Oberbank

Interim Report to Shareholders as at 31 March 2023

Oberbank at a Glance

Income statement in € m	Q1 2023	Change	Q1 2022
Net interest income	131.0	44.6%	90.6
Profit from entities accounted for by the equity method	65.4	> 100	19.8
Impairment charges for losses on loans and advances	-4.7	28.1%	-3.7
Net fee and commission income	52.6	-9.1%	57.9
Administrative expenses	-84.9	8.2%	-78.5
Profit/loss for the period before tax	150.0	> 100	60.6
Profit/loss for the period after tax	128.8	> 100	50.2
Balance sheet in € m	**31/3/2023**	**Change**	**31/12/2022**
Total assets	27,776.9	3.7%	26,798.2
Loans and advances to customers	19,786.4	3.1%	19,192.9
Primary funds	18,724.8	4.3%	17,948.1
thereof securitised liabilities incl. subordinated debt capital	3,203.3	11.0%	2,886.7
Shareholders’ equity	3,692.0	4.1%	3,546.9
Customer funds under management	38,853.1	4.5%	37,185.5
Own funds pursuant to CRR in € m	**31/3/2023**	**Change**	**31/12/2022**
Common equity tier 1 capital (CET 1)	3,126.6	0.01%	3,126.4
Tier 1 capital	3,176.6	0.01%	3,176.4
Own funds	3,501.7	-0.01%	3,501.9
CET 1 ratio in %	17.37	-0.66% ppt	18.03%
Tier 1 capital ratio in %	17.65	-0.67% ppt	18.32%
Total capital ratio in %	19.45	-0.74% ppt	20.19%
Performance indicators	**Q1 2023**	**Change**	**Q1 2022**
Liquidity coverage ratio in %	186.61	19.74% ppt	166.87
Net stable funding ratio in %	131.88	-0.60% ppt	132.48
Leverage ratio in %	10.57	-0.79% ppt	11.36
Cost/income ratio in %	35.42	-19.55% ppt	54.97
Return on equity before tax in % (equity ratio)	16.58	9.31% ppt	7.27
Return on equity after tax in %	14.23	8.21% ppt	6.02
Risk/earnings ratio (credit risk/net interest) in %	3.62	-0.46% ppt	4.08
Resources	**31/3/2023**	**Change**	**31/12/2022**
Average number of staff (weighted)	2,154	+20	2,134
Number of branches	180		180

Development of Business of the Oberbank Group in Q1 2023

Dear Shareholders,

The first quarter of the current business year was overshadowed by inflationary trends which took an unexpected course. The consumer price index declined only very slowly and tentatively, while core inflation continued to rise. The ECB responded to this trend by raising key lending rates twice since January 2023. Still, despite the adverse environment, Oberbank's business developed very well.

Corporate banking remains the strongest source of earnings

Despite the uncertain outlook for the development of the economy, demand for loans from the commercial segment increased by 5.7% to EUR 15.7 billion. New business in leasing also developed well and gained 29.8%, thus rising to EUR 290.0 million.

Growing deposit volumes in retail

In the first three months of the year, deposits rose by 5.3% to EUR 6.9 billion compared to the first quarter of the preceding year. Shareholders' equity rose by 9.0% to EUR 18.7 billion. As regards retail loans, the volume declined by 1.8% to EUR 4.0 billion. Business with our cooperation partners was very gratifying, especially in the area of private retirement planning.

Excellent result of operating business

Net interest income increased by 44.6% to EUR 131.0 million (compared to EUR 90.6 million in Q1 2022). Net fee and commission income decreased by 9.1% to EUR 52.6 million, not least due to the downturn in the securities business in both the corporate and retail segments.

Risk costs rise moderately from extremely low level

A total of EUR 4.7 million were allocated to risk provisions in the first quarter of 2023. Although this is EUR 1 million or 28.1% higher year on year, the level of risk provisions is still exceptionally low.

Income from entities recognized by the equity method more than three times higher

Income from equity investments rose from EUR 19.8 million in Q1 2022 to EUR 65.4 million in the first three months of the current year, thus continuing the trend of volatility in this indicator of the past quarters.

Net profit for the period 2.5x higher

Net profit before tax for the period was EUR 150.0 million as at 31 March 2023 following EUR 60.6 million one year ago. Therefore, net profit for the period after tax developed similarly rising from EUR 50.2 million in Q1 2022 to EUR 128.8 million on 31 March 2023.

Equity substantially strengthened

Equity capital pursuant to IFRS increased to EUR 3.692 billion as at 31 March 2023, which means that the capital base widened by 10.2%. This translates into a tier 1 capital ratio of 17.65%.

Therefore, Oberbank is well prepared to serve its customers as their principal bank – also in difficult times – and provide support as a reliable partner.

Outlook

The forecasts of experts regarding developments in the coming months are sometimes inconsistent. Although the estimates state demand for loans will continue in the coming months, Oberbank has been seeing a slowing trend which will likely result in declining growth rates in lending and a slightly higher credit risk.

Due to the volatile environment, the Management Board of Oberbank is not presenting an outlook for the full year.

Linz, May 2023

CEO Franz Gasselsberger
Chairman of the Management Board

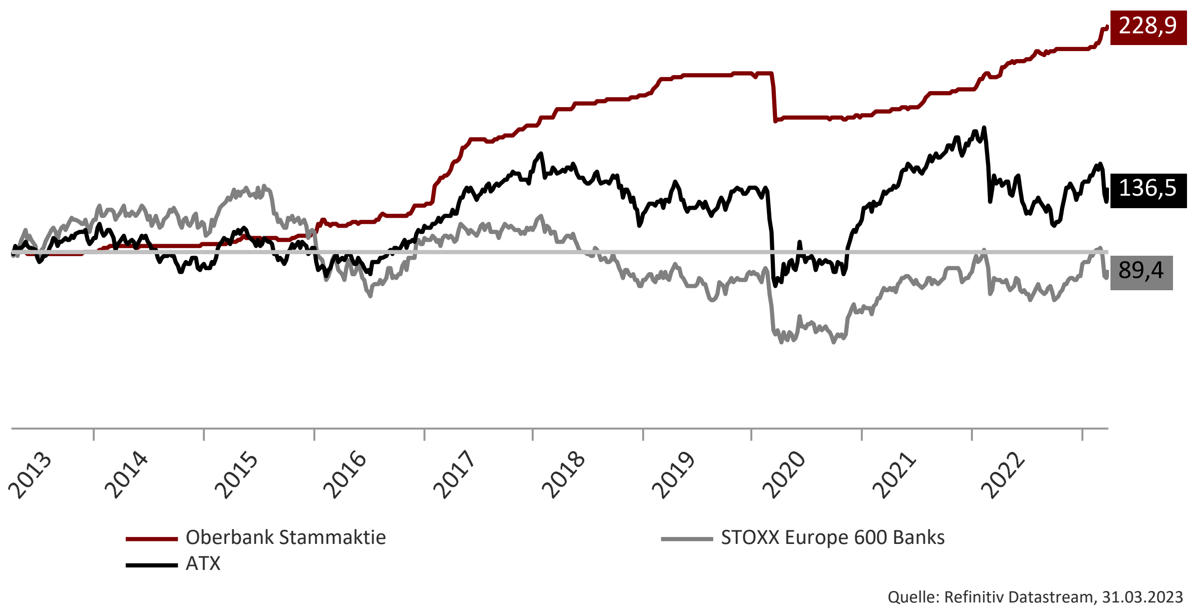
Oberbank's shares

After the first quarter of 2023, Oberbank's ordinary shares were trading at a price of EUR 109.00. The price gains, or in other words, the performance of Oberbank's ordinary shares was +6.34%. Market capitalisation at the end of the first quarter of 2023 stood at EUR 3,848.50 million versus EUR 3,368.32 million at the close of the preceding year.

Oberbank' shares – key figures	Q1 2023	Q1 2022
Number of ordinary no-par shares	35,307,300	35,307,300
High, ordinary share in €	109.00	96.20
Low, ordinary share in €	102.00	91.60
Closing price ordinary share in €	109.00	95.40
Market capitalization in €m	3,848.50	3,368.32
IFRS earnings per share in € annualised	14.6*	5.69*
P/E ratio, ordinary shares	7.47	16.77

*Earnings per share are annualised. They are calculated as follows: profit for the period after tax in the first quarter divided by the average number of ordinary shares in circulation multiplied by four (projection for the full year).

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



Legend: Time period: 29 March 2013 to 31 March 2023; *red line* = Oberbank ordinary shares; Source: Refinitiv Datastream, 31 March 2023
Note: This chart compares the development of Oberbank's ordinary shares, the Austrian stock index ATX, and the European banking index STOXX Europe 600 Banks. The prices have been adjusted in the chart by indexing the daily closing prices of the relevant stock and the indices to 100. This means the starting prices were all set to 100% at the starting time. Therefore, the chart presents the relative percentage development. The figures given refer to the past. These cannot be used to derive future trends.

Segments in Q1 2023

Corporate and Business Banking

Corporate and Business Banking in €m	Q1 2023	Q1 2022	+ / - absolute	+ / - in %
Net interest income	112.3	75.3	36.9	49.0%
Impairment charges for losses on loans and advances	-6.2	1.0	-7.2	>-100%
Net fee and commission income	31.5	32.9	-1.4	-4.3%
Net trading income	0.0	-0.3	0.3	
Administrative expenses	-46.6	-42.4	-4.1	9.8%
Other operating income	-0.2	-1.1	0.9	-85.1%
Profit/loss for the period	90.9	65.4	25.5	38.9%
Risk equivalent	12,355.3	11,395.9	959.3	8.4%
Average allocated equity	2,211.4	1,936.8	274.6	14.2%
Return on equity before tax (RoE)	16.4%	13.5%	2.9% ppt	
Cost/income ratio	32.4%	39.7%	-7.3% ppt	

Earnings in Corporate and Business Banking

Profit in the Corporate and Business Banking segment was EUR 90.9 million, which is higher by EUR 25.5 million or 38.9% year on year.

Net interest income rose by EUR 36.9 million or 49.0% to EUR 112.3 million.

Risk provisions increased from positive EUR 1.0 million by EUR 7.2 million to negative EUR 6.2 million.

Net fee and commission income decreased by EUR 1.4 million to EUR 31.5 million or 4.3% lower year on year.

Administrative expenses rose by EUR 4.1 million or 9.8% to EUR 46.6 million.

Other operating income rose by EUR 0.9 million from negative EUR 1.1 million to negative EUR 0.2 million.

RoE in Corporate and Business Banking rose by 2.9%-points from 13.5% to 16.4%, while the cost/income ratio improved by 7.3%-points from 39.7% to 32.4%.

