evaluated. Additionally, the compliance of the regulation dealing with sustainable mortgage lending standards should be revised.

For the Vienna Stock Exchange, 2022 was a difficult year and the Austrian Traded Index (ATX share index), measured at closing prices, declined significantly from an index level of 3,861.06 at the end of 2021 to 3,126.39 (-19.03%) at the end of the year.

The expected operating profit of Austrian banks in 2022 was at EUR 5.4 billion 17.0% lower than in the same period of the previous year. Main reason for this was a significantly higher need of value adjustments for credit risks, bonds and participations. After the first three quarters of the year, the net interest income increased by 8.5% to EUR 7.2 billion in comparison to the previous year. Commission income flattened by 6.1% to EUR 3.6 billion. Operating costs declined by 1.6% to EUR 9.9 billion and for personnel costs a significant decrease by 5.9% down to EUR 4.0 billion has been stated. With higher total assets (+6.1%), the banks expect the net income for the full year 2022 to be reduced by 22.5% to EUR 4.4 billion in comparison to the previous year (EUR 5.7 billion).

BUSINESS PERFORMANCE

In the past year "Allgemeine Sparkasse Oberösterreich Bank AG" (hereafter referred to as „Sparkasse Oberösterreich“) continued to successfully pursue its strategies, which are designed to provide gui-

delines for action in a turbulent economic and geopolitical environment. Essential influencing factors were increasing interest and inflation rates, a simultaneous slump of economic activity as well as the implementation of regulatory requirements.

The business focus continued to be on new customer acquisition, a balanced relationship between deposits and loans, as well as qualitative and sustainable growth.

Despite the difficult market environment, financing business increased, with significant growth being achieved in particular in investment and working capital loans. Residential construction business has declined from August 2022 onwards due to the current economic developments and the new regulations (KIM-VO, see below) implemented. Consumer loans have decreased as well. Even though there is still a growth in deposits visible, the growth has diminished in contrast to previous years. In relation to the current interest rate development the interest result has significantly increased compared to the year before, despite the pressure on margins.

Overall, commission income has increased again, whereby, financial market trends let securities business stagnate. Payment commission income and commission income from lending recorded growth as well.

Net trading and fair value income in 2022 have been negative due to the current financial market situation. Contrary to last year, in 2022 earnings from dividends have increased significantly.

Personnel costs as well as non-personnel costs grew slightly as a result of the employee participation program of ERSTE Group and as a result of higher IT- and marketing expenses.

In 2022, in contrast to the previous year, an average level of costs for credit risk has been recorded.

At large in 2022 a very satisfactory result has again been achieved.

Business activity of Sparkasse Oberösterreich is still characterized by plenty of initiatives in the

course of the strategic #agenda 2025, focusing on New Contact, New Simple, New Work and Sustainability. Thereby resilience and future viability of the bank should be strengthened, that is surrounded by a dynamic environment.

The past financial year was again characterized by a range of legislative changes which are summed up as follows:

The corporate law on measures due to the Covid-19 was extended till the 30.06.2023. This made it easier for Sparkasse Oberösterreich to act against the backdrop of the Covid-19 pandemic and the associated challenges. Additionally, a corporate law on digitalisation (GesDigG) has been released.

In the area of banking supervision act, the new Covered Bonds Directive (Pfandbriefgesetz), the reporting ordinance of the OeNB concerning the collection of data for the compilation of commercial real estate price indices, commercial real estate rental indices and commercial real estate rental yield indices (reporting ordinance GIMPI 2022), among other things, was enacted in fiscal year 2022.

In November 2022 financial market authority (FMA) has released new minimum standards for banking compliance (BWG-Compliance) in accordance with § 39 Abs. 6 BWG. Moreover, at the beginning of December 2022 a consultation procedure has been initiated regarding a circular letter (FMA-Fit & Proper Rundschreiben) concerning qualification testing of senior management, supervisory board members and key function holders. The final draft of this FMA-Fit & Proper Rundschreiben is expected in the beginning of 2023. The FMA regulation on capital buffer (KP-V) also became effective in December 2022. Due to this new regulation Austrian system relevant banks are required to hold additional capital between 0,25 % and 0,5 % until 2023. FMSG further recommends holding a countercyclical capital buffer (CCBP) at 0% of risk-weighted assets. Since 01.08.2022 FMA regulations on real estate finance (Kreditinstitute-Immobilienfinanzierungsmaßnahmen-Verordnung = KIM-VO) are in place. Quotes are set for banks when financing private housing. KIM-VO is not setting any limits to price increases but hinders the purchase of real

estate for broad levels of the population, in particular young families and young couples. According to FMSG higher interest rates and inflation rates combined with high prices for real estate have reduced affordability of real estate financing. First data collection of OeNB show that the volume of new loans has declined by 40% since August 2022.

