SEMI-ANNUAL FINANCIAL REPORT **2022**

HYPO NOE

CURRENT RATINGS

Standard & Poor's: A/A-1 (stable) issuer rating

Moody's: Aa1 mortgage and public-sector covered bond rating

ISS ESG: C+ Prime status sustainability rating

GROUP FINANCIAL HIGHLIGHTS

EUR '000

Consolidated statement of comprehensive income	H1 2022	H1 2021
Net interest income	67,944	69,927
Administrative expenses	-59,165	-56,976
Impairment gains on financial assets – IFRS 9 ECL	2,583	3,760
Profit before tax	**25,500**	**33,972**
Income tax expense	-6,068	-8,082
Profit for the period	**19,432**	**25,890**
Return on equity before tax	6.82%	9.51%
Cost/income ratio	53.44%	53.13%

Consolidated statement of financial position	30 Jun. 2022	31 Dec. 2021
Total assets	16,424,992	16,763,250
Financial assets – AC	13,580,870	14,053,484
Financial liabilities – AC	14,778,196	14,920,835
Equity (incl. non-controlling interests)	759,956	747,344
Non-performing loan ratio	0.87%	0.85%

Regulatory indicators	30 Jun. 2022	31 Dec. 2021
Eligible Tier 1 capital	724,691	729,622
Total eligible capital	724,691	729,622
Minimum capital requirement (Pillar I)	298,620	301,609
Excess equity	426,072	428,013
Total risk exposure amount in accordance with Art. 92(3) CRR	3,732,747	3,770,117
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	19.41%	19.35%
Total capital ratio in accordance with Art. 92(2)(c) CRR	19.41%	19.35%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.39%	4.75%
Liquidity coverage ratio	322.89%	202.45%
Net stable funding ratio	127.96%	120.40%

Operational resources	30 Jun. 2022	31 Dec. 2021
Employees	636	630
Branches	27	27

FOREWORD BY THE MANAGEMENT BOARD

After two years shaped by the pandemic, the first half of 2022 turned out to be no less challenging, from both a social and an economic viewpoint. The initially positive outlook for the year – in spite of the ongoing supply chain problems and soaring inflation – was abruptly turned on its head by the outbreak of war in Ukraine, an event which also weighed heavy on the burgeoning economy. The oil and gas supply freezes threatened by Russia, as well as Russian blockades of Ukrainian ports and the resulting prevention of wheat exports from Ukraine, drove up prices for oil, gas and foodstuffs, leading to further rises in inflation and widespread uncertainty about inflation trends.

Despite these developments, the HYPO NOE Group can look back on a highly satisfactory performance in the first half of 2022. The Group has no exposures in either Russia or Ukraine, and is therefore not directly affected by the war in Ukraine. Indeed, thanks to our risk-conscious business model and the outstanding work of our employees, we were able to operate successfully even in what proved to be a challenging first half. Despite the international uncertainties, HYPO NOE's operating income held steady at a high level, at around EUR 82m. Net interest income, the most significant income component, also remained only slightly below the previous year's level at around EUR 67.9m. Nevertheless, a number of one-time effects came into play, such as significantly higher payments for the resolution fund as well as interest rate effects. Overall, HYPO NOE generated a very solid profit before tax for the period of around EUR 25.5m.

The Group continued its capital market issuance programme – a long-running success story – in the first half of 2022. This year, we have already placed a total of EUR 1bn in new issues. This included the successful continuation of our green bond programme in the form of a EUR 500m green senior preferred benchmark bond. Incidentally, 67% of the investors in the bond had a firm focus on green and sustainable investments – once again underscoring HYPO NOE Landesbank's outstanding sustainability performance, which is based, among other things, on strict ethical guidelines and a comprehensive catalogue of exclusion criteria.

On top of the uncertain economic situation caused by the war in Ukraine, increased construction cost indexes and a generally high level of inflation, the stricter criteria for extending housing loans will probably have an impact on real estate financing. As confirmed in a survey commissioned by HYPO NOE, while the vast majority of prospective property owners are satisfied that they have sufficient equity, some believe that they will no longer be able to afford to buy due to the stricter regulations. Thanks to our highly risk-conscious lending practices, which have been in place for years and focus on the ability of our borrowers to repay loans, we remain confident that the impact of these changes on HYPO NOE will be manageable.

As one of Austria's oldest and largest mortgage banks, HYPO NOE has for years been committed to the ongoing development of its real estate loan product portfolio. In the first half of the year, we launched Immokredit 60+, a housing finance product that comes in response to age discrimination in lending, an issue which has attracted significant attention in the media recently. Immokredit 60+ is specifically geared towards borrowers aged 60 or over who own their own property. This form of financing ensures that the 60+ generation can still fulfil their dreams: renovate their property or adapt it to make it barrier-free, support their children and grandchildren, start studying or go on extended trips. With this new product, HYPO NOE is once again playing a pioneering role in Austria by clearly underlining its capacity for innovation when it comes to real estate financing.

In line with our core competences, HYPO NOE's focus remains on infrastructure and housing finance. The past few years have confirmed that digitalisation will continue to grow in importance in the future. Which is why HYPO NOE focuses on providing tailored, personalised consultation at our feel-good branches, in tandem with innovative digital tools such as wohnrechner.at. This focus has prompted us to launch a special partnership with the House of Digitalization in the first half of 2022. Backed by the state of Lower Austria, this flagship project consists of three complementary elements: a network which acts as the engine for the overall project; the virtual House of Digitalization, which serves as an online information hub (www.virtuelleshaus.at); and the bricks-and-mortar House of Digitalization, which is currently under construction in Tulln in Lower Austria. The link between the virtual and real-world iterations of the House of Digitalization is what connects us so strongly to this stand-out project. We are delighted to be on board as a long-term partner from the very beginning, to help make digitisation more tangible and bring it to life.

We also embody the spirit of this long-term cooperation in our relations with customers and investors. Particularly in view of the uncertainties and challenges facing the Austrian economy and people over the rest of the year, our goal is to continue to support our customers on financial matters as effectively as possible. We are and will continue to be a strong partner for our customers' financial needs.

Wolfgang Viehauser and Udo Birkner

GROUP OPERATIONAL AND FINANCIAL REVIEW

FOR THE SIX MONTHS ENDED 30 JUNE 2022 ACCORDING TO IFRS HYPO NOE GROUP

1 ECONOMIC CLIMATE

1.1 Global economic and financial market trends

Developments in the first half of 2022 had certain parallels with 2020 – a positive outlook at the start of the year until a surprise, negative event struck. The economic outlook for 2022 was still very positive as the year got under way. Despite persistent problems with international supply chains and relatively high inflation, the European Central Bank (ECB), International Monetary Fund (IMF) and other analysts put economic growth for the eurozone at between 3.5% and 4%. But everything changed with Russia's unexpected invasion of Ukraine on 24 February. Western industrialised nations imposed wide-ranging sanctions on Russia, including freezing part of the country's central bank reserves. At the same time, steps were initiated to reduce dependence on energy imports from Russia. Russia then used Europe's in some cases heavy reliance on its energy resources and drove up the prices for oil and in particular gas through threats to stop deliveries altogether. With the spectre of the spiralling energy prices seen in the 70s and 80s now raised, it is safe to speak of a new energy crisis, the scale and duration of which currently cannot be predicted. Russia also prevented shipments of wheat and other basic foodstuffs by blockading Ukrainian ports. This fuelled a fresh wave of food price increases. Already high, costs went on to reach record levels. The severe pressure on prices worldwide was ratcheted up once again as a result of the war in Ukraine. In the USA inflation reached 8.6% in May (Source: Bureau of Labor Statistics) – its highest rate for 41 years. In the eurozone, consumer prices also rose by 8.6% in the same month (source: Eurostat), while manufacturing costs were up by as much as 29.1% in April compared with the same month a year earlier.

Although the course of the pandemic took a more positive turn in Europe during the reporting period, the economic outlook clouded significantly. Some leading indicators are already at recession-like levels. Initial fears sparked in late 2021 by the emergence of the new, more virulent Omicron variant turned out to be overstated. It soon became clear that, while more transmissible than previous strains, it was in fact less severe, particularly among the vaccinated. Despite higher numbers of infections, health systems were not overwhelmed as feared. As a result, the government restrictions put in place in response to Covid-19 were quickly scaled back from the start of 2022. This initially buoyed the prospects for the service sector as a whole, and tourism, hotels, hospitality, and bricks-and-mortar retail in particular. In fact, demand rose in these segments to start with. The recovery was eventually slowed by sharp consumer price increases and the resulting drop in real earnings. A more decisive factor was the lack of workers that emerged as a surprisingly pronounced consequence of the Covid-19 pandemic after two years, limiting supply on the labour market. In the second quarter, the travel sector was especially hard hit. Consequences included large numbers of flight cancellations, sometimes at short notice, due to staff shortages at the airlines as well as capacity bottlenecks at airports.