Commercial loans

Oberbank's commercial lending volume increased by EUR 846.6 million or 5.7% from EUR 14,899.9 million to EUR 15,746.5 million.

Commercial loans		YoY change	
As at 31/3/2023	As at 31/3/2022	absolute	in %
€ 15,746.5 million	€ 14,899.9 million	€ 846.6 million	5.7%

Investment finance and innovation

The number of loan applications submitted in Austria, Germany, the Czech Republic, Hungary and Slovakia for investments and innovation and/or to secure liquidity was 483 projects in Q1 2023, which is 22% more than in the pre-coronavirus year 2019. After the exceptional years 2020 and 2021 caused by the pandemic, there was a significant increase in the number of funding applications triggered by the still prevailing optimism at the beginning of the year and the resulting high propensity to invest in the business sector.

The volume of subsidised finance granted through Oberbank amounted to EUR 2.0 billion as at 31 March 2023, which is 10.5% higher year on year.

It is also gratifying to report that Oberbank increased its market share to 32% for approved ERP subsidy schemes throughout Austria, thereby ranking first among all Austrian banks.

Structured finance and syndicated loans

With respect to syndicated loans, special loans and borrower's notes, there was a slight increase in total outstanding loan volume and transactions compared to both the first quarter of the preceding year as well as to the last balance sheet date. The number of syndicated loans in which Oberbank acts as lead manager also increased. The number of project inquiries in the structured finance segment was slightly lower in the first quarter compared to the preceding year. There was a marked decline in project inquiries for commercial real estate, while demand for projects in the renewable energy and tourism sectors increased.

Oberbank Opportunity Fund

In Q1 2023, the Oberbank Opportunity Fund reported 48 inquiries, which is higher year on year. The Oberbank Opportunity Fund closed several new transactions in this period. Since the inception of the Oberbank Opportunity Fund, 111 transactions with equity and/or mezzanine capital or high-yield capital (plus debt financing) have been supported, and ten supplementary finance transactions were also carried out for portfolio companies. The total volume of capital committed as at 31 March 2023 was approximately EUR 332 million distributed across equity, mezzanine and high-yield capital.

Payment services

Income from corporate customer payment transactions developed very well as at 31 March 2023 and was 11.5% higher than in the preceding year.

In Q1, all branches in Austria and Germany started a training campaign on the topic of payment services. The training activity has the purpose of improving our sales staff's talking skills and thereby improving earnings in payment transactions in corporate and business banking. Furthermore, we worked on a new processing system for payment service storage devices in the first quarter. This new system will make it possible to respond even better to individual customer requirements in the future.

Documentary business

From an economic perspective, the first quarter of 2023 was marked by a certain routine in dealing with crises. Our export and import customers looked to the future with a modicum of confidence, also relying on our efficient risk management.

Oberbank's expertise in international business ensured the precise and smooth flow of customers' payments and goods. Risk awareness is more important than ever, especially in times of rising interest rates. Popular among customers were the established products of documentary collection and letters of credit. A direct year-on-year comparison shows an increase in income of 45.9% in the documentary business in Q1 2023.

Oberbank's advisory competence for foreign business ensures that international transactions are precisely and reliably processed. Therefore, our expertise in documentary transactions and letters of credit were in high demand.

Export finance

On the one hand, Q1 2023 was overshadowed by high inflation, geopolitical risks and an increasingly difficult environment for payments. On the other hand, rising demand for green products and the resumption of major infrastructure projects gave rise to optimism. Another factor was the continuing impact of the after-effects of the supply chain problems of the past quarters. Many companies have historically high inventories and rising interest rates are additionally pressuring working capital costs. Demand for working capital loans was especially high at the beginning of the year. The subsidised working capital loan schemes of Oesterreichische Kontrollbank (OeKB) were especially popular among exporting companies.

Oberbank's strength in this area is impressively documented by rising volumes and market shares. Therefore, the market share of loans granted under the “Exportfonds” scheme of OeKB rose to over 12.0% (+0.2% vs 31 Dec. 2022). It was even higher for OeKB’s Refinancing Facility (KRR) for large companies at 11.1% (+0.1% vs 31 Dec. 2022). In terms of subsidized investment loans of OeKB for exporting businesses, Oberbank expanded its market share in domestic investments significantly, with an increase of 0.3% to 12.1%.

Factoring

In Q1 2023, the positive trend in factoring also continued. Compared to the same period of the preceding year, the facilities increased again by 8%. The number of clients and the factoring revenues were at the previous year's level. Factoring has become established as an alternative financing option.

Leasing

The highly satisfactory development of new business in the last financial year continued in the first quarter of the year. At EUR 290 million capitalised new business, another all-time high was attained after the already very good performance of the past quarters.

International network of partner banks and institutions

The international network of banks and institutions was affected by various potential risk situations in the first quarter of 2023. Apart from the ongoing conflict between Russia and Ukraine, negative factors were the geopolitical tension between China and Taiwan, the high inflation rates due to aggressive central bank policies, uncertain energy price trends and the failure of several banks such as Silicon Valley Bank, Credit Suisse and First Republic Bank. These events also posed significant problems for collaboration with international credit institutions.

Oberbank has received numerous inquiries from partner banks in recent months regarding its business model, expansion policy, economic dependence, customers' export behaviour and economic trends. The partner banks commented positively on Oberbank's successful financial year 2022, its conservative business policy, its credit rating, sustainability (ESG), solid business performance and excellent key figures.

However, there have been increased inquiries from partner banks and auditing firms regarding account balances reconciling with confirmed open transactions. This is a sign that regulatory requirements are triggering more detailed audits to identify possible adverse developments at an early stage.

The situation is similar in bank-to-bank activities with respect to know-your-customer (KYC) documentation. The internationally recognised "Wolfsberg questionnaires", in particular, the Swift questionnaires CBDDQ and FCCQ, were considerably expanded both in scope and quality of the questions. These questionnaires contain extensive questions on various topics, which include business practices, cooperation among banks, compliance regulations, security controls and sustainability.

Unfortunately, the tighter regulatory requirements mean more time and effort for onboarding and the management of banking partnerships. For reasons of efficiency, the department Global Financial Institutions reviewed many of its partner bank relationships and unfortunately it had to part with many of them. Oberbank currently has around 920 partner banks in more than 100 countries with active partnership relations. These partner banks serve to cover customer needs and also Oberbank's own requirements.

Oberbank offers its customers a wide range of products and services needed for international business transactions. These include, for example, foreign payment transactions, currency conversions and complex guarantee products.

Primary deposits

Central banks continued to hike rates in Q1 2023 which is of relevance for interest on deposits. The European Central Bank (ECB) raised key interest rates from 2.5% to 3% in February and again to 3.5% in March. This was done with the aim of counteracting rising inflation. The deposit rate rose accordingly and reached 3% by the end of the quarter. Sight deposits and time deposits developed positively year on year, with more inquiries and transactions after the rather sluggish phase of the past few years due to interest rate levels.

Currency risk management

In currency risk management, the target defined was achieved and even surpassed in the first quarter although the economy slowed. Demand for classic hedging transactions and limit orders triggered by currency movements supported clients to hedge planned income from international business transactions. However, the use of euro loans by companies in the Czech Republic and related foreign exchange transactions developed less dynamically in the last quarter than in previous quarters.

Personal Banking

Personal Banking in €m	Q1 2023	Q1 2022	+ / - absolute	+ / - in %
Net interest income	49.8	17.6	32.1	> 100
Impairment charges for losses on loans and advances	3.8	-0.7	4.5	
Net fee and commission income	21.2	25.0	-3.8	-15.4%
Net trading income	0.0	0.0	0.0	0.0%
Administrative expenses	-27.9	-25.7	-2.2	8.4%
Other operating income	1.5	1.2	0.2	18.6%
Profit/loss for the period	48.3	17.4	30.9	> 100
Risk equivalent	2,121.4	2,118.7	2.7	0.1%
Average allocated equity	379.7	360.1	19.6	5.4%
Return on equity before tax (RoE)	50.9%	19.4%	31.5% ppt	
Cost/income ratio	38.5%	58.7%	-20.2% ppt	

Earnings in Personal Banking

Profit in the Personal Banking segment was EUR 48.3 million, which is EUR 30.9 million higher year on year.

Net interest income rose by EUR 32.1 million to EUR 49.8 million.

Risk provisions decreased by EUR 4.5 million from negative EUR 0.7 million to positive EUR 3.8 million.

Net fee and commission income decreased by EUR 3.8 million or 15.4% to EUR 21.2 million, which is below the preceding year’s level.

Administrative expenses rose by EUR 2.2 million or 8.4% to EUR 27.9 million.

Other operating income increased by 18.6% to EUR 1.5 million.

RoE in Personal Banking rose by 31.5%-points from 19.4% to 50.9%, while the cost/income ratio improved by 20.2%-points from 58.7% to 38.5%.

Personal accounts

The portfolio of personal accounts increased year on year by 1,275 or 0.7% from 193,493 to a total of 194,768 accounts. The "be(e) green account", a sustainable giro account for retail customers, was introduced in Austria in June 2021. As at 31 March 2023, 28.2% of accounts were sustainability accounts.

Personal accounts		YoY change	
As at 31/3/2023	**As at 31/3/2022**	**absolute**	**in %**
194,768	193,493	1,275	0.7%

Personal loans

The volume of outstanding loans (excluding Leasing) decreased by EUR 72.8 million or -1.8% from EUR 4,112.7 million to EUR 4,039.9 million compared to 31 March 2022 due to the highly challenging market environment. The volume of new retail loans was 51.3% lower than in the same period of the preceding year.

However, demand for residential real estate loans, and therefore, also new lending has plunged since August 2022. The main reason is the generally deteriorated macroeconomic environment and the resultant uncertainties.

The share of foreign currency loans in the total volume of personal loans of Oberbank was only 1.2%.

Personal loans		YoY change	
As at 31/3/2023	**As at 31/3/2022**	**absolute**	**in %**
€ 4,039.9 million	€ 4,112.7 million	-€ 72.8 million	-1.8%

Retail customer deposits

The savings deposits, sight deposits and term deposits of Oberbank’s customers increased year on year from EUR 6,511.5 million by EUR 346.2 million or 5.3% to EUR 6,857.7 million.

The trend towards online savings products continues unchanged. In 2022, deposits on online savings products increased again steeply year on year by EUR 327.5 million or 30.5% from EUR 1,072.1 million to EUR 1,399.6 million. By contrast, deposits on savings products decreased year on year by EUR 487.7 million or -20.0% from EUR 2,435.4 million to EUR 1,947.7 million.