EU regulations on Consumer Credit Directive are revised and the release is expected in 2023. In order to ease lending for senior citizens § 9 of the Residential Mortgage Credit Directive (HIKrG) is about to be amended and will become effective on 01.04.2023. In addition, the implementation proposal for Directive (EU) 2020/1828 on representative actions for the protection of consumers' collective interests (Directive (EU) 2020/1828) into Austrian law is expected. The regulation has intended an implementation period till 25.12.2022 (applicable from 25.06.2023). Moreover, Federal Ministry of Labour and Economy has published a draft on the Whistleblower Protection Act (HSchG). In autumn 2022 an assessment of the new accessibility Act (BaFG) has been commissioned, in order to implement the regulation (EU) 2019/882 dealing with accessibility requirements für products and services into national law. During 2023 the new law is about to be finalised. In March 2023 publication of a legislative proposal regarding BRRD/DGSD is expected. Furthermore, on an EU level Basel IV should become effective till 01.01.2025, including a few specific transitional periods particularly for the Output-Floor for IRB-banks and new equity holdings.

Sustainability will continuously accompany Sparkasse Oberösterreich – also in regulatory terms (in general regulations, but also legal bases such as the Taxonomy Regulation, Disclosure Regulation, Eco Label Regulation, ECB Guidance on Climate and Environmental Risks, EBA Guidelines on Lending and Review, EBA Discussion Paper on ESG Risks).

European Security and Markets Authority (ESMA) has published its final report on revised guidelines concerning MiFID II suitability requirements. Revision of MiFID II especially involves adding regulations on sustainability. Applicability of these revised requirements is expected from mid-2023 onwards.

European Banking Authority (EBA) has published, amongst others, the following guidelines:

- Guidelines on common procedures and methods for the Supervisory Review and Evaluation Process (SREP) as well as other regulatory stress tests,
- Guidelines on the comparison of remuneration practices, gender pay gap and approved higher maximum values for the ratio in accordance with guideline 2013/36/EU,
- Guidelines on the comparison of remuneration practices and gender pay gap in accordance with guideline (EU) 2019/2034,
- Guidelines for data collection concerning people with high income in accordance with guideline 2013/36/EU and guideline (EU) 2019/2034,
- Guidelines regarding criteria for investment companies to be released from liquidity requirements in accordance with article 43 paragraph 4 of regulation (EU) 2019/2033,
- Guidelines for strategies and methods concerning compliance management and the role and competence of chief compliance officers in accordance with article 8 and chapter VI of the guideline (EU) 2015/849,
- Guidelines for a solid remuneration policy according to guideline (EU) 2019/2034 and
- Guidelines on internal governance according to guideline (EU) 2019/2034.

Additionally, in November 2022 Single Resolution Board (SRB) work programme 2023 has been published. Aim of SRB is to be able to resolve all supervised banks till the end of 2023. Priorities of SRB are still in line with the multiannual programme 2021-2023. In 2023 focus lies on reaching resolution, promotion of a solid resolution framework, accomplishment of an effective crisis management, operationalisation of a consistent resolution fund and targeted improvement in areas of IT and organizational structure of banks. SRB has for the first time released an estimation on resolvability of banks.

Sparkasse Oberösterreich will deal with the following focus areas of FMA and OeNB in 2023:

- (i) Resilience and stability of Austrian capital market by continuous observation and analysis, in particular by carrying out vulnerability analysis as well as stress tests
- (ii) Digital change, primarily advancement of stability of digital systems and expansion of the resilience against cyber risks,
- (iii) New business models, particularly testing of innovative business models by the Regulatory Sandbox of FMA, implementation of the new European regulation for investment companies (IFR and IFD), preparations for upcoming European regulations on crypto currencies and DLT-technologies,
- (iv) Collective consumer protection, especially further expansion of risk-oriented market monitoring and focus of consumer information lying on inflation, retirement planning, sustainability and crypto-assets,
- (v) Sustainability of business models, in particular integration of sustainability risks in the risk management, strategy and governance of supervised companies, sustainability in the disclosure and non-financial reporting, greenwashing,
- (vi) Clean financial center, primarily monitoring and analyzing trends, business practices and whistleblowing-messages, establishing a national competence- and information hub for the prevention of money laundering and terrorist financing.

The ECB has also defined three supervisory priorities for the years 2023 to 2025: (i) strengthening resilience against macro financial and geopolitical shocks, (ii) meet the challenges of digitalisation and strengthen managerial capabilities of committees and (iii) reinforce the efforts to fight against climate change.

Sparkasse Oberösterreich actively and vigilantly follows the legislative processes on an ongoing basis in order to identify trends at an early stage and to be able to meet all future regulatory challenges in a timely manner as well.

During the financial year 2022, the Supervisory Board held six meetings (including one extraordinary meeting and one constituting meeting), the Audit Committee held three meetings, the Exe-

cutive Committee held three meetings, the Credit Committee held six meetings, the Remuneration Committee held two meetings, the Risk Committee held three meetings, the Strategy Committee held three meetings and the Construction Committee held one meeting. At Sparkasse Oberösterreich there has been the following personnel change: Ms. Gerda Holzinger-Burgstaller has become a member of the Supervisory Board since the Annual General Meeting on June 24, 2022; the mandate of Mr. Volker Dahlhausen has terminated since the Annual General Meeting on June 24, 2022; Mr. Willibald Cernko, Ms. Karin Svoboda and Ms. Claudia Süssenbacher resigned after the Annual General Meeting on June 24, 2022; the mandate of Ms. Christian Trixner has been terminated by the workers' council due to retirement; in the constituting meeting of the Supervisory Board on June 24, 2022 Ms. Kornelia Waitz-Ramsauer has become first deputy of the chairmen and Mr. Norbert Jungreithmayr became second deputy of the chairmen.