From the perspective of jobseekers, labour market conditions were excellent. Joblessness in the eurozone fell to a new record low of 6.6% in May. In spite of this, consumer sentiment cooled appreciably and is now worse than it was at the outbreak of the pandemic in 2020. High inflation led to a drop in real earnings while the outbreak of war compounded uncertainty.

Developments in the industrial sector remained subdued in the first half of 2022 despite strong order books. Delays both on the supply and the demand side due to the pandemic are now compounding the issues experienced in international supply chains over the past 18 months. Never before have global supply chains been disrupted to this extent and for this length of time. Company surveys reveal that around 70-80% are experiencing supply issues to some degree or another. The outbreak of the war in Ukraine has magnified some supply problems still further, while the Chinese government's zero-Covid strategy also played a role in the situation. In response to the highest case numbers since the start of the pandemic, Beijing imposed stringent and extended new measures which resulted in a curfew lasting several weeks in the financial capital Shanghai. These restrictions not only throttled China's economic growth, but triggered additional disruptions in global supply chains.

All of these developments, coupled with the outbreak of war in February, put a significant strain on an economy also facing a sharp rise in inflation. In response, growth projections for the global economy as well as the eurozone have been revised downwards several times over the past few months. In its revised forecast in June, the ECB projected economic growth of 2.8% in 2022, down from 3.7% in March and 4.2% in December 2021. What at first appeared to be strong growth should be considered against the backdrop of a positive statistical overhang of 1.9% for 2022. Contrary to growth forecasts, the

ECB’s inflation projections are being consistently – and significantly – revised upwards, with the annual average for 2022 latterly put at 6.8%.

While the increase in inflation was deemed to be only temporary by most national banks last year and widely ignored when setting monetary policy, it necessitated even stronger adjustments to planned monetary-policy measures in the current year. The US Federal Reserve started its cycle of interest rate increases in March, hiking rates to 0.25%, a figure which rose to 0.75% in June. At the end of June, the base rate was 150 basis points higher than at the start of the year. In addition to the phased increases in the base rate, the Fed initiated measures at the end of June to shrink its balance sheet, which had grown considerably during the pandemic. Under the plans, securities will no longer or only partially be replaced with new investments once they mature. Of the major central banks, the ECB was lagging behind its peers in the cycle of rate increases at the time of publication. By the end of June, only the asset purchase programme, which was significantly expanded once again during the pandemic, had been brought to an end. The prospect of an initial increase in interest rates has been raised for July.

Together with the high level of uncertainty caused by the geopolitical situation, the fact that the change of course by the central banks came much faster than initially expected led in some cases to substantial losses on the capital markets. Distortions in bond market prices in particular – caused by the previous loose monetary policy pursued by all central banks – were subject to significant corrections in the first half of the year. While European bond yields were still trading at historically low levels in the summer of 2021, they rose sharply during the first six months of 2022. In the first half of 2022 alone, the yield on 10-year German Bunds advanced from -0.15% to an interim peak of 2% before falling back to 1.33% at the midway point of the year. The ECB's decision to end its asset purchase programme raised fresh concerns of a renewed euro area financial crisis, as suggested by the jump in risk premiums on Italian government bonds, for example. In June, the ECB held a special meeting to discuss how to counter possible fragmentation in the European government bond market. The last few months have also left their mark on corporate bonds. Risk premiums rose slowly at first, but gathered momentum toward the end of the first half of the year, coming close to the highs seen at the start of the 2020 pandemic.

1.2 Economic trends in the HYPO NOE Group’s core markets

1.2.1 Austria and Germany

Despite the continuation of the Covid-19 pandemic due to new waves of infections, Austria and Germany – the HYPO NOE Group's core markets – both showed signs of economic recovery in the second and third quarters of 2021. According to the Oesterreichische Nationalbank (OeNB), real gross domestic product for 2021 rose by 4.9% in Austria and by 2.5% in Germany (eurozone average: 5.1%). This upturn was driven by extremely strong exports and a significant increase in public consumption between early April and the end of October 2021. Economic growth slowed in the fourth quarter as stricter Covid-19 regulations came into force once again.

In Austria, the first quarter of 2022 was characterised by strong GDP growth of 1.5%, which was mainly due to increases in industry, the recovery in the winter tourism and hospitality sectors and pent-up demand in the wake of the lockdown in the fourth quarter of 2021. The outbreak of war in Ukraine on 24 February 2022, put paid to this period of economic recovery, exacerbating raw material and supply shortages that had already started to make themselves felt in 2021. Inflation climbed to a record high of 8.1% in May 2022, while at the same time Statistics Austria's wholesale price index rose to an all-time high of 136.0 index points in the same month (up 25% year on year). The main factors behind the change in the index compared with May 2021 included the increased price of solid fuel (up 110.2%) and in particular goods needed for construction such as iron and steel (up 67.2%), wood (up 27.2%) and building materials (up 16.2%).

Further accelerated by the war in Ukraine, the rise in inflation is significantly curtailing purchasing power and affecting consumption opportunities as a result. Housing investment in the first half of 2022 was also significantly weaker than in the same period a year earlier due to price increases and a lack of building materials. However, unemployment in Austria fell by as much as 2.9% year on year in May 2022 to 4.4% (according to Eurostat). According to reports by the Federal Ministry of Finance, the budget situation also improved further in the light of higher tax revenues in the first half of 2022. They also showed that additional pandemic-related costs declined and fewer countercyclical support measures were required. The indebtedness of both households and non-financial corporations in the HYPO NOE Group’s core market is still below the eurozone average.

1.2.2 Federal states

In 2021, the Austrian federal states where exports and industry account for the highest shares of GDP did best, while the recovery lagged in those that are heavily dependent on tourism due to a 2020/2021 winter season hamstrung by restrictions. According to data published by UniCredit Research in June 2022, growth ranged from 1.9% in Tyrol to 6.3% in Upper Austria, with Lower Austria in a very strong third place at 5.3%.

The pandemic hit state budgets also in 2021, with many state governments recording net fiscal deficits and increased overall debt. However, the deficits are likely to come in below those of 2020, as the revenue shares distributed to state governments were higher due to stronger growth. Following an increase of 12% in the aggregate financial liabilities of all states to EUR 26.3bn in 2020, internal estimates point to a further rise to EUR 28bn for 2021. In addition to tackling the public health crisis, the focus of the respective states' policies now extends to issues of energy security, climate change and managing the social implications of the current high rate of inflation. The stability pact targets remain suspended, and at the same time the fiscal equalisation period has been extended to 2023.

1.3 Banking sector trends in the eurozone

In the first half of 2022, the banking sector was directly affected by a number of major challenges facing the global economy. These primarily included the war between Russia and Ukraine, the ongoing impact of the Covid-19 pandemic, high inflation and the turnaround in monetary policy measures by leading central banks. The OeNB has again reaffirmed the robustness of the Austrian banking sector's business model, as it stressed in its June 2022 financial stability report. However, the report also emphasised the challenges brought about by the war in Ukraine, especially those for institutions with a significant presence in Southern and Eastern Europe. In this context, the OeNB explicitly welcomes the FMA Regulation on sustainable lending standards for residential real estate financing, which will come into force in August 2022.

The average equity ratio (CET1) of 15.7% at 31 December 2021 showed that Austrian banks are well placed in the face of current adverse developments. The decline compared with the figure for the end of 2020 (16.1%) is attributable to comparatively higher lending. The non-performing loan (NPL) ratio improved once again, from 2.1% in December 2020 to 1.8% at the end of 2021. The reduction in risk provisioning brought a marked increase in the Austrian banking sector's earnings after tax in 2021: in this regard, the consolidated annual results from before the start of the pandemic (2017-2019) have already been surpassed. Overall, Austria's banks are continuing to benefit from the restructuring efforts of recent years. In the course of an extended consolidation process, the number of banks (main institutions) has fallen by around a quarter since 2012.

The current challenges identified by the OeNB for the domestic banking sector apply equally to the rest of Europe. The continent's banks are also fundamentally well positioned: the equity ratios of financial institutions in the European Union have recently stabilised at high levels. One of the key trends during the year under review was the continuing digitalisation of customer products and services. Multi-channel approaches – which in the case of universal banks still feature branches, albeit augmented by digital offerings – remained the customary strategy in Europe.

In several European countries, most notably in Spain, Italy and Norway, an ongoing trend towards consolidation has been observed in the national banking sector in recent years. In Austria, by contrast, there has been a break in the process of consolidation, regular mergers of local Raiffeisen banks notwithstanding. However, at the end of the reporting period, one Austrian regional bank had begun the planned disposal of its conventional non-digital – i.e. bricks and mortar – banking business as part of a bidding process.