Retail customer deposits		YoY change	
As at 31/3/2023	**As at 31/3/2022**	**absolute**	**in %**
€ 6,857.7 million	€ 6,511.5 million	€ 346.2 million	5.3%

Building society savings

In the first quarter of 2023, Oberbank brokered 1,802 building society savings contracts. This is a decrease of 900 contracts or 33.3% compared to the same period of the preceding year.

Wüstenrot loans

There was also a significant decline in the number of Wüstenrot loans brokered. This was due to the general market situation in financing. In Q1 2023, the decrease totalled EUR 26.4 million or 97.0% compared to Q1 2022. The brokered volume in 2023 was EUR 820,000.

Insurance business – Austria

In the insurance business, the total premium volume in life insurance and non-life insurance declined only slightly by 2.2% compared to the excellent level of Q1 2022. The increase in the premium volume in life insurance was 1.0% which is highly satisfactory.

Insurance – premium volume*		YoY change	
As at 31/3/2023	**As at 31/3/2022**	**absolute**	**in %**
€ 3,578.0 million	€ 3,657.0 million	€ 79.0 million	-2.2%

* Annual net premium volume; in the case of single-premium insurance, 10% of the single premium less insurance tax is recognized

Insurance business – Germany

Life insurance premium volumes increased significantly by 41% year on year.

Insurance contracts – premium volume**		YoY change	
As at 31/3/2023	**As at 31/3/2022**	**absolute**	**in %**
€ 5.5 million	€ 3.9 million	€ 1.6 million	41.0%

** Premium sum, valuation of the annual premium x term, for single premiums 100% of the single premium is recognized

Securities business

In Q1 2023, fee and commission income from the securities business decreased versus the absolute record-breaking quarter of the preceding year by EUR 4.4 million or 21.8% to EUR 15.9 million. Both transaction income and income from managed services (investment funds and individual portfolio management) failed to reach the preceding year's level. Customer transactions in stocks were significantly lower, in advisory services as well as online through the customer portal. The attractive interest rates on bonds helped to boost bond sales, while investment fund purchases decreased. The return of interest on savings accounts has decreased the inflow of funds into securities.

The inflows into investment funds in the preceding year were offset by the price drops in both equities and bonds, therefore, management commissions were lower year on year. However, pleasing is the fact that the number of custody accounts went up again this year.

Commission income from securities		YoY change	
As at 31/3/2023	As at 31/3/2022	absolute	in %
€ 15.9 million	€ 20.4 million	€ -4.4 million	-21.8%

Market value on custody accounts

Year on year, there was only a slight decline in the market value of custody accounts by EUR -210.8 million or -1.0% to EUR 20,128.3 million. Compared to 31 December 2022, the positive stock market performance helped boost the market value by 4.6% or EUR 891.0 million.

Market value on custody accounts		YoY change	
As at 31/3/2023	As at 31/3/2022	absolute	in %
€ 20,128.3 million	€ 20,339.1 million	€ -210.8 million	-1.0%

Private banking

Assets under management in Private Banking (demand deposits and custody accounts) increased again year on year. The increase of EUR 241.8 million to EUR 12,105.3 million translates into a rise of 2.0% year on year.

Assets under management - private banking		YoY change	
As at 31/3/2023	As at 31/3/2022	absolute	in %
€ 12,105.3 million	€ 11,863.5 million	€ 241.8 million	2.0%

There was a decline in assets under management from EUR 779.9 million to EUR 742.1 million in individual portfolio management despite slightly higher mandates, but a strong increase compared to year-end 2022. Trading activities of trading-oriented customers in brokerage were slower than in the preceding year.

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

The assets managed by 3 Banken Generali-Investment-Gesellschaft m.b.H. as at 31 March 2023 totalled EUR 11.1 billion and thus EUR 0.1 billion or 1.0% higher than at year-end 2022. Compared to the same period of the preceding year, however, there was a decline by EUR 0.8 billion or 6.8%. The market share was 5.82%, which means another year-on-year increase, while the market share stood at 5.75% in March 2022. The company is still ranked in 5th place among Austrian investment companies.

Oberbank's share in the assets under management amounted to EUR 5.5 billion or 49.7% of total assets under management as at 31 March 2023. The volume of inflows was significantly lower than in the preceding year, which is certainly also a consequence of the bond revival.

Inflows into sustainable investment funds of 3 Banken-Generali Investment-Gesellschaft m.b.H remained strong also in Q1 2023 at EUR 32.8 million. A share of 35.2% of all new investments in retail funds flowed into sustainable funds at Oberbank.

Retail investment funds and special funds		YoY change	
As at 31/3/2023	As at 31/3/2022	absolute	in %
€ 5,534.4 million	€ 5,752.2 million	€ -217.8 million	-3.8%

Financial Markets

Financial Markets in €m	Q1 2023	Q1 2022	+ / - absolute	+ / - in %
Net interest income	-31.0	-2.4	-28.7	> 100
Profit from entities accounted for by the equity method	65.4	19.8	45.6	> 100
Impairment charges for losses on loans and advances	-2.4	-4.0	1.6	-40.0%
Net fee and commission income	0.0	0.0	0.0	
Net trading income	2.2	7.5	-5.4	-71.2%
Administrative expenses	-3.0	-2.6	-0.4	15.1%
Other operating income	4.6	-14.2	18.9	
Profit/loss for the period	35.8	4.2	31.6	> 100
Risk equivalent	5,745.7	6,102.8	-357.1	-5.9%
Average allocated equity	1,028.4	1,037.2	-8.8	-0.9%
Return on equity before tax (RoE)	13.9%	1.6%	12.3% ppt	
Cost/income ratio	7.2%	24.0%	-16.8% ppt	

Earnings in Financial Markets

In the Financial Markets segment, net interest income dropped by EUR 28.7 million to negative EUR 31.0 million, and income from investments accounted for by the equity method was EUR 65.4 million after EUR 19.8 million in the preceding year.

Risk provisions increased by EUR 1.6 million to EUR 2.4 million.

Trade income declined to EUR 2.2 million after EUR 7.5 million in the preceding year. Other operating income rose to EUR 4.6 million after negative EUR 14.2 million in the preceding year.

In Financial Markets, net profit was EUR 35.8 million after EUR 4.2 million in the preceding year.

RoE rose to 13.9%, and the cost/income ratio improved to 7.2%.

Proprietary trading

Following a very turbulent year 2022, movements in 2023 were more stable and predictable at the beginning of the year. Central banks continued their course of interest rate hikes, but long-term interest went on a sideways movement. Equities developed stably upwards, and the euro also continued to appreciate, a trend that started at the end of the year. In this environment, trading yielded stable earnings in all asset classes and also exceeded last year's result.

Refinancing

The most important source of refinancing is deposits. In Q1 2023, further growth was achieved despite or possibly because of the uncertainty prevailing in the banking sector. The problems at Silicon Valley Bank and Credit Suisse shifted Oberbank's credit rating into the focus of attention and additional deposits were acquired.

A further covered bond placement on the capital market was highly successful. In mid-February, Oberbank floated a EUR 250 million covered bond with a maturity of 7.5 years. Demand exceeded EUR 600 million and it is the longest covered bond issued by an Austrian bank so far this year, and also the longest covered bond in Europe with a sub-benchmark volume (<EUR 500 million). This highlights investors' confidence in Oberbank.

Furthermore, private investors showed great interest in Oberbank bonds and 2/3 of the planned banking bonds were sold in the first three months.

Own funds

Own funds stood at EUR 3,501.7 million as at 31 March 2023, which is a ratio of 19.45%. Tier 1 capital was EUR 3,176.6 million, and the tier 1 capital ratio was 17.65%. Common equity tier 1 capital was EUR 3,126.6 million and the CET1 ratio 17.37%.

Risk

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

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

When assessing creditworthiness and in collateral policy, Oberbank can rely on decades of know-how. Moreover, its business model as a regional bank, professional credit management and a balanced distribution of overall debt across customer segments serve to contain the threat to Oberbank’s overall earnings from this risk exposure. Therefore, a moderate increase in risk provisioning requirements is expected for the full year 2023. However, no extraordinary counterparty default risks are expected.

The other risk categories are equity risk (risk of loss in value or forgone profits in the equity portfolio), market risk (risk of losses due to fluctuating interest rates, foreign exchange rates or equity prices), operational risk and liquidity risk. These risks are also covered by the corresponding funds in line with the principle of conservatism. In terms of liquidity risk, Oberbank's good position is also supported by the fact that it can refinance the total credit volume (31 March 2023: EUR 19.8 billion) by primary customer deposits, own issues and deposits of investment finance banks (OeKB, LfA, KfW) in an amount of EUR 22.0 billion (as at 31 March 2023). Additionally, Oberbank has a permanent risk controlling system in place as well as strict process management and other efficient control and management instruments.

Consolidated Interim Financial Statements pursuant to IFRS for the period 1/1/2023 to 31/3/2023

Consolidated income statement in €k		1/1 to 31/3/ 2023	1/1 to 31/3/ 2022	Change in €k	Change in %
1. Interest and similar income		207,080	103,680	103,400	99.7
a) Interest income pursuant to effective interest rate method		202,242	99,681	102,561	> 100.0
b) Other interest income		4,838	3,999	839	21.0
2. Interest and similar expenses		-76,078	-13,060	-63,018	> 100.0
Net interest income	(1)	131,002	90,620	40,382	44.6
3. Profit from entities accounted for using the equity method	(2)	65,385	19,799	45,586	> 100.0
4. Charges for losses on loans and advances	(3)	-4,740	-3,701	-1,039	28.1
5. Fee and commission income		57,527	63,764	-6,237	-9.8
6. Fee and commission expenses		-4,886	-5,865	979	-16.7
Net fee and commission income	(4)	52,641	57,899	-5,258	-9.1
7. Net trading income	(5)	2,199	7,230	-5,031	-69.6
8. Administrative expenses	(6)	-84,865	-78,464	-6,401	8.2
9. Other operating income	(7)	-11,611	-32,805	21,194	-64.6
a) Net income from financial assets - FV/PL		6,677	-13,919	20,596	>-100.0
b) Net income from financial assets - FV/OCI		-352	-539	187	-34.7
c) Net income from financial assets - AC		0	0	0	0
d) Other operating income		-17,936	-18,347	411	-2.2
Profit/loss for the period before tax		150,011	60,578	89,433	> 100.0
10. Income taxes	(8)	-21,219	-10,382	-10,837	> 100.0
Profit/loss for the period after tax		128,792	50,196	78,596	> 100.0
of which attributable to the owners of the parent company and the owners of additional equity components		128,499	49,988	78,511	> 100.0
thereof attributable to non-controlling interests		293	208	85	40.9