Total assets decreased by EUR 1,009.0 million to EUR 15,402.7 million (previous year: EUR 16,411.7 million). This corresponds to a decrease of 6.1%. Operating equity capital (excluding retained earnings) amounted to EUR 1,006.9 million (previous year: EUR 1.122,7 million), a decrease of 10.3% versus the previous year. Main reason for this is the decision made in the Annual General Meeting on June 24, 2022 to asymmetrically reduce capital (§ 192 AktG) for the redemption of shares Erste Bank der österreichischen Sparkassen has on Sparkasse Oberösterreich.

Sparkasse Oberösterreich achieved earnings before taxes of EUR 94.4 million (previous year: EUR 137.5 million), which corresponds to a decrease of 31.3% compared to the previous year.

The planned dividend amounts to EUR 22.8 million (previous year: EUR 48.9 million).

Financial Situation

Liquidity complied with the provisions of Art. 411ff of Regulation (EU) No. 575/2013 (CRR) and the European Commission Delegated Regulation (EU) 2015/61 of October 10, 2014.

Asset Situation

The net asset situation of Sparkasse Oberösterreich has as already mentioned above changed due to the following reasons.

In the Annual General Meeting on June 24, 2022 an asymmetrical capital reduction (§ 192 AktG) for the redemption of shares Erste Bank der österreichischen Sparkassen held on Sparkasse Oberösterreich has been decided. For this reason Core Equity Tier 1 has declined to EUR 150 million. For cushioning impacts on Core Equity Tier 1 80 millions of Additional Tier 1 Capital (AT 1) have been issued.

The equity capital of Sparkasse Oberösterreich amounts to EUR 1,158.3 million (previous year: EUR 1,188.0 million). The equity capital consists of core capital and supplementary capital. Core Equity Tier 1 Capital (CET 1) amounts to EUR 848.9 million (previous year: EUR 985.3 million) and Additional Tier 1 Capital (AT 1) amounts to EUR 80 million (previous year: EUR 0 million). Supplementary Capital (T2) amounts to EUR 229.3 million (previous year: EUR 202.7 million).

Since the end of 2022 regulatory capital ratios are calculated on IFRS-basis instead of UGB-basis.

The equity capital ratios according to Art. 92 CRR are as follows:

Core Equity Tier 1 Capital Ratio 15.16 % (previous year: 17.48 %)

Core Capital Ratio 16.59 % (previous year: 17.48 %)

Total Capital Ratio 20.69 % (previous year: 21.08 %)

The Sparkasse Oberösterreich's Anteilsverwaltung bears unlimited liability for Sparkasse Oberösterreich.

Financial and Non-financial Performance Indicators

The return on equity decreased compared to the previous year and amounts to 7.3% (previous year: 10.0%). The return on equity comprises the net income after taxes plus the allocation to the fund for general banking risks divided by the average balance sheet equity.

At 62.2% (previous year: 62.1%), the cost-income ratio, the ratio of operating expenses to operating income, is the average of recent years.

Result-oriented employee productivity, calculated by dividing the operating income by the weighted average number of employees, remained at the same level EUR 88.9 (previous year: EUR 89.2).

The interest margin, the ratio between economic net interest income and average total assets, amounts 1.19% of the average total assets (previous year: 1.13%).

RISK MANAGEMENT

RISK POLICY AND STRATEGY

The conscious and selective assumption of risks and their professional management is a core competence of every bank. An appropriate risk policy and strategy is an essential basis for maintaining the bank's financial stability and provides the framework for operational success.

Sparkasse Oberösterreich has developed a forward-looking risk management framework tailored to its business and risk profile. This framework is based on a clear risk strategy and defines general principles according to which risks are taken. The risk strategy is consistent with the business strategy.

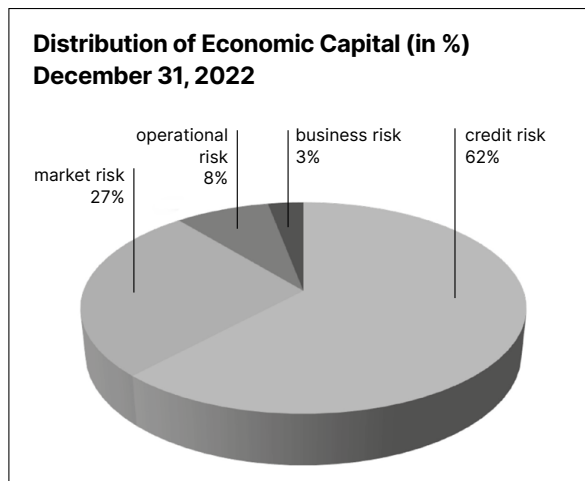
The risk strategy describes the actual risk profile, defines the risk management principles, the strategic objectives and sets strategic limits for the material financial and non-financial risk types, which are indicated in the risk materiality assessment. The risk strategy is implemented within a clearly defined governance structure. This is used to monitor risk appetite, supplementary key figures as well as to escalate limit breaches.

In 2022, the focus was on both the ongoing tensions caused by the Russian-Ukrainian conflict and its impact on the economy and on environmental, social and governance (ESG) risks. Significant resources in both the business and risk areas were

devoted to the establishment and implementation of an ESG action plan, which includes the establishment of a competitive internal framework, ranging from business strategy, dedicated governance, risk management and disclosure.