2 COMPANY PROFILE

This report on the HYPO NOE Group was prepared by the Group's parent, HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE Landesbank).

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks[1], and has been a reliable commercial bank, a stable state bank and a specialist mortgage lender for over 130 years. Using its strong position in Lower Austria and Vienna as a springboard, the Bank operates primarily in Austria and Germany, as well as in selected markets elsewhere in the European Union.

The HYPO NOE Group serves as a one-stop shop, providing a comprehensive range of financial services for public sector, real estate and corporate customers, in line with its business model as a mortgage bank. The product portfolio is centred on funding for hard and social infrastructure, non-profit and commercial housing construction, and other large property development projects. Retail customers benefit from the expert personal service delivered by the branch network in the Group's home market of Lower Austria and Vienna, with its focus on housing finance.

The Group concentrates on four business segments that play to its core competences: Public Sector, Real Estate, Retail and Corporate Customers, and Treasury & ALM. The wholly owned HYPO NOE Leasing subsidiary, which specialises in real estate leasing to public sector clients and has extensive experience of "Maastricht-compliant" financing structures, enables the Group to concentrate on serving large federal government, state government and local authority clients. Figures for the individual segments, as well as supplementary narrative information, are presented in Note 2 SEGMENT INFORMATION.

HYPO NOE Landesbank is one of Austria's leading covered bond issuers and is a regular participant on the capital markets through the flotation of secured and unsecured benchmark bonds. Thanks to the solid foundations provided by customer deposits, and its increasingly close cooperation with development banks, HYPO NOE Landesbank can also look to diversify its sources of refinancing. Standard & Poor's currently gives the Bank a solid single A rating with a stable outlook, while Moody's ratings on the public sector and mortgage cover pools are also unchanged at Aa1.

HYPO NOE Landesbank is backed by a stable and reliable sole owner in the shape of Austria's largest state, Lower Austria. The Bank's owner takes a long-term view and ensures that it stays true to its strategy of organic growth in its core business, best-in-class digital solutions in its mortgage lending operations, and further improvements in profitability, while maintaining a conservative risk and capital profile.

The Bank's sustainable approach to its core operations is underpinned and promoted by clear ethical principles and business policies. Its portfolio is geared strongly towards sustainability due to the large proportion of lending that creates social value added. ISS ESG Prime status underlines the Bank's commitment to environmental and social responsibility. HYPO NOE Landesbank has also received ESG ratings from Sustainalytics, Vigeo Eiris (V.E) and imug, and has been awarded the DZ Bank sustainability seal of approval.

[1]In terms of total assets (2021 consolidated financial statements) and date of establishment

3 FINANCIAL REVIEW

3.1 Highlights

- Decrease in “Profit before tax” to EUR 25.5m (H1 2021: EUR 34.0m)
- Robust core earnings in spite of challenging operating environment – “Net interest income” and “Net fee and commission income” down only slightly
- “Administrative expenses” impacted by higher resolution fund contribution;
  CIR of 53.44% in the first half of 2022 – around the same level as the comparative period
- NPL ratio remains low, at 0.87% as at 30 June 2022 (31 Dec. 2021: 0.85%);
  risk provisions (ECL) in the performing loan portfolio at a solid 129 bps as a proportion of RWA (31 Dec. 2021: 137 bps)
- CET1 ratio higher, at 19.41% (31 Dec. 2021: 19.35%)

3.2 Earnings performance

		Q2 2022	Q4 2021	Q2 2021	Q4 2020
Return on equity before tax	Profit before tax/avg. consolidated equity	6.82%	7.44%	9.51%	5.91%
Return on equity after tax	Profit for the period/avg. consolidated equity	5.20%	5.74%	7.25%	4.57%
Cost/income ratio	Operating expenses/operating income	53.44%	52.14%	53.13%	53.29%
NPL ratio	Carrying amounts of non-performing financial assets – AC (excl. banks)/financial assets – AC (excl. banks)	0.87%	0.85%	0.68%	0.78%

In the first half of 2022 the HYPO NOE Group generated “Profit before tax” of EUR 25.5m (H1 2021: EUR 34.0m) and a return on equity (ROE) before tax of 6.82% (H1 2021: 9.51%). The Group is pressing ahead with implementation of its FOKUS25 strategy, which is aimed at achieving a long-term increase in profitability through organic growth in the core business, while also maintaining the Group’s conservative risk profile and strong capital profile.

Despite the difficult operating conditions, “Net interest income” and “Net fee and commission income” were only slightly lower than in the like period a year earlier. “Net interest income” fell by 2.83% to EUR 67.9m (H1 2021: EUR 69.9m), and there was also a modest decrease in “Net fee and commission income” of 2.90%, to EUR 9.5m (H1 2021: EUR 9.8m).

The EUR 3.0m increase in the contribution to the resolution fund as compared with the first half of 2021 resulted in higher “Administrative expenses”, which stood at EUR 59.2m at the end of the reporting period (H1 2021: EUR 57.0m). After adjustment for one-time effects, the CIR remained at a satisfactory 53.44%, compared with 53.13% a year earlier.

Risk provisions in the performing loan portfolio (Stages 1 and 2) were 1.79% lower than at year-end 2021, at EUR 48.2m, while total risk provisions (Stages 1-3) amounted to EUR 84.8m.

3.3 Balance sheet movements

New lending in the first half totalled around EUR 699m, which was close to the level recorded a year earlier (EUR 748m). The Bank extended vital funding to customers, primarily for infrastructure projects, housing construction and corporate finance.

Successful new customer acquisition – part of the Group’s strategy – is not directly reflected in the change in “Financial assets – AC” as compared with 31 December 2021. The ECB’s decision to change tack on interest rates led to sharp falls in the basis adjustments on hedging relationships, and this item declined significantly as a result.

Owing to the rise in market interest rates in the first six months of 2022, developments on the liabilities side were likewise shaped by falling basis adjustments to hedging relationships, as well as lower fair values of derivatives. Customer deposits remained constant in comparison with year-end 2021. Meanwhile, the Group once again underscored its issuing capacity with the placement of two benchmark bonds.

3.4 Segment performance

Following on from record results in the like period of 2021, the HYPO NOE Group reported “Profit before tax” of EUR 25.5m in the period under review – well above the long-term average. This excellent result reaffirmed the Group’s rock-solid performance over the long run, driven by the ongoing roll-out of the FOKUS25 strategy. The operating segments all contributed to this result, as explained below.

Public Sector segment

The HYPO NOE Group’s core competences include developing custom financing solutions and delivering banking services to state governments, local and regional authorities, and public agencies.

In the first half of 2022, the Public Sector segment contributed EUR 9.7m to consolidated “Profit before tax” (H1 2021: EUR 12.1m). The decrease in this item was attributable to a real estate transaction concluded by a segment entity accounted for using the equity method, a smaller contribution to the resolution fund, and significantly lower measurement losses on customer derivatives contracts in the first half of last year. Net interest income held steady in spite of the increased pressure on the margins on low-risk transactions in this segment as compared with the same period a year earlier.

Segment assets declined year on year, depressed by derivative valuations and the fall in basis adjustments owing to higher interest rates. On the operational side, business volumes increased due to the purchase of subsidised homebuilding loans extended by the State of Lower Austria, which clearly underlined the HYPO NOE Group’s expertise in consulting services and the execution of complex public-sector transactions.

Real Estate

With profit before tax of EUR 13.2m (H1 2021: EUR 11.1m), the Real Estate segment remained one of the key pillars of the HYPO NOE Group’s business model. Following the successful conclusion of a restructuring initiative which was completed with the disposal of HYPO NOE First Facility GmbH in Q2 2021, the segment focused on providing a portfolio of typical banking services.

The main outcome of the disposal was a considerable year-on-year decrease in net other operating income and administrative expenses. A gain of EUR 0.9m on the disposal of HYPO NOE First Facility GmbH was recognised in 2021.

Net interest income jumped by 9.5% compared with the same period a year earlier, which reflects the segment’s highly successful financing operations.

The Real Estate segment’s positive operating performance was diluted somewhat by the increased resolution fund contribution, as well as significant negative measurement effects on loans mandatorily recognised as at fair value through profit or loss (FVTPL) in the first six months of this year due to prevailing market conditions.

Retail and Corporate Customers segment

In spite of the challenging operating environment, the Retail and Corporate Customers segment again posted a strong contribution to the Group’s results, marking up a profit before tax of EUR 6.2m.

As expected, net interest income was lower year on year, which can be traced back to the segment’s focus on core products and risk-aware approach to new lending. The importance of risk in lending practices has been emphasised by the Austrian Financial Market Authority’s new Regulation for sustainable lending standards for residential real estate financing (KIM-V), which will come into force on 1 August 2022.