Other comprehensive income in €k	1/1 to 31/3/2023	1/1 to 31/3/2022
Profit/loss for the period after tax	128,792	50,196
Items not reclassified to profit/loss for the period	2,766	-21,242
+/- Actuarial gains/losses IAS 19	0	0
+/- Deferred taxes on actuarial gains/losses IAS 19	0	-1,105
+/- Share from entities accounted for by the equity method	-4,781	445
+/- Value changes in own credit risk recognised in equity IFRS 9	-5,165	563
+/- Deferred tax on changes recognised in equity for own credit risk Credit risk IFRS 9	1,188	-314
+/- Value changes in equity instruments recognised in equity IFRS 9	14,966	-31,267
+/- Deferred tax on value changes in equity instruments recognised in equity IFRS 9	-3,442	10,436
Items reclassified to profit/loss for the year	-466	852
+/- Value changes recognised in equity for debt securities IFRS 9	1,211	-718
Amounts recognised in equity	1,149	-698
Reclassification adjustments	62	-20
+/- Deferred tax on value changes recognised in equity for debt securities IFRS 9	-279	169
Amounts recognised in equity	-264	165
Reclassification adjustments	-15	4
+/- Exchange differences	2,061	934
+/- Share from entities recognised using the equity method	-3,459	467

	1/1 to 1/3/2023	1/1 to 31/3/2022
Total income and expenses recognised directly in equity	2,300	-20,390
Total comprehensive income for the period from net profit/loss and income/expenses not recognised in profit/loss	131,092	29,806
of which attributable to the owners of the parent company and the owners of additional equity components	130,799	29,598
thereof attributable to non-controlling interests	293	208

Performance indicators	**1/1 to 31/3/2023**	**1/1 to 31/3/2022**
Cost/income ratio in %[1)]	35.42	54.97
Return on equity before tax in %[2)]	16.58	7.27
Return on equity after tax in %[3)]	14.23	6.02
Risk/earnings ratio (credit risk/net interest income) in %[4)]	3.62	4.08
Earnings per share in €[5)6)]	3.65	1.42

1) Administrative expenses in relation to net interest income, equity method income, 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 to undiluted earnings per share.

Consolidated balance sheet as at 31/3/2023 / Assets

	in €k		31/3/2023	31/12/2022	Change in €k	Change in %
1.	Cash and balances with central banks	(10)	2,768,323	2,287,322	481,001	21.0
2.	Loans and advances to credit	(11)	868,172	1,057,204	-189,032	-17.9
3.	Loans and advances to customers	(12)	19,786,394	19,192,911	593,483	3.1
4.	Trading assets	(13)	52,969	56,655	-3,686	-6.5
5.	Financial investments	(14)	3,741,079	3,653,467	87,612	2.4
	a) Financial assets – FV/PL		507,262	489,243	18,019	3.7
	b) Financial assets FV/OCI		617,830	594,456	23,374	3.9
	c) Financial assets - AC		1,452,561	1,470,122	-17,561	-1.2
	d) Interests in entities recognized using the equity method		1,163,426	1,099,646	63,780	5.8
6.	Intangible assets	(15)	3,917	3,767	150	4.0
7.	Property, plant and equipment	(16, 17)	358,992	357,389	1,603	0.4
	a) Investment property		72,046	72,693	-647	-0.9
	b) Other property, plant and		286,946	284,696	2,250	0.8
8.	Other assets	(18)	197,053	189,451	7,602	4.0
	a) Deferred tax assets		1,838	1,353	485	35.8
	b) Positive fair values of closed out derivatives in the banking book		31,341	39,640	-8,299	-20.9
	c) Other		163,874	148,458	15,416	10.4
	Total assets		**27,776,899**	**26,798,166**	**978,733**	**3.7**

Balance sheet as at 31/3/2023 / Equity and liabilities

	in €k		31/3/2023	31/12/2022	Change in €k	Change in %
1.	Amounts owed to credit institutions	(19)	4,461,981	4,448,735	13,246	0.3
	a) Refinance allocated for customer loans		3,298,587	3,292,756	5,831	0.2
	b) Other amounts owed to credit institutions		1,163,394	1,155,979	7,415	0.6
2.	Amounts owed to customers	(20)	15,521,476	15,061,355	460,121	3.1
3.	Securitised liabilities	(21)	2,707,172	2,407,017	300,155	12.5
4.	Provisions for liabilities and charges	(22)	324,438	319,621	4,817	1.5
5.	Other liabilities	(23)	573,766	534,806	38,960	7.3
	a) Trading liabilities	(24)	53,354	50,381	2,973	5.9
	b) Tax liabilities		46,194	23,632	22,562	95.5
	ba) Current tax liabilities		29,321	9,425	19,896	> 100.0
	bb) Deferred tax liabilities		16,873	14,207	2,666	18.8
	c) Negative fair values of closed out derivatives in the banking book		171,464	184,551	-13,087	-7.1
	c) Other		302,754	276,242	26,512	9.6
6.	Subordinated debt capital	(25)	496,103	479,712	16,391	3.4
7.	Shareholders' equity	(26)	3,691,963	3,546,920	145,043	4.1
	a) Equity after minorities		3,634,150	3,488,314	145,836	4.2
	b) Minority interests		7,813	8,606	-793	-9.2
	c) Additional equity components		50,000	50,000	0	0.0
	Total equity and liabilities		**27,776,899**	**26,798,166**	**978,733**	3.7

Consolidated statement of changes in equity as at 31/3/2023

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 IAS 19	Associates	Equity after minorities	Shares of non-controlling shareholders	Additional equity capital components	Shareholders' equity
As at 1/1/2022	**105,863**	**505,523**	**1,844,816**	**-1,927**	**161**	**156,878**	**-6,905**	**-41,432**	**697,093**	**3,260,068**	**7,793**	**50,000**	**3,317,861**
Consolidated net profit			33,137	933	-548	-20,831	249	-1,105	17,763	29,598	208		29,806
Net profit/loss for the year			33,137						16,851	49,988	208		50,196
Other comprehensive income				933	-548	-20,831	249	-1,105	912	-20,390			-20,390
Dividend distribution													
Coupon payments on additional equity components													
Capital increase													
Issuance of additional equity components													
Repurchased own shares	1		-66							-65			-65
Other changes not recognised in income									3,854	3,854	-1,208		2,646
As at 31/3/2022	**105,864**	**505,523**	**1,877,887**	**-994**	**-387**	**136,047**	**-6,656**	**-42,537**	**718,710**	**3,293,455**	**6,793**	**50,000**	**3,350,248**
As at 1/1/2023	**105,772**	**505,523**	**1,973,965**	**-1,332**	**-1,522**	**124,418**	**13,364**	**-13,859**	**781,987**	**3,488,314**	**8,606**	**50,000**	**3,546,920**
Consolidated net profit			67,156	2,061	932	11,524	-3,977		53,103	130,799	293		131,092
Net profit/loss for the year			67,156						61,343	128,499	293		128,792
Other comprehensive income				2,061	932	11,524	-3,977		-8,240	2,300			2,300
Dividend distribution													
Coupon payments on additional equity components													
Capital increase													
Issuance of additional equity components													
Repurchased own shares	130		4,284							4,414			4,414
Other changes not recognised in income			-54						10,677	10,623	-1,086		9,537
As at 31/3/2023	**105,902**	**505,523**	**2,045,351**	**729**	**-590**	**135,942**	**9,387**	**-13,859**	**845,767**	**3,634,150**	**7,813**	**50,000**	**3,691,963**

Consolidated statement of cash flows in €k	1/1-31/3/2023	1/1-31/3/2022
Profit/loss for the period	128,792	50,196
Non-cash items in profit/loss for the period and reconciliation of net cash from operating activities		
Write-offs, impairment losses, write-ups	-177,224	12,117
Change in provisions for staff benefits and other provisions for liabilities and charges	4,817	-1,920
Change in other non-cash items	41,400	-4,561
Gains and losses on financial investments, property, plant and equipment		
and intangible assets	1	1
Subtotal	**-2,214**	**55,833**
Change in assets and liabilities arising from operating activities after corrections for non-cash positions		
- Loans and advances to credit institutions	205,581	191,273
- Loans and advances to customers	-571,345	-571,991
- Trading assets	5,951	-11,647
- Financial assets for operating activities[1)]	-9,245	4,993
- Other assets from operating activities	31,485	14,416
- Amounts owed to credit institutions	-9,215	337,896
- Amounts owed to customers	433,291	-78,399
- Securitised liabilities	272,562	-99,188
- Other liabilities from operating activities	-17,378	-44,182
Cash flow from operating activities	**339,473**	**-200,996**
Proceeds from the sale of		
- Financial assets held as investments[2)]	266,104	122,115
- Property, plant and equipment, and intangible assets	0	0
Outlay on purchases of		
- Financial investments	-129,227	-184,225
- Property, plant and equipment, and intangible assets	-10,832	-7,089
Cash flow from investing activities	**126,045**	**-69,199**
Capital increase	0	0
Dividend distributions	0	0
Coupon payments on additional equity components	0	0
Cash from subordinated liabilities and other financing activities		
- Issues	16,349	18,748
- Other	0	-66
Outflow from subordinated debt capital and other financing activities		
- Redemptions	-32	-30,000
- Other	-834	-5,213
Cash flow from financing activities	**15,483**	**-16,531**
Cash and cash equivalents at the end of preceding period	**2,287,322**	**4,400,915**
Cash flow from operating activities	339,473	-200,996
Cash flow from investing activities	126,045	-69,199
Cash flow from financing activities	15,483	-16,531
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	**2,768,323**	**4,114,189**
Interest received	195,271	103,380
Dividends received	6,646	6,145
Interest paid	-55,985	-29,058
Coupon payments on additional equity components	0	0
Income tax paid	-12,575	-13,287

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

1) Financial investments not intended to be held long term

2) Financial investments intended to be held long term

Notes to the consolidated financial statements

Accounting policies

The consolidated financial statements of Oberbank AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) 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). It covers the first quarter of 2023 (1 January 2023 to 31 March 2023) and compares it with the corresponding period of the previous year. This condensed interim report for the first quarter of 2023 complies with IAS 34 ("Interim Reports"). No full audit or review by an auditor has been conducted of these condensed interim financial statements for the Group. We have not applied standards and interpretations that take effect as of the financial year 2024 or later.

Changes to accounting policies 2023

The quarterly report of Oberbank AG has been drafted using the same recognition and measurement policies as applied on 31 December 2022. An exception are the standards and interpretations that apply to financial years that start on or after 1 January 2023. Only those new standards and interpretations are presented that are relevant for the operating activities of Oberbank.

The following standards and interpretations, as amended, have been mandatory since January 2023.