Regarding the disclosure requirements under Part 8 of Regulation (EU) No. 575/2013 CRR, please refer to the notes to the consolidated financial statements of Erste Group as well as to the homepage of Erste Group Bank AG.

The following chart illustrates the distribution of regulatory capital needs by risk categories as of December 31, 2022.



CREDIT RISK

Environmental- social- and governance risks (ESG) remain key priorities also in the year 2022. Main focus in the risk area was the progress of implementing initiatives in order to fulfill regulatory requirements and expectations, like calculation of CO₂-footprint, development of methods to determine goals on decarbonization for leading sectors, improvement of risk assessments and reporting systems and to integrate climate and environmental risks into the credit risk process.

Credit risks arise in the traditional lending and investment business. These are both credit losses due to defaults by the borrower (Level 3) and expected credit losses if the default occurs either within one year (Level 1) or at any time up to maturity (Level 2).

Level 1 credit losses apply to non-defaulted credit risk exposures with no significant increase in credit risk (SICR) since origination, while Level 2 credit losses apply to non-defaulted credit risk exposures for which SICR was observed at the reporting date. It also includes credit losses due to counterparty risk arising from trading in instruments and derivatives that carry market risk. Country risk and related macroeconomic forward-looking information are also considered in the calculation of credit risk.

Operational credit decisions are made on a decentralized basis by the responsible units.

In contrast to large corporations, banks and sovereigns, the management of credit risk in the retail and SME business includes the processing of a very large number of relatively low loan amounts granted to private customers, freelancers, self-employed persons or small businesses. In compliance with EU-wide and local regulatory requirements, credit risk management in the retail and SME business takes into account the strategic orientation of Sparkasse Oberösterreich to provide loans to private individuals and small and medium-sized enterprises within its financial capacities.

The Business Intelligence Data Warehouse (BI-DWH) primarily serves as the central database for credit risk management. All data relevant for credit risk management, performance management and the calculation of risk-weighted assets and regulatory capital requirements are regularly fed into this database.

The BI-DWH is the basis for central credit risk reporting. This enables centralized evaluations and the application of key figures according to uniform methods and segmentations. The credit risk reporting system comprises regular reports on the credit portfolio for external and internal recipients and enables ongoing monitoring of risk developments and the derivation of control measures by management. Internal recipients primarily include the Supervisory Board and the Management Board as well as risk managers, business unit managers, and Internal Audit.

Internal Rating System

Sparkasse Oberösterreich regulates its credit guidelines and credit approval procedures within the framework of business and risk policies. The guidelines are regularly reviewed and adjusted at least once a year. They cover the entire lending business, considering the nature, scope and risk content of the transactions and counterparties concerned. Individual information such as the creditworthiness of the customer, the type of loan, the collateral, the contractual arrangement and other risk-mitigating factors are taken into account when approving loans.

Counterparty default risk is assessed at Sparkasse Oberösterreich based on the customer's probabili-

ty of default. Sparkasse Oberösterreich assigns a rating for each credit exposure and each credit decision as a specific measure of counterparty default risk (internal rating). The internal rating of all customers is updated on an ad hoc basis, but at least once a year (annual rating review). For customers in workout, this is done at correspondingly shorter intervals.

Credit Risk Exposure by Industry and Risk Category

This table illustrates the total credit risk exposure of Sparkasse Oberösterreich divided by industry and by risk category as of December 31, 2022 compared with the results as of December 31, 2021.

Dec 2022 in EUR million	Low risk	Management attention	Sub-standard	Non- performing	Total
Natural Resources & Commodities	671.7	69.4	7.4	6.1	754.7
Energy	406.0	9.6	4.2	9.0	428.8
Construction and building materials	1,143.9	77.6	22.1	15.7	1,259.3
Automotive	345.6	100.2	13.2	40.9	499.9
Cyclical Consumer Products	389.6	39.8	11.8	31.0	472.2
Non-Cyclical Consumer Products	629.6	16.0	3.9	6.0	655.5
Machinery	808.7	37.1	4.4	7.7	858.0
Transportation	160.1	21.2	6.1	3.8	191.2
TMT and paper & packaging	217.6	43.4	4.7	4.2	269.9
Healthcare & Services	472.4	57.7	25.0	9.8	565.0
Hotels & Leisure	185.5	36.9	7.5	16.8	246.7
Real Estate	2,639.6	233.4	34.4	28.2	2,935.6
Public Sector	1,281.3	0.0	0.0	0.0	1,281.3
Financial Institutions	3,992.8	21.4	3.9	6.5	4,024.6
Private Households	3,744.2	57.2	68.2	45.3	3,914.9
Other	58.5	0.1	8.1	0.0	66.7
Total	17,147.2	820.9	224.8	231.2	18,424.2

Dec 2021 in EUR million	Low risk	Management attention	Sub-standard	Non- performing	Total
Natural Resources & Commodities	627.1	48.6	14.1	5.4	695.2
Energy	368.9	6.6	6.6	8.1	390.2
Construction and building materials	1,010.0	63.9	22.7	13.5	1,110.2
Automotive	401.5	12.9	10.7	27.9	453.0