Retail and Corporate Customers was the principal contributor to Group “Net fee and commission income”, generating EUR 8.2m (H1 2021: EUR 7.7m). The segment maintained its strategic focus on its core housing finance product, and on proactive forging of partnerships to offer add-on products, witnessed by an agreement on collaboration in the security custody account business.

Although the segment reported measurement losses on FVTPL loan agreements due to market volatility, there were net gains on financial assets and liabilities of EUR 0.8m thanks to effective intensive care management.

The impairment losses or gains on financial assets – IFRS 9, ECL item remained stable.

Treasury & ALM segment

In spite of the uncertain market setting and the ECB's watershed decision to raise interest rates, Treasury & ALM reported profit before tax of EUR 14.1m, actually topping the EUR 13.3m recorded in H1 2021, thanks mainly to forward-looking liquidity management, interest rate risk positioning within strict limits, and capitalising on existing market opportunities.

Net interest income fell year on year in the first half, to stand at EUR 4.2m, depressed by the effects of implementing paragraph B5.4.6 of IFRS 9 due to the revision of estimates of the repayment dates of TLTRO liabilities.

Under the net gains or losses on financial assets item, the net gains of EUR 3.9m on hedges and EUR 3.3m on the sale of nostro positions outweighed the negative effects from the measurement of securities mandatorily recognised as at fair value through profit or loss (net loss of EUR 0.7m) and currency valuations for derivatives (net loss of EUR 3.6m).

In the case of derivatives the negative impact of currency valuations was offset by the currency valuations of non-derivative financial instruments, included in other operating income, resulting in a substantial gain under that item.

The first half of 2022 saw the impressive placement of two benchmark issues (a green senior preferred benchmark bond and a mortgage-backed benchmark covered bond). This highlights the positive perception of HYPO NOE Landesbank on the bond market and its good name with the foreign investment community.

3.5 Equity

Under Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) as amended, including latterly Commission Implementing Regulation (EU) No 2021/1043, and related EBA delegated regulations as well as Directive 2013/36/EU on access to the activity of credit institutions (Capital Requirements Directive, CRD) as amended by Directive (EU) No 2021/338, which is currently being transposed by way of the Austrian *Bankwesengesetz* (Banking Act) and various national orders, since 2014 it has been necessary to determine banks' consolidated own funds and their consolidated regulatory own funds requirements in accordance with IFRS, as well as the regulatory scope of consolidation.

Consolidated eligible capital in accordance with the CRR/CRD as amended was EUR 724.7m as at 30 June 2022 (31 Dec. 2021: EUR 729.6m).

Excess equity excluding buffers stood at EUR 426.1m at 30 June 2022 (31 Dec. 2021: EUR 428.0m), compared with a capital requirement of EUR 298.6m (31 Dec. 2021: EUR 301.6m). The Tier 1 capital ratio in accordance with Article 92(2)(b) CRR and the total capital ratio in accordance with Article 92(2)(c) CRR were 19.41% as at 30 June 2022 (31 Dec. 2021: both ratios 19.35%).

No new regulations came into force in the first half of 2022 that will affect the HYPO NOE Group's eligible capital or capital requirement, and no applicable and relevant transitional arrangements expired on 31 December 2021.

4 RISK REPORT

Descriptions of the objectives and methods of risk management, and details of material risks are contained in Note 8 RISK MANAGEMENT.

5 EQUITY INVESTMENTS AND BRANCH OFFICES

The HYPO NOE Group holds investments that underpin its strategy. The Group only enters into such investments if they are compatible with its primary business objectives. In line with its role as a shareholder representative, the Group promotes, guides and supports investees' strategic business development. Details of changes in the scope of consolidation can be found under Note 9.1 SCOPE OF CONSOLIDATION.

HYPO NOE Landesbank has operated a branch office at Wipplingerstrasse 4, 1010 Vienna since 2008.

HYPO NOE Landesbank had 27 branches in Lower Austria and Vienna as at 30 June 2022.

6 GROUP OUTLOOK

6.1 Economic environment

The outlook for the coming months remains downbeat. A great deal depends on the course of the war in Ukraine and the resolution of supply chain issues, as well as the energy crisis. What is certain, in any case, is that the fillip of the last two years, fuelled by government and central bank stimulus measures, will now rapidly come to an end. Economic stagnation, if not outright recession, has become more likely. In addition, there is an extremely tense and potentially dangerous geopolitical situation facing western industrialised nations, in light of the close partnership between Russia and China. From the start of the war, China has given political backing to Russia's ambitions, which in essence represent a historic challenge to the West. It remains to be seen whether China will step up its economic and military involvement in the course of the current conflict between Russia and the West. Additionally, China has repeatedly expressed its own ambitions regarding the annexation of Taiwan, using force if necessary. Russia's blockade of wheat exports from Ukraine also threatens to unleash a global food crisis, which could lead to further migratory pressure on Europe from Africa.

Even though the capital markets have already priced in a number of negative developments, the situation at the start of the second half is highly uncertain and fraught with risks. A case in point is the prospect of a complete halt to gas supplies from Russia, which would hit the European economy hard in the winter and plunge it into a severe recession. The outlook for the two largest economies, the USA and China, is not particularly positive either. The US Federal Reserve is determined to keep raising interest rates until it reaches its inflation target again. To achieve this, it also seems to be willing to accept the risk of a recession. China's growth drivers also appear to be weakening. The problems associated with its zero-Covid strategy, continuing challenges on the domestic real estate market and restrained consumer activity point at the very least towards lower growth than the 5-5.5% target announced by the government at the beginning of the year.

The rise in inflation triggered by the war in Ukraine will continue to check purchasing power and consumption opportunities in Austria in the second half of 2022. Tax relief and inflation compensation payments will not be sufficient to fully mitigate the increase. With GDP having risen sharply at the start of the year, economic growth is expected to be extremely subdued in the remainder of 2022 (OeNB). Economic growth is forecast at 3.8% for the year as a whole. The effects of the overlapping crises will not make themselves fully felt until 2023 and 2024 when annual economic growth is seen as slowing to 1.9% in both years.

At the national level, tax revenues for 2022 as a whole are expected to be significantly higher than in the previous year. On the expenditure side, social support measures will have to be covered as well as rising interest payments now that rates have risen again and expansive interest rate and monetary policies are coming to an end. In parallel, these developments will also have an impact on state government finances in the form of higher revenue shares, increased interest expenses and higher expenditures owing to inflation. According to the economic forecasts published by Unicredit Research, growth will be strongest in Tyrol and Salzburg in 2022 – albeit from a low base in the previous year – at 7.4% and 6% respectively, due to a very favourable season for the tourism sector so far. With growth forecast at 3.3%, the forecast for Lower Austria is in line with the average for the other Austrian states.

The course of future waves of Covid infections and their effects on the 2022 summer season and 2022/23 winter holiday season is the main source of uncertainty behind these forecasts. Additionally, the duration of the war in Ukraine and the potential interruption of Russian gas supplies are seen as major uncertainties in the economic picture for the HYPO NOE Group's core markets.

The consolidation process witnessed in the European banking sector for many years has recently slowed down in Austria. However, this fundamental trend is expected to continue and will also lead to mergers in other European countries where activity has been less pronounced. Cross-border takeovers between major banks are not expected in the short term, as it can be assumed that they would be subject to extensive assessment and requirements by the European authorities, and the current interest rate opens up fewer (profitable) opportunities for financing such transactions. In the Austrian banking sector, there are no significant mergers or acquisitions on the horizon for the remainder of the financial year.

6.2 Outlook for Group performance

Despite additional new challenges in the first half of 2022, the HYPO NOE Group once again posted solid results. Once again, the business model proved its worth thanks to its focus on low-risk infrastructure and housing finance. Despite considerable economic uncertainties and, in particular, the now rather subdued macroeconomic forecasts for the Group's core markets of Austria and Germany, the HYPO NOE Group expects performance to hold firm at a consistently solid level over the remainder of the year.

Rising construction cost indexes, the ECB's interest-rate turnaround, and stricter lending criteria for housing loans as recommended by the Financial Market Stability Board (FMSB) are likely to dampen future growth in the real estate financing sector. As far as the HYPO NOE Group's existing portfolio is concerned, the risks arising from the aforementioned effects are manageable due to risk-conscious lending practices in the past. The Group's risk practices have long focused also on the borrower's ability to repay, rather than solely on the mortgage collateralisation of the loan. In essence, this approach is in line with the Regulation on sustainable lending standards for residential real estate financing issued by the Austrian Financial Market Authority (FMA), which will enter into force from 1 August 2022.