- Amendment to IAS 1 - Classification of liabilities as current or non-current
- Amendment to IAS 1 - Information on accounting methods
- Amendment to IAS 8 - Definition of accounting estimates
- Amendment to IAS 12 - Recognition of deferred tax assets on initial recognition of an asset or debt
- IFRS 17 Insurance contracts

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

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

IFRS 17 "Insurance Contracts" establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts as well as the information in the Notes for insurance contracts and replaces IFRS 4 "Insurance Contracts" as of 1 January 2023. This amendment does not have any material effects on Oberbank AG.

Actuarial assumptions

Material actuarial assumptions for calculating the present values of defined benefit obligations did not change compared to 31 December 2022.

Oberbank group of consolidated companies

The group of consolidated companies as at 31 March 2023 included, apart from Oberbank AG, 29 Austrian and 16 foreign subsidiaries. Compared to 31 December 2022, the group of consolidated companies did not change.

Impairment – financial assets and contract assets

IFRS 9 is based on a forward-looking "expected credit loss" model. This calls for substantial discretionary decisions regarding the extent to which expected credit losses are influenced by changes in economic factors. This measurement is done on the basis of weighted probabilities. The impairment model pursuant to IFRS 9 applies to financial assets designated at amortised cost or at FV/OCI as well as to contractual assets and off-balance sheet instruments such as guarantees and irrevocable letters of credit.

These are allocated either to Stage 1, Stage 2 or Stage 3 on the respective measurement date depending on the change in credit risk from the time of initial recognition to the current credit risk:

- Stage 1 generally includes newly added financial instruments and those for which no significant increase in risk has been identified since initial recognition. Furthermore, all financial instruments that have an absolute defined low credit risk (rating classes AA to 1b) on the reporting date are always assigned to Stage 1 as an exemption from the relative approach (IFRS 9.5.5.10). This logic is only applied to the low-default portfolio for the segments of sovereigns and banking. 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 up to BBB-).

- Stage 2 contains instruments for which there has been a significant increase in credit risk since initial recognition. For lease contracts, an IFRS 9 option is exercised, so these transactions are always allocated to Stage 2.

- Stage 3 is assigned to the non-performing portfolio. If a borrower is in default (internal rating grades 5a, 5b or 5c), the loan is assigned to Stage 3. Oberbank AG applies the default definition pursuant to Article 178 of Regulation (EU) No 575/2013 (CRR) uniformly and consistently for all exposure classes and risk models. This definition is based on credit obligations being either 90 days past due or unlikely to be repaid.

The exemption from the three-stage approach are assets which are already impaired upon acquisition (so-called "POCI" assets). Under the requirements of IFRS 9, they form a separate category.

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.

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

Impairments for Stages 1 and 2

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

12-month expected credit loss: Recognition of risk provisions in the amount of the 12-month expected credit loss and calculation of interest income based on the gross carrying amount applying the effective interest rate method (for Stage 1 instruments).

Full lifetime expected credit loss: These are expected credit losses due to potential default events over the expected life of a financial instrument. Recognition of risk provisions in the amount of the expected credit loss and in relation to the remaining time to maturity of the financial instrument (lifetime ECL) and calculation of interest income based on the gross carrying amount applying the effective interest rate method (for Stage 2 instruments).

Qualitative criteria for a stage transfer

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 main characteristic for determining the credit risk of a financial instrument is the internal rating of the borrower. For the corporate portfolio, ESG risks are also taken into account when preparing the rating. A borrower's rating is always based on a default ratio per rating category. This default ratio is derived from the Bank's internal master rating scale for the low-default portfolio (sovereigns and banks). For the principal customer segments of Corporate and Business Banking, Retail Banking and SME, the default ratio is derived from the ratio of actual defaults of the respective migration matrix. This is the basis for the assessment to ascertain whether – and if yes, when – a significant increase in credit risk took place. 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.

Qualitative criteria for a stage transfer

A financial instrument with the attribute forbearance is always assigned to Stage 2 provided the receivable is not already in default anyway. The lifetime expected loss is recognised for this receivable throughout the entire forbearance phase. As a qualitative criterion, the rebuttable 30 days past due presumption results in a stage transfer (IFRS 9.5.5.11). This means that instruments are assigned to Stage 2 when the default on payment of principal and/or interest exceeds 30 days.

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 the 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 March 2023, Oberbank AG applied the collective stage transfer to Stage 2 for certain sub-portfolios due to the sustained energy crisis, high inflation and rising interest rates as a consequence of the Ukraine war.

This is due to the high prices of natural gas, which, while having recently eased on the energy markets due to high gas storage levels, still remain high for end customers. Furthermore, it is not possible to rule out a renewed steep increase in gas prices or a full stop to gas deliveries, and the consequences for customers dependent on gas are hard to assess in the event of a global economic downturn.

Another reason is the sharp rise in interest rates and the currently prevailing high inflation. Above all, this may lead to delays in the progress of real estate projects with loans covered by commercial mortgage-backed collateral; moreover, there is a risk that higher purchase prices and production costs cannot be passed on. Consequently, there is a high risk for the ability to repay loans, as the construction industry has been sluggish since Q2 2022, and high construction costs are dampening demand and investments in construction projects.

Against this backdrop, for the following portfolios it would be necessary to temporarily apply the collective stage transfer due to the expected increase in credit risk:

- Receivables from borrowers for which gas dependence was identified in a case-by-case analysis of the portfolios.
- Receivables from borrowers in the segment of real estate project finance covered by commercial mortgage-backed collateral.

The timing of the discontinuation or reduction of the collective stage transfer depends primarily on the further development of commodity prices, the easing of inflationary pressure and the development of consumer prices.

Impairment for Stage 3 (non-performing loans)

Non-performing loans are allocated to Stage 3. Impairment allowances are recognised throughout the Group in the amount of the expected loss whenever there are grounds for believing customers are unlikely to repay their loans obligations in full. For non-performing loans, risk provisions are set aside pursuant to IFRS 9 5.5 using the discounted cash flow method in the amount of the expected loss in relation to the remaining term (lifetime expected credit loss (ECL) and calculating the interest income based on the net carrying amount using the effective interest rate method. For all non-significant non-performing loans, a special expert-based procedure is used to calculate an impairment allowance to cover the shortfall. The impairment allowance covers 100% of the shortfall for loans already terminated. For the remaining loans, 20% to 100% of the shortfall is covered by impairment charges depending on the default reason and the default status.

Direct write-off of non-performing loans

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 derecognised 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 a reduction granted (composition agreement).

Calculating ECL

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

- Financial assets measured at amortised costs or at fair value through profit or loss;
- Leasing receivables from customers;
- Irrevocable letters of credit and guarantees.

Expected credit loss at Oberbank is a probability-weighted estimate of the loss over the expected remaining time to maturity of the financial instrument. In 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 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:

$$ECL = PD \times LGD \times EAD$$

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

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

Key input parameters

Probability of Default (PD)

The probability of default for the segments Corporates, SME and Retail is derived in a base scenario from the historic default rates and the migration probability. The default probabilities for different maturities (lifetime PD) are 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 bank's internal 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 quarterly view for 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 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 PDs that result from the 'through-the-cycle migration matrix' are adjusted in order to include forward-looking information. This so-called 'point-in-time adjustment' (PIT adjustment) is done using statistical models to attempt to relate the default probability with the explanatory macroeconomic variables.

Logistic regression is used as the statistical model, whereby the probability of default is predicted. The regression parameters are estimated by maximising the likelihood function. The harmonised consumer price index (CPI) and the growth of gross domestic product (GDP) are the main macroeconomic variables used in the model. The CPI and GDP factors are weighted by country. In this context, the countries of Austria, Germany, Czech Republic, Hungary and Slovakia are considered which is where Oberbank has business operations. The factors are weighted at 66% for Austria, 19% for Germany, 8% for the Czech Republic, 4% for Hungary and 3% for Slovakia.
The model selection is based on the information criterion pursuant to Akaike (AIC), with the variables being chosen in a step-wise selection process.

Based on these estimated factors, the PD in the Corporate, Retail and SME segments is adjusted using a scaling method. No plausible correlations with macroeconomic factors were derived in the sovereign and banking segments.

Oberbank uses three different scenarios for the ECL calculation (normal, upward and downward scenario), with the final adjustment of a linear combination being equivalent to the three different scenarios. The scenario weighting is oriented on the common practice of weighting the normal scenario with 50% and the two other scenarios with 25% each. Oberbank uses the macroeconomic data of the data vendor Bloomberg for the scenarios. In this context, it is pointed out that economically plausible forecasts are only available for 3 years.

The following table shows the country-weighted macroeconomic factors considered in the ECL calculation for the segments Corporates, Retail and SME as at 31 March 2023:

Normal scenario	Year 1 (4 quarterly averages)	Year 2 (4 quarterly averages)	Year 3 (4 quarterly averages)
Real GDP growth	-0.40%	1.44%	1.84%
Harmonised Index of Consumer Prices	8.37%	3.06%	3.00%

Pessimistic scenario	Year 1 (4 quarterly averages)	Year 2 (4 quarterly averages)	Year 3 (4 quarterly averages)
Real GDP growth	-1.13%	1.16%	1.25%
Harmonised Index of Consumer Prices	9.25%	3.99%	3.68%

Optimistic scenario	Year 1 (4 quarterly averages)	Year 2 (4 quarterly averages)	Year 3 (4 quarterly averages)
Real GDP growth	0.01%	1.77%	2.12%
Harmonised Index of Consumer Prices	6.94%	2.26%	2.08%

Loss Given Default (LGD)

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

Secured LGD

The calculation of the expected credit loss includes all internal collateral based on cover assets. 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 entails an implicit splitting of the loan into a secured and unsecured portion. The secured part 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 portions 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 required.

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

<u>Development of impairment charges for performing loans</u>
Compared with the start of the year, the amount of the impairment charges for performing loans (Stage 1 and Stage 2) decreased by EUR 0.6 million.