Cyclical Consumer Products	239.5	43.2	5.1	4.2	292.1
Non-Cyclical Consumer Products	393.9	38.5	21.0	14.9	458.3
Machinery	479.1	12.3	6.4	5.9	503.5
Transportation	753.3	24.3	4.6	9.9	792.1
TMT and paper & packaging	153.0	8.7	5.6	1.9	169.3
Healthcare & Services	446.7	79.8	13.9	9.7	550.1
Hotels & Leisure	194.0	35.2	8.2	20.2	257.7
Real Estate	2,586.4	218.6	36.3	22.5	2,863.8
Public Sector	853.3	0.0	0.0	0.0	853.3
Financial Institutions	4,292.5	61.2	0.8	0.1	4,354.6
Private Households	3,853.5	99.2	46.3	46.9	4,045.9
Other	43.0	0.0	2.3	0.0	45.2
Total	16,685.5	752.9	204.6	191.3	17,834.4

Dec 2021 in EUR million	Low risk	Management attention	Sub-standard	Non- performing	Total
Agriculture, forestry and fishing	118.8	14.4	2.7	2.4	138.4
Mining and quarrying	9.9	6.3	0.0	0.0	16.1
Manufacturing industry	1,644.1	55.9	30.6	26.7	1,757.3
Electricity, gas, steam and air conditioning supply	129.5	5.3	6.4	0.5	141.8
Water supply	45.4	1.1	0.0	0.2	46.7
Construction	996.0	97.8	19.1	7.0	1,119.9
Construction: development of construction projects	574.3	68.0	3.2	0.3	645.8
Wholesale and retail trade	974.1	86.0	28.7	24.6	1,113.4
Transport and storage	150.7	8.6	2.3	3.7	165.2
Accommodation and food service activities	75.0	19.9	6.1	5.4	106.4
Information and communication	86.3	21.5	1.9	4.2	113.9
Financial and insurance services	4,289.7	61.2	0.8	14.0	4,365.7
Financial and insurance services: Holding companies	39.2	4.1	0.0	0.0	43.3
Real estate and housing activities	1,991.7	142.6	18.3	18.1	2,170.8
Professional, scientific and technical activities	1,026.2	74.6	27.3	28.2	1,156.3
Administrative and support service activities	132.9	12.1	1.5	1.8	148.3
Public administration and defense, compulsory social security	853.3	0.0	0.0	0.0	853.3
Educational and training activities	6.0	4.4	0.3	0.1	10.7
Health and social work activities	179.5	22.0	1.0	6.3	208.8
Arts, entertainment and recreation	16.8	10.5	1.1	0.4	28.8
Other service activities	102.3	9.5	7.9	0.7	120.5
Private households	3,814.4	99.2	46.3	47.0	4,006.9
Other	43.0	0.0	2.3	0.0	45.2
Total	16,685.5	752.9	204.6	191.3	17,834.4

Loans are classified as non-performing loans when at least one of the default criteria under Article 178 CRR applies to the borrower, including: improbable full repayment; interest or principal payments on a material exposure are more than 90 days past due; restructuring resulting in a loss to the lender; realization of a loan loss; or initiation of insolvency proceedings.

For purposes of defining and recognizing non-performing positions, Sparkasse Oberösterreich

applies the “customer view” to all customer segments, including retail customers. Accordingly, if a certain Austrian customer defaults on one product, then all performing products of that certain customer are classified as non-performing.

Net Exposure to Selected Regions

The following tables present the volumes of credit risk for selected countries and regions:

Dec 2022 in EUR million	Low risk	Management attention	Sub-standard	Non- performing	Total
Core Markets	15,879.3	790.1	221.3	218.9	17,109.6
Austria	14,521.7	708.8	187.9	190.7	15,609.1
Germany	1,357.6	81.3	33.4	28.2	1,500.5
Other EU	1,015.8	9.3	3.0	6.8	1,034.9
Other	252.1	21.6	0.6	5.5	279.7
Total	17,147.2	820.9	224.8	231.2	18,424.2

Dec 2021 in EUR million	Low risk	Management attention	Sub-standard	Non- performing	Total
Core Markets	15,430.6	727.2	203.4	179.7	16,540.9
Austria	14,218.3	647.4	190.2	161.1	15,217.0
Germany	1,212.3	79.8	13.2	18.6	1,323.9
Other EU	983.0	11.4	0.7	6.6	1,001.7
Other	271.9	14.4	0.5	5.0	291.8
Total	16,685.5	753.0	204.6	191.3	17,834.4

MARKET RISK

Market risk is the risk of loss resulting from adverse changes in market prices and parameters derived from them. At Sparkasse Oberösterreich, they are segmented into interest rate risk, credit spread risk, currency risk, equity risk and volatility risk. Both trading and banking book transactions are affected.

In our bank, potential losses that may arise from market movements are assessed by using the “value-at-risk” (VaR) measure. The calculation is based on the historical simulation method with a one-sided confidence level of 99%, a holding pe-

riod of one or ten days and a simulation period of two years. VaR describes the maximum loss to be expected with a given probability - the confidence level - within a certain holding period of the positions under historically observed market conditions.

Back testing is used to constantly monitor the validity of the statistical methods. This involves checking, with a delay of one day, whether the model predictions of loss have materialized. At a confidence level of 99%, the loss actually incurred on a given day should statistically exceed the VaR only two to three times per year (1% of approximately 250 working days).