Given the expiry of government support measures to cushion the impact of the Covid-19 crisis, credit ratings are expected to continue to deteriorate and defaults in the affected sectors are seen as increasing in subsequent periods. Systematic, sector-specific provisions were realised at the end of last year to counter the effects of these developments. In addition, the HYPO NOE Group has taken precautions against the risk of construction cost overruns in connection with construction finance that has not yet been drawn down in full. In order to maintain the Group's prudent risk provisioning policy, the potential impact of disruptions to global supply chains and any influences on the creditworthiness of borrowers which suffer substantial indirect effects as a result of the war in Ukraine and Russia are now also included in the ECL models.

In line with its core competences, low-risk infrastructure and housing construction finance will remain the focal point of the Group’s business model. These areas of activity have consistently shown themselves to be particularly resilient across the business cycle. Our proven strategy will therefore continue to focus on expanding our core business in our core markets, while maintaining a conservative risk and capital profile. With an eye to continuous efficiency enhancement measures, and also in order to cushion expected and manageable cost increases due to inflationary trends as effectively as possible, close attention will continue to be paid both to ongoing process optimisation and the systematic expansion of digital solutions, especially in mortgage lending.

Successful bond issuance in the first half met most of the refinancing needs for 2022 as a whole. Depending on performance in the lending business over the remainder of the year, the focus of any capital market refinancing in the second half will be on a possible initial issue under the uniform new Austrian Covered Bond Act. Maintaining the high level of deposits built up over recent years will remain an objective.

St. Pölten, 9 August 2022
The Management Board

Wolfgang Viehauser
Management Board Member Markets and
Speaker of the Board

Udo Birkner
Management Board Member Finance,
Risk & Operations

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022 IN ACCORDANCE WITH IFRS HYPO NOE GROUP

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Gains/losses

EUR '000	Notes	H1 2022	H1 2021
Interest and similar income measured using the effective interest method		123,764	126,855
Interest and similar income not measured using the effective interest method		81,506	90,124
Interest and similar expense		-137,326	-147,070
Dividend income		-	17
Net interest income	**4.1.1**	**67,944**	**69,927**
Fee and commission income		10,315	11,242
Fee and commission expense		-847	-1,491
Net fee and commission income	**5.1**	**9,468**	**9,750**
Net measurement gains or losses		-643	4,101
Net gains on derecognition of financial assets		67	-
Net gains or losses on financial assets and liabilities	**4.1.2**	**-576**	**4,100**
Other operating income	5.2	10,023	10,834
Other operating expense	5.2	-6,004	-9,066
Administrative expenses	5.3	-59,165	-56,976
Impairment gains on financial assets – IFRS 9 ECL	4.4.4	2,583	3,760
Net gains on investments accounted for using the equity method		1,227	1,644
Profit before tax		**25,500**	**33,972**
Income tax expense	7.1	-6,068	-8,082
Profit for the period		**19,432**	**25,890**
Non-controlling interests	3.2	-314	-8
Profit attributable to owners of the parent		**19,118**	**25,882**

Other comprehensive income

EUR '000	Notes	H1 2022	H1 2021
Profit for the period		**19,432**	**25,890**
Changes in valuation that will not be reclassified to profit or loss		**-89**	**-141**
Equity instruments – FVOCI		9	-114
Actuarial losses		-99	-27
Changes in valuation that will be reclassified subsequently to profit or loss		**-3,231**	**-1,719**
Debt instruments – FVOCI		-2,931	-1,533
Debt instruments – FVOCI reclassified to profit or loss		-300	-185
Other comprehensive income		**-3,320**	**-1,860**
Total comprehensive income		**16,112**	**24,030**
Non-controlling interests	3.2	-314	-8
Comprehensive income attributable to owners of the parent		**15,798**	**24,022**

The changes in valuation included in "Other comprehensive income" and all related sub-items are presented net of related tax effects, in accordance with paragraph 91(a) IAS 1.

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR ’000	Notes	30 Jun. 2022	31 Dec. 2021
Cash and balances at central banks	4.2	1,812,861	1,409,248
Financial assets – HFT	4.2	183,348	310,574
Financial assets – mandatorily FVTPL	4.2	132,001	149,504
Financial assets – FVOCI	4.2	256,074	370,575
Financial assets – AC	4.2	13,580,870	14,053,484
Positive fair value of hedges (hedge accounting)	4.5.2	293,552	302,262
Investments accounted for using the equity method	9.1	35,719	33,692
Investment property	6.1	25,192	33,518
Intangible assets		181	197
Property, plant and equipment		64,699	65,942
Current tax assets	7.2	17,558	15,999
Deferred tax assets	7.2	317	352
Other assets	6.3	22,618	17,904
Total assets		**16,424,992**	**16,763,250**

Liabilities

EUR ’000	Notes	30 Jun. 2022	31 Dec. 2021
Financial liabilities – HFT	4.3	167,232	289,887
Financial liabilities – FVO	4.3	5,534	6,061
Financial liabilities – AC	4.3	14,778,196	14,920,835
Negative fair value of hedges (hedge accounting)	4.5.2	533,867	615,675
Provisions	6.2	81,633	76,862
Current tax liabilities	7.3	10,163	5,809
Deferred tax liabilities	7.3	19,182	22,297
Other liabilities	6.3	69,228	78,481
Equity	**3.1**	**759,956**	**747,344**
Equity attributable to owners of the parent	3.1	751,140	738,842
Non-controlling interests		8,815	8,501
Total equity and liabilities		**16,424,992**	**16,763,250**

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 Jun. 2022 EUR '000	1 Jan. 2022	Profit for the year	Reversals	Dividends paid	Other compre-hensive income	Other changes	30 Jun. 2022
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-	191,824
Retained earnings	490,427	19,118	-	-3,500	-	-	506,045
Other reserves composed of:	**4,610**	**-**	**-**	**-**	**-3,320**	**-**	**1,291**
Actuarial losses	-3,694	-	-	-	-99	-	-3,792
Debt instruments – FVOCI	7,903	-	-	-	-3,231	-	4,672
Equity instruments – FVOCI	401	-	-	-	9	-	411
Equity attributable to owners of the parent	**738,842**	**19,118**	**-**	**-3,500**	**-3,320**	**-**	**751,140**
Non-controlling interests	8,501	314	-	-	-	-	8,815
Equity	**747,344**	**19,432**	**-**	**-3,500**	**-3,320**	**-**	**759,956**

30 Jun. 2021 EUR '000	1 Jan. 2021	Profit for the year	Reversals	Dividends paid	Other compre-hensive income	Other changes	30 Jun. 2021
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-	191,824
Retained earnings	452,557	25,882	42	-3,800	-	-17	474,664
Other reserves composed of:	**5,020**	**-**	**-28**	**-**	**-1,860**	**17**	**3,149**
Actuarial gains and losses	-4,462	-	-	-	-27	17	-4,473
Debt instruments – FVOCI	9,034	-	-	-	-1,719	-	7,315
Equity instruments – FVOCI	449	-	-28	-	-114	-	307
Equity attributable to owners of the parent	**701,382**	**25,882**	**14**	**-3,800**	**-1,860**	**-**	**721,618**
Non-controlling interests	8,980	8	-650	-	-	-	8,338
Equity	**710,362**	**25,890**	**-636**	**-3,800**	**-1,860**	**-**	**729,956**

4 CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	30 Jun. 2022	30 Jun. 2021
Cash and cash equivalents at end of previous period	**1,409,248**	**1,463,942**
Profit for the period	**19,432**	**25,890**
Adjustments for interest income and expense	-67,944	-69,926
Non-cash items from operating activities	**-66,434**	**-83,436**
Amortisation, depreciation, impairment and write-ups on property, plant and equipment, intangible assets and investment property	2,717	2,998
Allocations to and reversals of provisions and risk provisions	2,437	738
Net measurement losses or gains on financial assets and liabilities	576	-4,101
Change in positive and negative fair value of hedging instruments	-67,736	-62,854
Other adjustments	-4,427	-20,216
Changes in assets and liabilities due to operating activities	**456,878**	**416,354**
Financial assets – AC	494,377	-223,311
Financial assets – mandatorily FVTPL	12,579	26,449
Financial assets – FVOCI	110,420	134,694
Other operating assets	-7,837	649
Financial liabilities – AC	-146,169	514,490
Other operating liabilities	-6,492	-36,615
Payments for taxes, interest and dividends	**59,758**	**99,252**
Income taxes refunded/paid	-3,608	-3,615
Interest received	210,855	260,526
Interest paid	-148,186	-158,296
Dividends on FVOCI investments received	-	17
Dividends received from associates	697	619
Cash flows from operating activities	**401,689**	**388,134**
Proceeds from sale of/redemption of:	**8,200**	**158**
Equity investments	-	75
Property, plant and equipment, intangible assets and investment property	8,200	82
Purchase of:	**-2,330**	**-4,074**
Equity investments	-1,470	-32
Property, plant and equipment, intangible assets and investment property	-860	-4,042
Proceeds from disposal of subsidiaries	**-**	**1,500**
Cash flows from investing activities	**5,869**	**-2,416**
Dividends paid	**-3,500**	**-3,800**
Repayment of lease liabilities	**-445**	**-456**
Cash flows from financing activities	**-3,945**	**-4,256**
Net increase in cash and cash equivalents	**403,613**	**381,462**
Cash and cash equivalents at end of period	**1,812,861**	**1,845,405**

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022
IN ACCORDANCE WITH IFRS
HYPO NOE GROUP

1 GENERAL INFORMATION

1.1 Significant accounting policies

The condensed consolidated financial statements of HYPO NOE Landesbank für Niederösterreich und Wien AG (hereinafter “the HYPO NOE Group”) as at 30 June 2022 were drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations thereof issued by the Standing Interpretations Committee (SIC) and the IFRS Interpretations Committee (IFRS IC).