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

Impairment charges by segment

in €k	100% Stage 1 12M ECL	ECL calculation as at 31/03/2023	100% Stage 2 LT ECL
Banks	-1,054	-1,059	-2,032
Corporate	-25,090	-65,473	-140,588
Retail	-12,180	-13,607	-21,687
SME	-6,472	-7,551	-8,723
Sovereign	-453	-638	-1,958
TOTAL	-45,250	-88,328	-174,988

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 in the entity. If there are objective indications of impairment for an investment measured by the equity method, an individual value-in-use is determined for this investment. The higher of the stock market price and the value-in-use represents the recoverable amount pursuant to IAS 36.6 and this is used for the valuation. A trigger for an impairment test is given if either the fair value drops by at least 20% below the carrying amount of investments recognized using the equity method or if the fair value remains persistently below its carrying amount for a period of at least 9 months.
On the measurement date 31 March 2023, quantitative impairment was triggered for the investment in voestalpine AG, which is accounted for using the equity method, because the stock market price of EUR 31.28 on 31 March 2023 was significantly lower, namely by 26.16% than the carrying value of EUR 42.36.
Therefore, an impairment test was triggered, in which the individual value-in-use of voestalpine AG was determined as at 31 March 2023. The value-in-use was calculated in accordance with the discounted cash flow method and applying the WACC method (weighted average cost of capital) and resulted in a value of €k 683,310. This value in use exceeded both the fair value less cost of sales as well as the value of Oberbank’s proportionate share in the equity of voestalpine AG. Therefore, the proportionate share in equity of €k 608,292 was used for the measurement on 31 March 2023. The impairment of €k 54,640 still effective as at 31 December 2022 was recognised in income as an addition again.

The discount rate used in the terminal value was the WACC (Weighted Average Cost of Capital) of 7.23%. A change to the discount interest rate by +/- 25 basis points would result in a reduction in the right-of-use value by 5.35% or an increase by 5.82%, respectively, while a change to the discount interest rate by +/- 50 basis points would reduce the right-of-use value by 10.28% or increase it by 12.19%.
In the case of the investments in BKS Bank AG and Bank für Tirol und Vorarlberg AG, which are accounted for using the equity method, the stock market price is not an impairment trigger due to the illiquidity of the shares. Unless there are other objective indications of impairment, the proportionate share in the equity of these investments represents the recoverable amount.

Effects of the war in Ukraine and its consequences on the consolidated financial statements
Oberbank AG does not finance any Ukrainian or Russian companies and does not hold any Ukrainian, Russian or Belarusian government bonds. Therefore, the business activities of Oberbank AG are not directly affected by the war in Ukraine.
The following explanations provide updated information and explain the material aspects of the current effects of the war in Ukraine and the entailing energy crisis, high inflation and rising interest rates on the consolidated financial statements and, in particular, on the credit risk of Oberbank AG.
In Q2 2022, the economic recovery in Austria came to an end and slipped into a downtrend, which also continued in Q1 2023. The reasons were the high prices for commodities and energy caused by the war in the Ukraine as well as the resulting rise in inflation, the slowing economy along with decreasing exports of goods, as well as the tightening of monetary policy by central banks.
The federal government adopted measures in Q4 2022 to ameliorate the effects of high energy costs to ease the strain on citizens and companies in Austria (electricity price stop, 3rd anti-inflation package).
The government support measures and the sustained uncertainty regarding the development and consequences of the war in Ukraine are delaying the representation of default rates for retail and corporate customers in the macroeconomic variables, thereby making it difficult to detect the potential deterioration in credit quality at an early stage.
Oberbank's impairment model pursuant to IFRS 9 contains, among other things, a modification of the default probability (PD) to take leading macroeconomic indicators into account. The FLI model is based on a time-series that does not take into account these economic aberrations, government aid-induced distortions and extreme macroeconomic trends.

To account for significant increase in default risk expected, a collective transfer from Stage 1 to Stage 2 was carried out for the following sub-portfolios as a management overlay measure.

- Receivables from borrowers for which a high level of dependence on gas was ascertained in the case-by-case analyses. The risk of a renewed steep increase in gas prices or a stop to gas deliveries as well as potential consequences cannot be ruled out and are difficult to assess.
- Receivables from borrowers with real estate project finance covered by commercial mortgage-backed collateral in which project progress and loan repayment capability are at high risk due to the massive interest rate hikes by the ECB and the prevailing high inflation rates.

The effects of collective staging are presented in the table below:

Collective staging portfolio as at 31/03/2023 by reason for stage transfer in €k

Balance sheet item	Reason for transfer	Exposure in €k	Effect of stage transfer in €k
Balance sheet assets	Collective stage transfer gas dependence	1,080,283	6,342
	Collective stage transfer real estate projects	2,027,248	8,599
	Total	**3,107,531**	**14,940**
Off-balance sheet assets	Collective stage transfer gas dependence	726,796	2,891
	Collective stage transfer real estate projects	182,437	1,041
	Total	**909,233**	**3,932**
Total		**4,016,764**	**18,872**

Outlook

The forecasts of experts regarding developments in the coming months are in some cases contradictory. Although demand for loans is expected to continue in the coming months, Oberbank has seen a slowing trend which will likely result in declining growth rates in lending and a slightly higher credit risk.

Due to the volatile environment, the management of Oberbank is not presenting an outlook for the full year.

Material events after the close of the interim reporting period

No events of material significance occurred after the reporting date 31 March 2023.

Details of the consolidated income statement in €k

1) Net interest income	1/1-31/3/2023	1/1-31/3/2022
Interest income from		
Credit and money market operations	195,409	93,379
Shares and other variable-yield securities	1,310	1,491
Other equity investments	1,012	998
Subsidiaries	282	707
Fixed-interest securities and bonds	9,067	7,105
Interest and similar income	207,080	103,680
Interest expenses for		
Deposits	-64,475	-5,494
Securitised liabilities	-8,720	-4,420
Subordinated liabilities	-3,351	-3,219
Result of non-significant modifications	468	73
Interest and similar expenses	-76,078	-13,060
Net interest income	131,002	90,620

2) Profit from entities accounted for by the equity method	1/1-31/3/2023	1/1-31/3/2022
Net amounts from proportionately recognised income	10,745	19,799
Expenses from impairments and income from additions	54,640	0
Profit from entities accounted for by the equity method	65,385	19,799

3) Charges for losses on loans and advances	1/1-31/3/2023	1/1-31/3/2022
Additions to charges for losses on loans and advances	-36,805	-39,095
Direct write-offs	-437	-389
Reversals of loan loss provisions	32,306	34,838
Recoveries from written-off receivables	302	555
Result of non-significant modifications	356	-9
Result of POCI financial instruments	-462	399
Impairment charges for losses on loans and advances	-4,740	-3,701

4) Net commission income	1/1-31/3/2023	1/1-31/3/2022
Net commission income		
Payment services	18,620	16,869
Securities business	18,228	23,166
Foreign exchange, foreign bank notes and precious metals business	6,219	5,671
Credit operations	13,144	16,080
Other service and advisory business	1,316	1,978
Total net fee and commission income	57,527	63,764
Net fee and commission expenses		
Payment services	1,527	1,375
Securities business	2,305	2,783
Foreign exchange, foreign bank notes and precious metals business	173	148
Credit operations	832	1,342
Other services and advisory business	49	217
Total fee and commission expenses	4,886	5,865
Net fee and commission income	52,641	57,899

5) Net trading income	1/1-31/3/2023	1/1-31/3/2022
Gains/losses on interest rate contracts	276	1,067
Gains/losses on foreign exchange, foreign bank note and numismatic	1,375	630
Gains/losses on derivatives	548	5,533
Net trading income	2,199	7,230

6) Administrative expenses	1/1-31/3/2023	1/1-31/3/2022
Staff costs	50,505	46,425
Other administrative expenses	26,884	24,596
Write-offs and impairment allowances	7,476	7,443
Administrative expenses	84,865	78,464

7) Other operating income	1/1-31/3/2023	1/1-31/3/2022
a) Net income from financial assets - FVTPL	6,677	-13,919
thereof from designated financial instruments	3,074	-6,664
thereof financial instruments with mandatory measurement at FVPL	3,603	-7,255
b) Net income from financial assets - FVOCI	-352	-539
thereof from the measurement of debt instruments	36	-522
thereof from the sale and derecognition of debt instruments	-388	-17
c) Net income from financial assets - AC	0	0
d) Other operating income	-17,936	-18,347
Other operating income	7,510	**7,977**
Thereof income from operational risks	1,327	955
Gains from the sale of land and buildings	0	0
Income from private equity investments	0	1,109
Income from operating leases	2,576	2,774
Other income from the leasing sub-group	1,237	1,236
Brokerage fees from third parties	1,238	1,247
Other	1,132	656
Other operating expenses:	-25,446	**-26,324**
Thereof expenses from operational risks	-26	-1,111
Stability tax	-1,511	-1,678
Contributions to the resolution fund and deposit protection scheme	-18,000	-19,100
Expenses from operating leases	-2,100	-2,569
Other income from the leasing sub-group	-2,285	-1,282
Other	-1,524	-584
Other operating income net of other operating expenses	-11,611	-32,805

8) Income taxes	1/1-31/3/2023	1/1-31/3/2022
Current income tax expense	21,609	14,240
Deferred income tax expense (income)	-390	-3,858
Income taxes	21,219	10,382

9) Earnings per share in €	1/1-31/3/2023	1/1-31/3/2022
Number of shares as at 31/3	35,307,300	35,307,300
Average number of shares in issue	35,279,042	35,294,748
Profit/loss for the period after tax	128,792	50,196
Earnings per share in €	3.65	1.42
Annualised values	14.60	5.69

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

Details of the balance sheet in €k

10) Cash and balances with central banks	31/3/2023	31/12/2022
Credit balances with central banks of issue	2,697,463	2,195,154
Other cash reserves	70,860	92,168
Cash and balances with central banks	2,768,323	2,287,322

11) Loans and advances to credit institutions	31/3/2023	31/12/2022
Loans and advances to Austrian credit institutions	81,988	84,407
Loans and advances to foreign credit institutions	786,184	972,797
Loans and advances to credit institutions	868,172	1,057,204

12) Loans and advances to customers	31/3/2023	31/12/2022
Loans and advances to Austrian customers	10,901,686	10,623,848
Loans and advances to foreign customers	8,884,708	8,569,063
Loans and advances to customers	19,786,394	19,192,911

13) Trading assets	31/3/2023	31/12/2022
Bonds and other fixed-interest securities		
Listed	9,979	9,933
Shares and other variable-yield securities		
Listed	898	2
Positive fair values of derivative financial instruments		
Currency contracts	7,138	10,184
Interest rate contracts	34,954	36,536
Other contracts	0	0
Trading assets	52,969	56,655

14) Financial investments	31/3/2023	31/12/2022
Bonds and other fixed-interest securities		
Listed	1,950,457	1,946,152
Unlisted	45,125	48,926
Shares and other variable-yield securities		
Listed	75,967	61,023
Unlisted	203,393	200,914
Equity investments/shares		
in subsidiaries	88,048	88,089
Entities accounted for using the equity method		
Banks	555,134	548,399
Non-banks	608,292	551,247
Other equity investments		
Banks	47,694	47,694
Non-banks	166,969	161,023
Financial investments	3,741,079	3,653,467
a) Financial assets - FVPL	507,262	489,243
b) Financial assets FVOCI	617,830	594,456
thereof equity instruments	339,606	324,670
thereof debt instruments	278,223	269,786
c) Financial assets - AC	1,452,561	1,470,122
d) Interests in entities recognized using the equity method	1,163,426	1,099,646
Financial investments	3,741,079	3,653,467