LIQUIDITY RISK

Sparkasse Oberösterreich considers liquidity risk in alignment with the principles of the Basel Committee on Banking Supervision as well as the European and Austrian legal frameworks (Capital Regulations Requirement (CRR) - Regulation (EU) No. 575/2013, Delegated Regulation (EU) 2015/61, Credit Institutions Risk Management Regulation - KI RMV). Accordingly, a distinction is made between market liquidity risk (the risk of not being able to close a position due to insufficient market depth or market disruptions) and refinancing risk (the risk that a bank will not be able to efficiently meet expected or unexpected obligations arising from current and future cash flows and securities without adversely affecting its daily operations or financial position).

Refinancing risk is further divided into insolvency risk and structural liquidity risk. Insolvency risk is the short-term risk that current or future payment obligations cannot be met in full, on time and in an economically justified manner. Structural liquidity risk concerns the long-term risk of losses due to changes in the refinancing costs or solvency premium of Sparkasse Oberösterreich.

In 2022, the Group-wide technical platform for monitoring and managing liquidity risk was further developed and improved. As a result, all key metrics for liquidity risk are integrated into this platform.

Liquidity Strategy

In 2021, customer deposits remained the primary source of funding for Sparkasse Oberösterreich. The inflow of customer deposits exceeded the increase in credit volume, and the excess liquidity was largely invested in central banks.

Sparkasse Oberösterreich issued (own issues) around EUR 90 million in 2021 (2020: EUR 58 million). The bank's participation in TLTROs increased to EUR 1.75 billion in 2021 (2020: EUR 1.0 billion).

Liquidity Ratios

The supervisory liquidity ratios of LCR and NSFR are successfully embedded in Sparkasse Oberösterreich. The LCR in accordance with Delegated Regulation (EU) 2015/61 and the NSFR in accordance

with the Amendment of the Delegated Regulation (EU) 575/2013 are calculated on the platform already described above.

Method and Instruments

Short-term liquidity risk (insolvency risk) is measured and limited through a „Survival Period“ analysis (SPA). This analysis specifies the maximal time in which a bank can survive in various defined scenarios, including a severe combined systematic and company-specific crisis, with the inclusion of liquid assets. The underlying assumptions include drastic restrictions on the availability of short- and long-term capital market financing with simultaneous significant outflows of customer deposits. Furthermore, an increased utilization of guarantees and loan commitments per customer group is simulated and the possible additional outflow of collateral from secured derivatives in stress scenarios is modeled. The SPA covers a stress scenario period of up to 12 months. It is calculated on a weekly and monthly basis.

The „structural liquidity gaps“ are regularly reported and monitored using the internal liquidity ratio „Structural Liquidity Ratio“ (STRL). The STRL is calculated on a monthly basis.

All of the above metrics and reports (LCR, NSFR, SPA and STRL) are regularly reported to the Risk Committee.

The concentration risk regarding the financing structure as well as the „Counterbalancing Capacity“ (CBC) is periodically monitored and reported to the regulator. Sparkasse Oberösterreich's „Funds Transfer Pricing“ (FTP) is used as a control instrument for the management of structural liquidity risk.

Risk Mitigation Methods and Instruments

The controlling of the short-term liquidity risk is assured by limits, which result from the „Survival Period“ Model, the internal stress test and the internal LCR goals. Limit excesses are reported to the Management Board by the Risk Committee. A further tool to control the liquidity risk is the FTP system. A comprehensive and regularly updated contingency plan ensures the coordination of all participants of the liquidity crisis management.

Analysis of Liquidity Risk

Liquidity risk at Sparkasse Oberösterreich is analyzed using the following methods:

Liquidity Coverage Ratio: At Sparkasse Oberösterreich, the supervisory Liquidity Coverage Ratio is used by for internal monitoring and controlling of the liquidity position. To guarantee that the LCR (according to LCR Delegated Act) remains above both the regulatory limit and the internal limit, Sparkasse Oberösterreich monitors the short-term liquidity in- and outflows as well as the counterbalancing capacity.

The following table shows the Liquidity Coverage Ratio per 31st of December 2021 and 2022:

LIQUIDITY COVERAGE RATIO		
in EUR million	Dec 2021	Dec 2022
Liquidity Buffer	4.587	4.128
Net Liquidity Outflow	1.462	1.778
Liquidity Coverage Ratio	313.8%	232.1%

Structural Liquidity Gaps: Long-term liquidity positions are controlled by means of structural liquidity gaps based on contractual and partly modeled cash flows of all liquidity-relevant positions on the balance sheet (both on- and off-balance). It is calculated in every relevant currency. In general, the cash flows are assigned based on the contractual maturity.

Liquidity Buffer and Feasible Liquidity: Sparkasse Oberösterreich regularly monitors its feasible liquidity, which consists of cash on hand, surplus reserves at central banks, and unencumbered central bank-eligible assets and other liquid securities. The effects of repo transactions are appropriately considered. These assets can be mobilized at short notice to compensate for potential outflows in a crisis.

The following table shows the feasible liquidity as of the end of 2022 and also refers to the allocation to highly liquid assets (HQLA) in line with the regulatory requirements from the LCR.

