

## HYPO NOE Group places Pfandbrief benchmark on the day of strong results for the first quarter of 2022

### Highlights Q1 2022

- Profit before tax increased significantly to EUR 17.3m (Q1 2022: EUR 11.6m)
- Core earnings - net interest income and net fee and commission income - increased to EUR 42.0m (up 5.2% on Q1 2021)
- Year-on-year reduction of 2.5% in operating expenses, CIR down to 46.38% in the first quarter
- NPL ratio remains at a low level of 0.83% as at 31 March 2022 (31 Dec. 2021: 0.85%), risk provisions (ECL) in the performing loan portfolio at a solid 127 bps as a proportion of RWA
- Strong CET1 ratio of 18.85% (pro forma figure incl. interim result: 19.35%) as at 31 March 2022

### Strong start to the year 2022

On 5 May 2022, HYPO NOE Group again reported strong results for the first quarter of 2022. After EUR 11.6m in Q1 2021, **profit before tax** increased by 48.5% to EUR 17.3m in the reporting period. **Core earnings** again increased noticeably by 5.2% to EUR 42.0m (Q1 2021: EUR 39.9m). Compared to Q1 2021, **net interest income** increased by 4.8% to EUR 36.4m, while **net fee and commission income** rose by 7.5% to EUR 5.5m. Due to a significant increase in allocations to the resolution and deposit guarantee fund year-on-year, **administrative expenses** increased by 7.5% to EUR 35.1m (Q1 2021: EUR 32.6m), However, **operating expenses** were further reduced by 2.5% to EUR 22.5m (Q1 2021: EUR 23.1m).

The **cost/income ratio**<sup>1</sup> (CIR) decreased to 46.38% (Q1 2021: 50.36%), while the **operating result (before risk costs)** declined from EUR 10.5m in Q1 2021 to EUR 9.5m. **Net gains on risk provisions** (ECL) amounted to EUR 7.8m (Q1 2021: EUR 1.2m), whereby no methodological adjustments were made to the recognition of risk provisions compared to 31 December 2021.

### Resilient capital and risk profile

HYPO NOE Group once again reported a strong **Common Equity Tier 1 (CET1) ratio** of 18.85% at the end of the period under review. Adjusted for first-quarter earnings and an accrual for regulatory costs, which are to be recognised in full at the start of the year, the pro forma figure for the Group's CET1 ratio remained stable at 19.35% (31 Dec. 2021: 19.35%).

As a result of systematic intensive care management efforts, as well as its low-risk business model - with a focus on infrastructure and housing finance - the Group's **non-performing loan (NPL) ratio** stabilised at a low level of 0.83% at the end of the first quarter of 2022 slightly down from year-end (31 Dec. 2021: 0.85%). The **NPL coverage ratio** remained at a high level of 85.0% as at 31 March 2022 (31 December 2021: 88.8%).

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<sup>1</sup> Operating expenses/operating income

HYPO NOE Group continues to pursue its conservative risk policies without compromise and the comprehensive methodology for mapping any possible effects from Covid-19 in the ECL models continued to be applied during the reporting period. ECL provisions in the performing loan portfolio (Stage 1 and 2) at the end of the first quarter of 2022 totaled EUR 49.0m, representing in relation to risk-weighted assets (RWA) a very solid 127 bps (31 Dec. 2021: EUR 51.7m and 138 bps, respectively). The risk result (ECL) in the first quarter of 2022 amounted to EUR 7.8m (Q1 2021: EUR 1.2m).

### **Convincing quarterly results give starting signal for second benchmark issue of the year**

Yesterday also saw HYPO NOE Landesbank return to the covered bond benchmark market for the first time in 2022. The transaction had originally been announced already on 23 February 2022, but had to be postponed again one day later due to the invasion of Ukraine by the Russian army. Nevertheless, this new issue already marks HYPO NOE Landesbank's second capital markets outing of the year, having in the meantime priced a successful EUR 500m 3-years green senior preferred benchmark bond on 7 April 2022 in response to solid investor appetite for shorter maturities earlier this quarter.

The new EUR 500m benchmark mortgage covered bond (AT0000A2VXQ0) with a maturity of seven years priced at a re-offered spread of mid-swaps +9 bps with a coupon of 1.625% at a re-offered yield of 1.652% and is expected to be rated 'Aa1' from Moody's .

To avoid overnight headline risk surrounding the FOMC meeting the day before, HYPO NOE Landesbank and its mandated joint lead managers - Commerzbank, CA CIB, Erste Group, LBBW and UniCredit -decided for a swift intraday execution strategy on the day of the issuer's first quarter results announcement.

Order books were opened at 9:00 CET on Thursday morning with spread guidance of mid-swaps +13 bps area. Within the hour, investors had placed orders totalling more than EUR 1bn (excluding joint lead managers). Total orders had passed the EUR 1.2bn mark (including EUR 50m joint lead managers interest) by the time of the second update at 10:54 CET, at which time pricing was set at mid-swaps +9 bps with books to go subject at 11:30 CET. At the time of pricing at 13:51 CET orders amounting to over EUR 1bn (excluding joint lead managers) good at re-offered had been gathered from 51 investors.

The order book was again granular. At 76%, a substantial share was once more placed abroad, with Germany (44%) followed by the Nordic region (24%) showing particular interest. Domestic investors accounted for 24% of the placement. Banks ordered 56% of the bond, followed by central banks & official institutions (24%) and asset managers (20%).

In the face of heavy competing supply during the week and with fresh results only announced on the same day, this transaction once again underlines HYPO NOE Landesbank's solid international name recognition and sound standing with the international investor community. The two bonds issued so far this year - a green senior preferred and a mortgage covered benchmark bond - together already cover a substantial portion of HYPO NOE Landesbank's overall refinancing needs for 2022.

The strategy of HYPO NOE Group continues to be based on organic growth in its core business, the consistent expansion of digital solutions - above all in the mortgage financing area - and a further increase in profitability. This is to be achieved while maintaining a conservative capital and risk profile. The State of Lower Austria as the Bank's 100% owner with a long-term orientation ensures the consistent implementation of this strategy.

The complete Results Announcement for the Quarter ended 31 March 2022 is available to download at [ir.hyponoe.at/en](https://ir.hyponoe.at/en).

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#### **HYPO NOE Landesbank für Niederösterreich und Wien AG**

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks<sup>1</sup>, and has served as a dependable commercial bank, stable state bank and specialist mortgage bank for more than 130 years. Based on the foundations of its strong position in the capital region of Lower Austria and Vienna, the Bank operates primarily in Austria and Germany, as well as in selected markets in the European Union.

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<sup>1</sup>In terms of total assets (2020 consolidated financial statements) and foundation dates