15) Intangible assets	31/3/2023	31/12/2022
Other intangible assets	3,757	3,610
Customer base	160	157
Intangible assets	3,917	3,767

16) Property, plant and equipment	31/3/2023	31/12/2022
Investment property	72,046	72,693
Land and buildings	85,405	85,153
Business equipment and furnishings	38,493	39,229
Other property, plant and equipment	18,227	20,726
Right of use for leased objects	144,821	139,588
Property, plant and equipment	358,992	357,389

17) Lease contracts in which Oberbank is lessee

The lease contracts entered into by Oberbank relate mainly to rentals for branch premises and office space as well as to building rights and tenancy rights 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 consolidated balance sheet, consolidated income statement and consolidated statement of cash flows for Oberbank as lessee for Q1 2023 as at 31 March 2023 are presented below:

Leasing in the consolidated balance sheet	31/3/2023	31/12/2022
Property, plant and equipment	145,239	140,050
Right of use for land and buildings	142,331	137,264
Right-of-use for business equipment and furnishings	680	737
Right-of-use for other property, plant and equipment	1,811	1,587
Right-of-use for investment property	417	462
Other liabilities		
Leasing liabilities	146,556	141,298

Additions to rights-of-use in Q1 2023 were €k 9,724. Cash outflows for leasing liabilities amounted to €k 4,162.

Leasing in the consolidated income statement	1/1 to 31/3/2023	1/1 to 31/3/2022
Interest expenses for leasing liabilities	224	198
Administrative expenses	4,526	4,216
Depreciation/amortisation for right of use for land and buildings	3,669	3,510
Depreciation/amortisation for rights-of-use to business equipment and furnishings	60	81
Depreciation/amortisation for right-of-use for other property, plant and equipment	233	244
Depreciation/amortisation for rights-of-use to investment property	44	39
Other expenses from lease contracts	520	342
Other operating income		
Income from subleasing of rights-of-use	189	206

Leasing in the consolidated statement of cash flows	1/1-31/3/2023	1/1-31/3/2022
Repayment of leasing liabilities from finance activities	-4,162	-4,005
Interest expenses for leasing liabilities from operating activities	224	198

18) Other assets	31/3/2023	31/12/2022
Deferred tax assets	1,838	1,353
Other assets	151,406	137,781
Positive fair values of closed out derivatives in the banking book	31,341	39,640
Deferred items	12,468	10,677
Other assets	197,053	189,451

19) Amounts owed to credit institutions	31/3/2023	31/12/2022
Amounts owed to Austrian banks	2,446,201	2,426,246
Amounts owed to foreign banks	2,015,780	2,022,489
Amounts owed to banks	4,461,981	4,448,735

The item amounts owed to credit institutions contains an amount of EUR 800 million (pr. yr.: EUR 800 million) from the TLTRO III refinancing programme of the ECB. No early repayments were made in the 2023 financial year. Since 23 November 2022, the ECB's average key lending rate has been the applicable interest rate for refinancing until the end of the loan term or until the early repayment of the respective refinancing programme.
This interest rate was in conformity with market rates when compared to other similar collateralised refinancing. Therefore, we recognised the finance liability as a financial instrument pursuant to IFRS 9.
Future interest depends on the further development of deposit interest rates, and therefore, the impact on future interest income cannot yet be estimated. In the first quarter of 2023, the liabilities from the TLTRO III refinancing programme carried an average interest rate of 2.394%, which corresponds to an interest expense of EUR 4.8 million.
We plan to hold the loans effective as of 31 December 2022 until final maturity, specifically EUR 450 million until March 2024, another EUR 250 million until June 2024 and the remaining EUR 100 million until September 2024.

20) Amounts owed to customers	31/3/2023	31/12/2022
Savings deposits	1,947,739	2,167,226
Other	13,573,737	12,894,129
Amounts owed to customers	15,521,476	15,061,355

21) Securitised liabilities	31/3/2023	31/12/2022
Bonds issued	2,696,881	2,397,353
Other securitised liabilities	10,291	9,664
Securitised liabilities	2,707,172	2,407,017

22) Provisions for liabilities and charges	31/3/2023	31/12/2022
Provisions for termination benefits and pensions	136,043	136,523
Provisions for anniversary bonuses	12,062	12,095
Provisions for credit risks	143,901	137,497
Other provisions	32,432	33,506
Provisions for liabilities and charges	324,438	319,621

23) Other liabilities	31/3/2023	31/12/2022
Trading liabilities	53,354	50,381
Tax liabilities	46,194	23,632
Current tax liabilities	29,321	9,425
Deferred tax liabilities	16,873	14,207
Leasing liabilities	146,556	141,298
Other liabilities	144,136	122,876
Negative fair values of closed out derivatives in the banking book	171,464	184,551
Deferred items	12,062	12,068
Other liabilities	573,766	534,806

24) Other liabilities (trading liabilities)	31/3/2023	31/12/2022
Currency contracts	16,692	12,769
Interest rate contracts	35,973	37,612
Other contracts	689	0
Trading liabilities	53,354	50,381

25) Subordinated debt capital	31/3/2023	31/12/2022
Subordinated bonds issued incl. tier 2 capital	496,103	479,712
Hybrid capital	0	0
Subordinated debt capital	496,103	479,712

26) Shareholders’ equity	31/3/2023	31/12/2022
Subscribed capital	105,901	105,772
Capital reserves	505,523	505,523
Retained earnings (incl. net profit)	3,020,854	2,875,147
Negative goodwill	1,872	1,872
Additional equity capital components	50,000	50,000
Minority interests	7,813	8,606
Shareholders’ equity	3,691,963	3,546,920

27) Contingent liabilities and credit risks	31/3/2023	31/12/2022
Other contingent liabilities (guarantees and letters of credit)	1,694,390	1,639,531
Contingent liabilities	1,694,390	1,639,531
Liabilities arising from non-genuine repos	0	0
Other commitments (irrevocable loan commitments)	4,491,404	4,542,796
Credit risks	4,491,404	4,542,796

28) Segment report as at 31/03/2023 Core business segments in €m	Personal Banking	Corporate & Business Banking	Financial Markets	Other	Total
Net interest income	49.8	112.3	-31.0		131.0
Profit from entities accounted for by the equity method			65.4		65.4
Impairment charges for losses on loans and advances	3.8	-6.2	-2.4		-4.7
Net fee and commission income	21.2	31.5	0		52.6
Net trading income		0.0	2.2		2.2
Administrative expenses	-27.9	-46.6	-3.0	-7.4	-84.9
Other operating income	1.5	-0.2	4.6	-17.5	-11.6
Extraordinary profit/loss					
Profit/loss for the period before tax	48.3	90.9	35.8	-24.9	150.0
Average risk-weighted assets	2,121.4	12,355.3	5,745.7		20,222.3
Average allocated equity	379.7	2,211.4	1,028.4		3,619.4
RoE (return on equity before tax)	50.9%	16.4%	13.9%		16.6%
Cost/income ratio	38.5%	32.4%	7.2%		35.4%

Segment report as at 31/3/2022 Core business segments in €m	Personal Banking	Corporate & Business Banking	Financial Markets	Other	Total
Net interest income	17.6	75.3	-2.4	0	90.6
Profit from entities accounted for by the equity method			19.8		19.8
Impairment charges for losses on loans and advances	-0.7	1.0	-4.0	0	-3.7
Net fee and commission income	25.0	32.9	0	0	57.9
Net trading income		-0.3	7.5		7.2
Administrative expenses	-25.7	-42.4	-2.6	-7.7	-78.5
Other operating income	1.2	-1.1	-14.2	-18.7	-32.8
Extraordinary profit/loss	0	0	0	0	0
Profit/loss for the period before tax	17.4	65.4	4.2	-26.4	60.6
Average risk-weighted assets	2,118.7	11,395.9	6,102.8	0	19,617.4
Average allocated equity	360.1	1,936.8	1,037.2	0	3,334.1
RoE (return on equity before tax)	19.4%	13.5%	1.6%		7.3%
Cost/income ratio	58.7%	39.7%	24.0%		55.0%

29) Human resources	31/3/2023	31/12/2022
Salaried employees	2,154	2,134
Blue-collar	4	5
Total resources	2,158	2,139

30) Regulatory capital purs. to Part 2 of Regulation (EU) No 575/2013 - Pillar I in €k	31/3/2023	31/12/2022	31/3/2022
Subscribed capital	105,922	105,922	105,922
Capital reserves	505,523	505,523	505,523
Retained earnings	2,710,906	2,708,576	2,505,669
Minority interests	0	0	0
Cumulated other comprehensive income	121,069	121,069	86,467
Regulatory adjustment items	-12,089	-16,078	4,083
Deductions from common equity tier 1 capital items	-304,704	-298,660	-265,121
COMMON EQUITY TIER 1 CAPITAL	**3,126,627**	**3,126,352**	**2,942,543**
AT1 capital instruments	50,000	50,000	50,000
AT1 capital instruments purs. to national implementation rules	0	0	0
Deductions from AT1 capital items	0	0	0
Additional tier 1 capital	**50,000**	**50,000**	**50,000**
TIER 1 CAPITAL	**3,176,627**	**3,176,352**	**2,992,543**
Qualifying supplementary capital instruments	339,994	340,486	347,511
Supplementary capital (tier 2) items purs. to national impl. rules	0	0	0
General credit risk adjustments	0	0	0
Deductions from tier 2 capital items	-14,921	-14,927	-13,893
Supplementary capital (tier 2)	**325,073**	**325,559**	**333,618**
OWN FUNDS	**3,501,700**	**3,501,911**	**3,326,161**
Total risk exposure purs. Art. 92 CRR			
Credit risk	16,822,248	16,162,436	15,699,306
Market risk, settlement risk and CVA risk	19,320	18,187	35,932
Operational risk	1,160,246	1,160,246	1,070,996
Total exposure	**18,001,814**	**17,340,869**	**16,806,234**
Own funds ratio purs. Art. 92 CRR			
Common equity tier 1 capital ratio	17.37%	18.03%	17.51%
Tier 1 capital ratio	17.65%	18.32%	17.81%
Total capital ratio	19.45%	20.19%	19.79%
Regulatory requirement, own capital ratios in %			
Common equity tier 1 capital ratio	7.33%	7.13%	7.06%
Tier 1 capital ratio	8.83%	8.63%	8.56%
Total capital ratio	10.83%	10.63%	10.56%
Regulatory capital requirements purs. to transition rules in €k			
Common equity tier 1 capital	1,319,533	1,236,404	1,186,520
Tier 1 capital	1,589,560	1,496,517	1,438,614
Total capital	1,949,596	1,843,334	1,774,738
Free capital components			
Common equity tier 1 capital	1,807,094	1,889,948	1,756,023
Tier 1 capital	1,587,067	1,679,835	1,553,929
Total capital	1,552,104	1,658,577	1,551,423