FEASIBLE LIQUIDITY in EUR million	2022				2021			
	market value (*)	used	available	available	market value (*)	used	available	available

OVERVIEW 1: COLLATERAL		market value (*)	used	available		market value (*)	used	available	
Total bonds (c,d,e,f)		2.206	213	1.983	90%	1.861	898	963	52%
Thereof collateral (c,d,e)		1.825	50	1.775	97%	1.431	837	594	42%
ECB eligible credit claims		1.070	750	320	30%	1.019	1.019	-	0%
Total collateral		2.895	800	2.095	72%	2.450	1.855	594	24%

OVERVIEW 2: BONDS & HQLA		market value (*)	used	available		market value (*)	used	available	
Level 1 Liquidity reserve (**)	a	1.467	-	1.467	100%	1.389	-	1.389	100%
Cash	b	1.273	-	1.273	100%	2.817	-	2.817	100%
Bonds	c	1.294	40	1.254	97%	1.052	466	586	56%
Level 2 Bonds	d	122	10	112	92%	129	125	4	3%
Other ECB eligible securities	e	409	0	409	100%	250	245	5	2%
Non ECB-eligible securities	f	381	163	218	57%	430	62	368	86%

(*) Market value corresponds to effective collateral value of credit claims (**) Liquidity reserve according to section 27 BWG

OPERATIONAL RISK

In line with Article 4 Para. 52 of the EU Regulation No. 575/2013 (CRR), Sparkasse Oberösterreich defines operational risk as the risk of loss resulting from inadequacy or failure of internal processes, personnel or systems or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Responsible for the management of the operational risks is - as is customary internationally - the line management.

Methods and Procedures

The basis of the quantitative measurement methods (compiles with abatement in the risk-taking capability calculation) is capital adequacy according to the conservative basis indicator approach. In addition to the quantitative approach, the filling of the loss database is the focus of the qualitative approach.

Each month, information on the registration to the loss database is presented to senior managers and to the Management Board within the meetings of the Risk Committee. Registrations of bigger losses are forwarded to Internal Audit Department for review of operations.

OUTLOOK

FRAMEWORK AGAINST THE BACKDROP OF THE GEOPOLITICAL CRISES IN EUROPE

After the balance sheet date of December 31, 2022, the impacts of the war in Ukraine and the associated international energy crisis on people, businesses, and consequently on the overall economic processes in Austria continued to be classified as significant. However, as of now, no further events after the balance sheet date are known that would have led to a different presentation of the 2022 financial statements.

In the baseline scenario, current forecasts by the Austrian Institute of Economic Research (WIFO) and the Institute for Advanced Studies (IHS) assume that growth in Austria will rebound to a low path by spring 2023 after a pronounced decline in the winter half-year 2022/23. For the entire year,

the forecasts incorporate a modest GDP increase of a maximum of 0.4% in 2023. Growth is projected to rise to 1.2% to 1.8% in 2024, assuming that the global supply chain disruptions in worldwide goods trade will gradually be resolved.

The record high inflation is likely to have peaked around the turn of the year and should gradually decline. Under the assumption that an adequate substitute for Russian as worldwide gas supplier can be found, the inflation rate measured by the Consumer Price Index (CPI 2015) is expected to decrease to 6.5% to 6.7% in 2023. How long the inflation rate will remain above the European Central Bank's (ECB) medium-term target of 2% is hard to predict. In the baseline scenario by WIFO and IHS, a maximum value of 3.5% is assumed for 2024. A key prerequisite for achieving the forecast assumptions is the stabilization of high crude oil, natural gas, and electricity prices.

The labour market situation is expected to deteriorate only temporarily in 2023, with a projected unemployment rate according to Eurostat calculations (2023: 4.7%, 2024: 4.5%) that is likely to remain below the pre-pandemic level (2019: 4.8%).

The risks which could endanger the realization of the assumed baseline scenario are deemed substantial. Economic relations between the EU and Russia are increasingly deteriorating, and there are no signs of a quick de-escalation in the war in Ukraine. Ongoing issues with international supply chains (especially those related to China) persist. The possibility that the elevated inflationary pressure may last significantly longer than forecasted cannot be dismissed.

For the banking market, the growth forecasts in 2023 for credit volume (+5.5%) are slightly higher than for deposits (+5.2%), as in the previous year. In 2024, growth in the banking market is expected to remain at an above-average level, with credit volume likely to increase somewhat more strongly at +5.3% compared to deposits at +5.1%.

In a press release on December 22, 2022, the FMA pointed out increased systemic risks in connection

with Russia's war of aggression in Ukraine, the rising energy prices, high inflation, and the below-average capitalization of Austrian banks compared to European peers. Consequently, the FMA has ordered Austria's systemically important banks to increase their capital buffers by a total of 0.25 to 0.5 percentage points.

To counteract high inflation, the ECB has raised its key interest rates. Since July 21, 2022, the main refinancing rate has been increased in four steps from 0% to 2.5%. Likewise, the deposit rate for banks investing money overnight at the ECB was raised during the second half of the year from -0.5% to 2.0%.

EXPECTED DEVELOPMENT OF SPARKASSE OBERÖSTERREICH

Although the inflationary momentum has slowed down towards the end of the year, the ECB has already implemented a further 0.5% interest rate hike in early February 2023, and Sparkasse Oberösterreich expects additional interest rate moves by the ECB in 2023.