These consolidated financial statements have been prepared in accordance with the IFRS/IAS standards and interpretations thereof adopted and published by the European Union, and applicable to the business activities of the HYPO NOE Group.

The condensed consolidated financial statements are subject to IAS 34 Interim Financial Reporting. Essentially the same accounting policies were applied as those applied as at 31 December 2021 while taking account of new standards which are mandatory for financial years beginning on or after 1 January 2022.

The consolidated financial statements do not contain all of the information required for full annual financial statements, and should therefore be read in conjunction with the annual financial statements as at 31 December 2021. The interim consolidated financial statements were neither subjected to a full audit nor were they reviewed by independent auditors.

1.2 Estimation uncertainty and judgements

Estimation uncertainties and judgements are denoted below by the symbol .

All the estimates and judgements required when preparing the financial statements in accordance with IFRS are best estimates made according to the relevant standards. The estimates are reviewed on an ongoing basis, and are drawn from experience and other factors, including expectations regarding future events that appear reasonable under the circumstances. Estimates and assumptions were primarily applied to the following:

- Measurement of financial instruments, associates and joint ventures
- Assessment of the ECB’s monetary policy measures (use of TLTRO instruments)
- Evaluation of the transfer of financial instruments in accordance with paragraph 3.2.4 IFRS 9
- Determining impairment losses and gains on financial assets
- Defining default
- Performance of SPPI tests
- Establishment of the principles governing the transfer of financial instruments (stage transfers)
- Assessment of inclusion in the scope of consolidation
- Recognition of deferred tax assets attributable to tax loss carryforwards
- Determination of fair value
- Determination of the useful lives of intangible assets, right-of-use assets, and property, plant and equipment
- Assessment of the effect of first-time application of new IFRS
- Recognition and measurement of provisions
- Determination of the credit-adjusted effective interest rate for POCI assets

Where estimates and judgements were necessary, the assumptions made are explained in the notes to the corresponding items.

1.3 New and amended regulations

New and amended standards	Applicable from	Effect
Annual Improvements 2018-2020 Cycle	1 Jan. 2022	Immaterial
Onerous Contracts – Amendment to IAS 37	1 Jan. 2022	Immaterial
Reference to the Conceptual Framework – Amendment to IFRS 3	1 Jan. 2022	None
New and amended standards adopted but not yet applied		
Disclosure of Accounting Policies – Amendment to IAS 1	1 Jan. 2023	Immaterial
Definition of Accounting Estimates – Amendment to IAS 8	1 Jan. 2023	Immaterial
IFRS 17 Insurance Contracts	1 Jan. 2023	None
Classification of Liabilities as Current or Non-current – Amendment to IAS 1	1 Jan. 2023 *	None
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendment to IAS 12	1 Jan. 2023 *	None
IFRS 17 Insurance Contracts – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 Jan. 2023 *	None

*Mandatory application not yet endorsed by the EU

New Pfandbriefgesetz (Covered Bond Act)

The new Austrian Covered Bond Act came into effect on 8 July 2022. This transposes Directive (EU) 2019/2162, which sets out minimum standards but also leaves scope for regional differences. The directive is intended to ensure that covered bonds issued throughout the European Union have identical structural characteristics and meet the relevant regulatory requirements. The new Covered Bond Act provides a uniform legal basis for the issue of such bonds, and replaces the Austrian Hypothekenbankgesetz (Mortgage Bank Act), the previous Covered Bond Act and the Gesetz betreffend fundierte Bankschuldverschreibungen (Covered Bond Issuance Act).

The HYPO NOE Group has initiated a project to analyse and implement the new legal requirements. Appropriate measures will be drawn up to ensure that the Group meets the amended requirements. The amended act will not have any effect on the Group’s financial statements.

Amendments to the 1988 Körperschaftssteuergesetz (Austrian Corporation Tax Act)

The amended act came into force on 14 February 2022. Article 2 of the new Corporation Tax Act provides for reductions in the rate of corporation tax to 24% in 2023 and 23% in 2024. This adjustment will result in a reduction in deferred tax liabilities of EUR 1,756thsd, of which EUR 1,633thsd will be taken to profit or loss under “Income tax expense”, while EUR 123thsd will be recognised outside profit or loss in other comprehensive income.

2 SEGMENT INFORMATION

The Bank's segment reporting is in accordance with IFRS 8. In its role as the HYPO NOE Group's most senior managing body, the Management Board regularly monitors changes in profit or loss before tax across the various business segments and takes decisions on the management of the Group in light of the segment reports.

The organisational and management structure of the HYPO NOE Group is based on areas of activity and customer groups.

Segment reporting is derived from the profit centre accounting of HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE Landesbank) and consolidated subsidiaries' IFRS consolidation packages. The same accounting policies as those set out in Note 1.1 Significant accounting policies are applied to the preparation of these statements.

The allocation of income in the profit centre accounting is based on Schierenbeck's market interest method. Interest income and expense are divided into a contribution to margin and a structural contribution (i.e. interest maturity transformation), and imputed refinancing costs (liquidity costs) are allocated directly to assets and liabilities. The resulting costs and income from liquidity maturity transformation and the results of interest maturity transformation are allocated to the Treasury & ALM segment. Due to this approach, which is the industry norm, management control is based on net interest income, and hence the segment reporting does not include gross figures for this item.

Where possible, individual items under administrative expenses are allocated directly. Components that are not directly allocable are attributed to the various segments in a cost-reflective allocation procedure appropriate to the management of a bank.

The segment assets and liabilities reported relate to on-balance-sheet customer business in the operating segments. Equity is reported in full under the segment liabilities of the Corporate Center segment.

The analysis by geographical areas in accordance with paragraph 33 IFRS 8 is based on the domiciles of reporting entities, and accordingly all interest income is attributed to Austria.

A breakdown by products and services in accordance with paragraph 32 IFRS 8 is not performed, as the necessary information is not available in full on a regular basis and the expense of compiling it would be out of all proportion to any benefits.

Disclosures on profit or loss and the carrying amounts of investments accounted for using the equity method in each segment, in accordance with paragraphs 23 and 24 IFRS 8, are provided in Note 9.1 Scope of consolidation.

The four reporting segments, which are derived from the HYPO NOE Group's organisational structure, and the reconciliation with consolidated profit or loss are as follows.

Segmental analysis as at 30 Jun. 2022, EUR ’000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Group
Net interest income/expense	16,479	21,437	18,648	14,268	-2,887	67,944
Net fee and commission income	581	566	8,197	106	17	9,468
Net gains or losses on financial assets and liabilities	-752	-1,121	841	2,512	-2,056	-576
Net other operating income/expense	2,229	1,479	833	4,796	-5,319	4,019
Net gains on investments accounted for using the equity method	783	97	-	347	-	1,227
Administrative expenses	-10,715	-9,290	-23,693	-7,995	-7,472	-59,165
Impairment gains on financial assets – IFRS 9, ECL	1,073	32	1,438	27	13	2,583
Profit or loss before tax	**9,679**	**13,200**	**6,263**	**14,062**	**-17,704**	**25,500**
Income tax expense						-6,068
Profit for the period						**19,432**
Segment assets	**6,947,090**	**3,075,332**	**2,158,494**	**4,102,211**	**141,864**	**16,424,992**
Segment liabilities	**2,086,103**	**373,928**	**2,436,266**	**10,635,296**	**893,399**	**16,424,992**