31) Fair value of financial instruments and other items regarding reconciliation as at 31/3/2023	AC	FVTPL	thereof designated	HFT	FVOCI	thereof equity instruments FV/OCI	thereof debt instruments FV/OCI	AC/ liabilities	Other	Tot
Cash and balances at central banks								2,768,323		**2,768,3**
								2,768,323		**2,768,3**
Loans and advances to credit institutions								868,172		**868,1**
								868,341		**868,3**
Loans and advances to customers	74,641	32,520	6,010		4,493		4,493	19,674,741		**19,786,3**
	66,871	32,520	6,010		4,493		4,493	19,299,659		**19,403,5**
Trading assets				52,969						**52,9**
				52,969						**52,9**
Financial investments	1,452,561	507,262	250,802		617,829	339,606	278,223		1,163,426	**3,741,0**
	1,343,161	507,262	250,802		617,829	339,606	278,223			
Intangible assets									3,917	**3,9**
Property, plant and equipment									358,992	**358,9**
Other assets				31,341					165,712	**197,0**
				31,341						
of which closed out derivatives in the banking book				31,341						**31,3**
				31,341						**31,3**
Total assets	**1,527,202**	**539,782**	256,812	**84,310**	**622,322**	339,606	282,716	**23,311,235**	**1,692,047**	**27,776,8**
	1,410,032	**539,782**	256,812	**84,310**	**622,322**	339,606	282,716	**22,936,323**		
Amounts owed to credit institutions								4,461,981		**4,461,9**
								4,148,330		**4,148,3**
Amounts owed to customers		275,716	275,716					15,245,761		**15,521,4**
		275,716	275,716					15,224,395		**15,500,1**
Securitised liabilities		647,463	647,463					2,059,710		**2,707,1**
		647,463	647,463					1,823,977		**2,471,4**
Provisions for liabilities and charges									324,438	**324,4**
Other liabilities				224,819					348,946	**573,7**
				224,819						
of which closed out derivatives in the banking book				171,464						**171,4**
				171,464						**171,4**
Subordinated debt capital		277,694	277,694					218,409		**496,1**
		277,694	277,694					215,185		**492,8**
Capital									3,691,963	**3,691,9**
Total equity and liabilities	-	**1,200,872**	1,200,872	**224,819**	-	-	-	**21,985,860**	**4,365,347**	**27,776,8**
	-	**1,200,872**	1,200,872	**224,819**	-	-	-	**21,411,887**		

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

In Q1 2023, there was one reclassification of 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)" with a fair value of EUR 29.4 million, which resulted in a negative result of EUR 0.4 million. There were no reclassifications from the measurement category "at fair value with changes in value plus or minus (FV/PL)" to the measurement category "at amortised cost (AC)" or "at fair value with changes in value in other comprehensive income (FV/OCI)".

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 31/3/2023	in Q1 2023	cumulated	as at 31/3/2023
Amounts owed to credit institutions	0	0	0	0
Amounts owed to customers	1,853	-2,847	-21,137	-21,137
Securitised liabilities	8,147	-8,556	-91,734	-91,734
Subordinated debt capital	2,191	-2,755	-20,565	-20,565

In the first quarter of 2023, 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 31/12/2022	in the 2022 financial year	cumulated	as at 31/12/2022
Amounts owed to credit institutions	0	420	0	0
Amounts owed to customers	6,069	63,395	-28,200	-28,200
Securitised liabilities	9,207	101,856	-101,351	-101,351
Subordinated debt capital	2,080	34,171	-23,209	-23,209

In the financial year 2022, there were no reclassifications of cumulated profit or loss within equity.

Assets designated at fair value through profit or loss as at 31/3/2023			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 Q1 2023	cumulated	in Q1 2023	cumulated
Receivables from customers	6,010	-	-	-	-	-
Financial investments	250,802	-	-	216	-	-

Assets designated at fair value through profit or loss as at 31/12/2022			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 2022 financial year	cumulated	in the 2022 financial year	cumulated
Receivables from customers	6,817	-	-	-	-	-
Financial investments	240,983	-	-	275	-	-

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:

	31/3/2023	**31/12/2022**
Loans and advances to customers FV/PL	32,520	32,660
Financial investments FV/PL	507,262	489,243
Financial investments FV/OCI	339,606	324,670
Trading assets	52,969	56,654
Derivatives in the banking book	31,341	39,640
Total	**963,698**	**942,867**

Fair value hierarchy of financial instruments as at 31/3/2023										
	AC Carrying value	**FVTPL Carrying value**	**HFT Carrying value**	**FVOCI Carrying value**	**AC/ Liabilities carrying value**	**Other carrying value**	**Total carrying value**	**Level 1 Fair value**	**Level 2 Fair value**	**Level 3 Fair value**
Financial instruments carried at fair value in €k										
Loans and advances to customers		32,520		4,493			37,013		23,596	13,416
Trading assets			52,969				52,969	10,876	42,093	
Financial assets - FV/PL		507,262					507,262	264,797	242,465	
Financial assets – FV/OCI				617,829			617,829	354,190	234	263,405[1)]
Other assets			31,341				31,341		31,341	
thereof closed out derivatives in the banking book			31,341				31,341		31,341	
Financial assets not carried at fair value										
Loans and advances to credit institutions					868,172		868,172		868,341	
Loans and advances to customers	74,641				19,674,741		19,749,381		66,871	19,299,659
Financial assets - AC	1,452,561						1,452,561	1,300,210	42,951	
Liabilities carried at fair value										
Amounts owed to credit institutions										
Amounts owed to customers		275,716					275,716		275,716	
Securitised liabilities		647,463					647,463		647,463	
Other liabilities			224,818				224,818		224,818	
thereof closed out derivatives in the banking book			171,464				171,464		171,464	
Subordinated debt capital		277,694					277,694		277,694	

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

Fair value hierarchy of financial instruments as at 31/3/2023										
	AC Carrying value	**FVTPL Carrying value**	**HFT Carrying value**	**FVOCI Carrying value**	**AC/ Liabilities carrying value**	**Other carrying value**	**Total carrying value**	**Level 1 Fair value**	**Level 2 Fair value**	**Level 3 Fair value**
Liabilities not carried at fair value										
Amounts owed to credit institutions					4,461,981		4,461,981		4,148,330	
Amounts owed to customers					15,245,761		15,245,761		15,224,395	
Securitised liabilities					2,059,710		2,059,710		1,823,977	
Other liabilities										
Subordinated debt capital					218,409		218,409		215,185	

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 and 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 board is sent a daily update on risk positions and the measurement 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.

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

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

Measurements are based on generally-accepted valuation models, with measurements being made under market conditions. In the case of derivatives, symmetrical products (e.g. IRS) are measured using the discounted cash flow method. The fair values of asymmetrical products (options) are calculated using standard methods (e.g. 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.

A possible deterioration of the creditworthiness of customers has an effect on the determination of the fair value for 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 0.2 million (31 Dec. 2022: EUR 0.3 million), and if risk premiums were to increase by 100 bp, the fair values of these receivables would drop by EUR 0.5 million (31. Dec. 2022: EUR 0.5 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.

Movements in €k	Equity investments FV/OCI
Carrying value as at 1/1/2023	263,405
Additions (purchases)	0
Disposals (sales)	0
Value changes recognised in equity	0
Value changes recognised in income	0
Carrying value as at 31/3/2023	263,405

The item Other comprehensive income from these instruments increased by €k 0.

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

Movements in €k:	Loans and advances to customers
Carrying value as at 1/1/2023	13,691
Transfer to level 2	0
Additions	43
Disposals	-821
Changes in fair value	503
of which disposals	19
of which portfolio instruments	484
Carrying value as at 31/3/2023	13,416

There were no transfers between Level 1 and Level 2.

The new major transactions with related parties amounted to as at 31/3/2023:

Associated companies	€k 0
Subsidiaries	€k 0
Other related parties	€k 15,575

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

The Management Board confirms that

- these condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) currently in force and published by the International Accounting Standards Board (IASB) as applicable in the EU and the interpretations thereof by the International Financial Reporting Interpretations Committee (IFRIC); they furthermore present a true and fair view of the assets, liabilities, financial position and result of operations of the Oberbank Group.

- These consolidated interim financial statements cover the first quarter of 2023 (1 January 2023 to 31 March 2023) and present a true and fair view of the assets, liabilities, financial position and profit or loss of the Oberbank Group in compliance with the principles of IFRS for interim financial reports.

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

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

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

Linz, 19 May 2023

The Management Board

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

Current Management Board Remits

CEO Franz Gasselsberger	Management Board Member Josef Weißl	Management Board Member Martin Seiter	Management Board Member Florian Hagenauer
Market	Market	Market	Back office
General Business Policy			
Internal Audit			
Compliance			
Business and Service Departments			
HRA (Human Resources)	PAM (Private Banking & Asset Management)	CIF (Corporate & International Finance)	KRM (Credit Management)
RUC (Accounts & Controlling)	PKU (Personal Banking)	TRE (Treasury & Trade)	ORG (Strategic Organisational Development, Digitisation and IT) including Sustainability
		GFI (Global Financial Institutions)	RIS (Strategic Risk Management)
			SEK (Corporate Secretary & Communication)
			ZSP (Zentr. Service and Production CEE[1)]Securities Settlement)
			ISK (Real Estate, Security and Cost Management)
Special Business Areas			
Private equity	Insurance service	Leasing business	IT development
	Investment fund business		Payment services and account/loan management
Regional Business Divisions			
Linz North	Innviertel	Linz South	Back Office Austria
Upper Austria South	Lower Austria	Vienna	Back Office Germany
Germany Central	Czech Republic	Salzburg	Back Office Czech Republic
	Hungary	Germany South	Back Office Hungary
		Germany Southwest	Back Office Slovakia
		Slovakia	

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

Notes

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

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

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

Financial calendar 2023

19 May 2023	Report for Q1 2023
24 August 2023	Report for Q1 to Q2 2023
24 November 2023	Report for Q1 to Q3 2023

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

Publication Details

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

Internet: www.oberbank.at, e-mail: sek@oberbank.at

Translation: Edith Vanghelof

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