To support customers in connection with the negative effects of higher credit costs and to mitigate the resulting risk at Sparkasse Oberösterreich, existing private credit customers were offered fixed interest rate agreements in a timely manner. As many

corporate customers were still affected by supply shortages in 2022 due to China's zero-Covid strategy, Sparkasse Oberösterreich played a central role in financing the real economy alongside government support. In this context, the provisions in the bank's own books increased only moderately. Sparkasse Oberösterreich also expects an increase in defaults in 2023, but the portfolio deterioration should remain manageable.

In anticipation of a tightening of monetary policy, stock and bond markets underwent a significant price correction in the first half of the year, even though economic growth was still very high. A loss year soon became apparent for securities clients, which also negatively affected securities commission income at Sparkasse Oberösterreich.

Securing Sparkasse Oberösterreich's market position as a regional universal bank remains the top priority in the coming years. Cost management and process optimization will continue to be central tasks. The particular challenge for 2023 is high inflation with corresponding effects on administrative expenses. The high capitalization and strong liquidity position of Sparkasse Oberösterreich enable it to address the temporarily weak growth prospects in the winter half-year and to continue being a reliable partner for its customers and the people in the region.

GROUP BALANCE SHEET AS OF DECEMBER 31, 2022

Allgemeine Sparkasse Oberösterreich
Bankaktiengesellschaft

according to IFRS

I. Group Profit and Loss Account 2022

in EUR million	1-12 2021	1-12 2022
Net interest income	177.6	189.2
Interest income	188.2	221.8
Other similar income	28.4	21.7
Interest expenses	-26.2	-41.2
Other similar expenses	-12.7	-13.0
Net fee and commission income	125.1	129.7
Fee and commission income	139.7	145.4
Fee and commission expenses	-14.6	-15.7
Dividend income	3.8	17.9
Net trading result	-24.2	-97.5
Gains/losses from financial instruments measured at fair value through profit or loss	36.6	90.0
Rental income from investment properties & other operating leases	4.6	3.4
Personnel expenses	-109.5	-112.0
Other administrative expenses	-76.7	-79.3
Depreciation and amortization	-14.7	-15.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss (net)	0.0	0.0
Other gains/losses from derecognition of financial instruments not measured at fair values through profit or loss	-0.3	0.1
Impairment result from financial instruments	22.8	-23.8
Other operating result	-7.7	-7.7
Levies on banking activities	-1.4	-3.1
Pre-tax result from continuing operations	137.5	94.4
Taxes on income	-32.5	-16.6
Net result for the period	105.0	77.8
Net result attributable to non-controlling interests	-0.7	-0.6
Net result attributable to owners of the parent	104.3	77.2

II. Group Balance Sheet as at December 31, 2022

in EUR million	Dec 2021	Dec 2022
ASSETS		
Cash and cash balances	3,144.9	1,335.8
Financial assets held for trading	123.3	61.3
Derivatives	79.2	22.0
Other financial assets held for trading	44.1	39.3
Non-trading financial assets at fair value through profit or loss	147.3	119.0
Equity instruments	32.5	20.8
Debt securities	112.2	97.8
Loans and advances to customers	2.6	0.4
Financial assets at fair value through other comprehensive income	589.2	351.6
Equity instruments	229.1	70.4
Debt securities	360.1	281.2
Financial assets at amortised cost	12,061.9	13,345.6
Debt securities	1,366.1	1,971.7
Loans and advances to banks	1,575.6	1,635.7
Loans and advances to customers	9,120.2	9,738.2
Hedge accounting derivatives	50.1	6.1
Property and equipment	91.1	92.5
Investment properties	45.8	45.8
Intangible assets	8.4	6.9
Investments in associates and joint ventures	19.5	1.4
Current tax assets	5.9	1.3
Deferred tax assets	0.0	3.1
Assets held for sale	3.2	0.0
Trade and other receivables	3.0	2.8
Other assets	118.1	29.6
Total assets	16,411.7	15,402.7

in EUR million	Dec 2021	Dec 2022
LIABILITIES AND EQUITY		
Financial liabilities – held for trading	14.1	43.5
Derivatives	14.1	43.5
Other financial liabilities held for trading	0.0	0.0
Financial liabilities at fair value through profit or loss	732.1	515.6
Deposits from customers	66.2	53.6
Debt securities issued	665.9	462.0
Financial liabilities amortized cost	14,239.0	13,564.8
Deposits from banks	2,268.1	1,244.9
Deposits from customers	11,056.6	11,429.3
Debt securities issued	910.9	887.3
Other financial liabilities	3.4	3.3
Lease liabilities	27.9	28.8
Hedge accounting derivatives	15.7	20.5
Provisions	164.5	138.5
Current tax liabilities	18.9	0.1
Deferred tax liabilities	11.8	0.0
Other liabilities	64.9	83.9
Total equity	1,122.7	1,006.9
Equity attributable to non-controlling interests	1.1	1.0
Additional Tier 1 capital - AT1	0.0	80.0
Equity attributable to owners of the parent	1,121.6	925.9
Subscribed capital	64.4	52.9
Additional paid-in capital	113.2	124.6
Retained earnings and other reserves	944.0	748.3
Total liabilities and equity	16,411.7	15,402.7

SPARKASSE 
Oberösterreich

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