Segmental analysis as at 30 Jun. 2021, EUR ’000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Group
Net interest income/expense	16,498	19,570	20,256	17,408	-3,805	69,927
Net fee and commission income/expense	1,454	659	7,680	-30	-13	9,750
Net gains or losses on financial assets and liabilities	-56	-269	-72	2,752	1,745	4,100
Net other operating income/expense	1,960	4,174	1,038	-45	-5,360	1,767
Net gains or losses on investments accounted for using the equity method	1,507	-333	-	470	-	1,644
Administrative expenses	-10,041	-10,804	-23,212	-7,266	-5,653	-56,976
Impairment losses or gains on financial assets – IFRS 9, ECL	770	-1,946	4,963	-38	11	3,760
Profit or loss before tax	**12,091**	**11,051**	**10,654**	**13,251**	**-13,075**	**33,972**
Income tax expense						-8,082
Profit for the period						**25,890**
Segment assets	**7,100,230**	**2,797,569**	**2,205,925**	**4,438,301**	**145,550**	**16,687,574**
Segment liabilities	**1,822,965**	**385,466**	**2,419,652**	**11,220,272**	**839,219**	**16,687,574**

2.1 Public Sector segment

This segment includes financing and deposit-taking business with public sector and government-linked customers (state governments, local and regional authorities, public agencies and infrastructure businesses, as well as religious communities and interest groups). Using its home market of Lower Austria and Vienna as a springboard, the segment’s geographical focus is on Austria and Germany. Customers are offered conventional loans, and there is an emphasis on custom financing models in the segment’s home market. In addition, income generated by the administration of state-subsidised homebuilding loans, a service provided for the public sector by the HYPO NOE Group, is reported under this segment.

All of the leasing subsidiaries’ earnings, which are almost entirely derived from leasing transactions with the public sector and public agencies, are also attributed to it. The products provided by the leasing subsidiaries include complex project-based real estate lease agreements, support services for real estate project management, and business management services.

Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H, which is accounted for using the equity method, is also allocated to this segment.

The Public Sector segment has a major business relationship with a customer in the meaning of paragraph 34 IFRS 8. The customer in question is a public authority, and the services provided mainly take the form of leases, as well as lending and deposit taking. Dealings with the authority and its allocable group entities, in accordance with the definition of major investments and without recourse to the exemption for sub-groups, generated net interest income of EUR 9.9m during the reporting period. This figure comprises EUR 3.1m from direct business relationships with the customer, EUR 1.5m from direct business relationships with allocable group members, and EUR 5.3m from indirect business relationships in the form of lease refinancing.

2.2 Real Estate segment

The Group's business with property sector companies is attributed to this segment. Earnings from finance for non-profit and commercial housing developers as well as the office, shopping centre, retail park, housing and city hotel asset classes, and mixed-use portfolios are reported under this segment. Exceptions are real estate finance and real estate leases for the public sector and public agencies, for retail customers and for SMEs, which are allocated to the relevant segments.

The HYPO NOE Group has a long tradition of providing finance for cooperative and non-profit housing developers, with an emphasis on the construction and renovation of large housing projects including land purchases in Austria, mainly in Lower Austria and Vienna. Due to the high collateral coverage ratio, the long duration of contracts and resulting low probability of default, this line of business is a stable source of long-term earnings. In addition, the HYPO NOE Group has recently won several contracts put out to tender by the State of Lower Austria for state-guaranteed homebuilding loans. These loans are earmarked primarily for affordable housing and homes for young people.

In addition, the segment provides finance for commercial housing construction projects, other real estate developments devoted predominantly to residential use, as well as existing properties (rental apartment buildings) in Austria. In the case of new builds, the apartments constructed are either held in the portfolio and let to private individuals, or sold off individually as owner-occupier properties.

Activities in this segment also include large-scale commercial real estate transactions in Austria and in selected foreign markets, with financing provided for real estate earmarked for residential and commercial use. In Austria, the segment focuses on flagship and other large-scale projects valued at between EUR 20m and EUR 40m. The segment plans to extend its operations in selected areas – in its foreign business, the emphasis will be on leveraging the potential to generate additional earnings compared with the domestic market, as well as ensuring a balanced risk-return ratio. In particular, equity ratios are higher and guarantee mechanisms more highly developed in the foreign business. Outside Austria, the costs for entering collaterals in property registers are negligible, meaning that the barriers to entry are low. The segment will concentrate on cover-pool-eligible financing in EU markets with good or very good ratings.

The Real Estate segment's product portfolio is supplemented by subsidiary HYPO Niederösterreichische Liegenschaft GmbH as well as the Group's interests in NOE Immobilien Development GmbH (NID), a property developer, and EWU Wohnbau Unternehmensbeteiligungs-GmbH, both accounted for using the equity method.

2.3 Retail and Corporate Customers segment

This segment's core competences include banking business with retail, self-employed and business customers. The product portfolio consists of 'finance and housing', 'saving and investment', and 'accounts and cards' lines, and covers the full range of traditional banking business, from lending – with an emphasis on housing construction – to investment in savings products and securities, as well as current accounts and credit cards. Close cooperation with the State of Lower Austria enables the Group to offer one-stop consultation regarding loans and subsidies, which ensures sound advice and rapid processing for customers.

Services are provided to retail customers through the branch network in the Group's home Lower Austria and Vienna market, with a strategic focus on the core product, housing finance. Regarding add-on products, the segment proactively enters into partnerships with the goal of further increasing net fee and commission income. The emphasis is on digitalisation and achieving efficiency gains.

The comprehensive range of services for corporate customers is aimed at small and medium-sized enterprises (SMEs) as well as large companies. A separate, specialised team develops structured product solutions, in particular subsidised loans and export finance.

The insurance brokerage business of HYPO NOE Versicherungsservice GmbH (HVS) also forms part of this segment. HVS is the Group's in-house insurance service, acting as an independent broker and advising HYPO NOE Group customers on insurance matters.

2.4 Treasury & ALM segment

Treasury & ALM is in charge of the HYPO NOE Group's capital market operations and interbank business. This ranges from money market and capital market refinancing to interest rate and liquidity management activities, as well as liquidity buffering and management of foreign exchange risk.

The Nostro Management Department's activities are centred on providing liquid assets for liquidity maintenance and compliance with regulatory requirements. Nostro Management's targeted exploitation of capital market opportunities enables it to generate interest contributions for the segment, and achieve market and customer diversification.

The objective of Asset Liability Management (ALM) is to centrally manage the Bank's interest position, in line with its interest rate expectations and risk appetite, in order to safeguard profitability and achieve positive structural contributions.

Close cooperation with institutional customers is central to the HYPO NOE Group's business model. As part of its investor relations activities, the Group nurtures these long-standing, trust-based partnerships on an ongoing basis by actively servicing its direct relationships with other banks, insurance companies, pension funds, utilities and investment companies. The resulting focus is on relations with European partners, although in recent years there has been growing interest from investors in certain countries outside Europe.

For regulatory reasons, the segment's trading activities are limited to a small trading book aimed at generating additional income and designed for short holding periods. Consequently, segment earnings are not materially affected by these trading activities.

Niederösterreichische Vorsorgekasse AG, an entity accounted for using the equity method, is also allocated to the Treasury & ALM segment

2.5 Corporate Center

The Corporate Center segment serves to reconcile the operating segments' results with the consolidated totals. It is used for consolidation entries as well as activities and ancillary banking services that are not attributable to any other segment and do not constitute separate reportable segments on materiality grounds.

The ancillary services include companies that manage properties predominantly used by the Group and any related assets, namely Benkerwiese Verwaltungs- und Verwertungsgesellschaft m.b.H. and Unternehmens-, Verwaltungs- und Verwertungsgesellschaft m.b.H. The rental expenses and operating costs charged on by these firms are allocated to the operating segments' administrative expenses on a causation basis. HYPO Officium GmbH is also allocated to the Corporate Center, as are earnings and expenses related to interests managed by the investment management unit that are not directly apportioned to any operating segment.

Specific material earnings from other periods, and non-recurring earnings and expenses relating to the Bank as a whole are allocated to the Corporate Center segment so as to avoid sending distorted signals to management at the segment reporting level wherever possible. This approach is not applied to impairments or restructuring gains or losses, which are allocated directly to the segments in the same way as the corresponding assets.

The following asymmetrical allocations are also reported under Corporate Center, pursuant to paragraphs 27ff IFRS 8:

- Cost of cash collaterals for customer derivatives contracts in the absence of collateral agreements:
  Where customer derivatives are not secured by collateral agreements, the HYPO NOE Group does not receive collateral from customers but must post cash collaterals for the related hedges. Liquidity costs are incurred when refinancing the open collateral position. Treasury & ALM is responsible for managing all collateral positions, while the related refinancing costs for the open collateral positions are reported under Corporate Center. Under the current approach, collateral requirements for derivatives contracts with customers are met by means of pricing or collateral agreements, and are therefore not included in this asymmetrical allocation.
- Adverse effects of structural contributions on consumer loans arising from negative variable interest indicators
- Changes in a legal-risk provision for potentially contentious negative interest collected on corporate loans

3 EQUITY AND CONSOLIDATED OWN FUNDS

3.1 Equity

EUR '000	30 Jun. 2022	31 Dec. 2021
Share capital	51,981	51,981
Capital reserves	**191,824**	**191,824**
Appropriated reserve	94,624	94,624
Unappropriated reserve	97,200	97,200
Other reserves	1,291	4,610
Retained earnings	506,045	490,427
Equity attributable to owners of the parent	**751,140**	**738,842**
Non-controlling interests	8,815	8,501
Equity	**759,956**	**747,344**

3.2 Non-controlling interests

The table below provides an overview of the share of earnings attributable to non-controlling interests.

EUR '000	H1 2022	H1 2021
FORIS Grundstückvermietungs Gesellschaft m.b.H.	2	11
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	-179	-44
LITUS Grundstückvermietungs Gesellschaft m.b.H.	-6	12
PINUS Grundstückvermietungs Gesellschaft m.b.H.	-13	1
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	-54	-15
Adoria Grundstückvermietungs Gesellschaft m.b.H.	13	3
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	1	-3
Aventin Grundstückverwaltungs Gesellschaft m.b.H.	-	6
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	-9	-5
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	-57	27
HYPO Niederösterreich-Immobilienleasinggesellschaft m.b.H.	-12	-1
Non-controlling interests	**-314**	**-8**

3.3 Reconciliation of equity

EUR '000	30 Jun. 2022	31 Dec. 2021
Equity according to IFRS financial statements	**759,956**	**747,344**
Divergence in scope of consolidation (accounting vs. regulatory treatment)	540	-251
Equity according to FINREP template 51	**760,495**	**747,092**
Deferred taxes on untaxed reserves	-3,903	-3,903
Prudent valuation (simplified approach)	-671	-997
Intangible assets	-181	-197
Prudential backstop	-529	-372
Ineligible minority interests	-8,815	-8,501
Intra-year change in revaluation surplus, profit and dividend	-21,704	-3,500
Eligible capital	**724,691**	**729,622**

3.4 Consolidated own funds and regulatory own funds requirement

Under Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) as amended, including latterly Commission Implementing Regulation (EU) No 2021/1043, and related EBA delegated regulations as well as Directive 2013/36/EU on access to the activity of credit institutions (Capital Requirements Directive, CRD) as amended by Directive (EU) No 2021/338, which is currently being transposed by way of the Austrian Bankwesengesetz (Banking Act) and various national orders, since 2014 it has been necessary to determine banks' consolidated own funds and their consolidated regulatory own funds requirements in accordance with IFRS, as well as the regulatory scope of consolidation.

The composition of the HYPO NOE Group's own funds, calculated in accordance with the CRR/CRD, is as follows:

EUR '000	CRR/CRD IV 30 Jun. 2022	CRR/CRD IV 31 Dec. 2021
Share capital	**136,546**	**136,546**
Paid-up capital instruments	51,981	51,981
Premiums	84,566	84,566
Reserves, differences and non-controlling interests	**589,526**	**594,641**
Retained earnings	479,632	481,417
Other reserves	104,744	104,744
Accumulated comprehensive income	5,151	8,480
Prudential filters: adjustments due to the prudential measurement requirements	-671	-997
Prudential backstop: insufficient coverage of non-performing exposures	-529	-372
Intangible assets	-181	-197
CET1 capital	724,691	729,622
Additional Tier 1 capital	-	-
Tier 1 capital	**724,691**	**729,622**
Deductions due to investments, pursuant to Articles 36 and 89 CRR	-	-
Eligible Tier 1 capital	**724,691**	**729,622**
Deductions due to investments, pursuant to Articles 36 and 89 CRR	-	-
Eligible supplementary capital (after deductions)	**-**	**-**
Total eligible capital	**724,691**	**729,622**
Capital requirement	**298,620**	**301,609**
Excess equity	**426,072**	**428,013**
Coverage ratio	242.68%	241.91%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	19.41%	19.35%
Total capital ratio in accordance with Art. 92(2)(c) CRR	19.41%	19.35%
Own funds requirement incl. all buffer requirements	12.62%	12.62%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.39%	4.75%
Leverage ratio requirement (Pillar 1)	3.00%	3.04%

Taking account of the interim profit and prorating of the contributions to the resolution and deposit insurance funds, which have already been taken in full to profit or loss, and applying a pro rata dividend, the pro forma Tier 1 capital ratio was around 19.95%. Changes in the risk-weighted measurement basis and the resulting own funds requirement are shown below:

EUR '000	CRR/CRD IV 30 Jun. 2022	CRR/CRD IV 31 Dec. 2021
Total leverage ratio exposure	16,508,781	15,357,221
Risk-weighted exposure measure	3,390,856	3,430,746
Minimum own funds requirement for credit risk (8%)	271,268	274,460
Own funds requirement for open currency positions	-	-
Own funds requirement for operational risk	24,456	24,456
Own funds requirement for CVA risk	2,895	2,694
Total own funds requirement	**298,620**	**301,609**

4 FINANCIAL INSTRUMENTS AND CREDIT RISK

4.1 Influence of financial instruments on the statement of profit or loss

4.1.1 Net interest income

EUR ’000	H1 2022	H1 2021
Interest and similar income measured using the effective interest method	**123,764**	**126,855**
Financial assets – FVOCI	4,354	5,989
Financial assets and liabilities – AC	104,586	106,566
Current finance lease income	14,824	14,299
Interest and similar income not measured using the effective interest method	**81,507**	**90,124**
Financial assets and liabilities – HFT	34,159	38,567
Financial assets – mandatorily FVTPL	432	427
Hedges	45,573	49,733
Other interest and similar income	1,343	1,397
Interest expense	**-137,326**	**-147,070**
Financial assets and liabilities – HFT	-33,355	-37,865
Financial liabilities – AC	-56,813	-60,489
Hedges	-47,156	-48,714
Lease liabilities in accordance with IFRS 16	-2	-2
Dividend income	**-**	**17**
Net interest income	**67,944**	**69,927**

4.1.2 Net gains or losses on financial assets and liabilities

EUR ’000	H1 2022	H1 2021
Net gains or losses on:	**-643**	**4,101**
Disposal	**3,282**	**300**
Financial assets – AC	2,892	53
Financial assets – FVOCI	390	247
Measurement	**-7,795**	**3,502**
Financial assets and liabilities – AC	295	-861
Net losses due to non-substantial modification	-320	-995
Direct write-offs/receipts from written-off assets	1,224	177
Financial assets – mandatorily FVTPL	-4,923	2,975
Financial assets and liabilities – HFT	-3,694	1,835
Financial assets and liabilities – FVO	527	-447
Hedging relationships	**3,870**	**298**
Net losses on hedged transactions (fair value hedges)	-81,330	-53,152
Net gains on hedges (fair value hedges)	85,200	53,450
Net gains arising from the derecognition of financial assets	**67**	**-**
Financial assets – AC	67	-
Total	**-576**	**4,100**

EUR '000 Detailed disclosures: non-substantial modifications	H1 2022 Stage 1	Stage 2	Stage 3	Total
Net losses due to non-substantial modification of financial assets	-258	-62	-	**-320**
Measures in connection with the Covid-19 pandemic	9	-12	-	**-3**
Amortised cost before non-substantial modification of financial assets	75,452	36,447	642	**112,542**

EUR '000 Detailed disclosures: non-substantial modifications	H1 2021 Stage 1	Stage 2	Stage 3	Total
Net losses due to non-substantial modification of financial assets	-549	-446	-1	**-995**
Measures in connection with the Covid-19 pandemic	21	-1	-	**20**
Amortised cost before non-substantial modification of financial assets	107,607	26,588	922	**135,117**

The gross carrying amount of “Financial assets – AC” affected by non-substantial modifications that were transferred to Stage 1 was EUR 564thsd as at 30 June 2022 (30 Jun. 2021: EUR 1,685thsd).

The net measurement loss on “Financial assets – mandatorily FVTPL” chiefly arose from remeasurement of the HETA contingent additional purchase price, as well as from other financial assets measured at fair value and reported under “Financial assets – mandatorily FVTPL”. Details are given in Note 4.6 Fair value disclosures.

The contractual outstanding amount of written-off financial assets that are subject to execution measures was EUR 15,969thsd as at 30 June 2022 (31 Dec. 2021: EUR 15,212thsd).

4.2 Financial assets

The following table presents the HYPO NOE Group's financial assets grouped into classes of financial instrument in accordance with paragraph 6 IFRS 7:

EUR '000	30 Jun. 2022	31 Dec. 2021
Cash and balances at central banks	**1,812,861**	**1,409,248**
Cash on hand incl. demand deposits	19,407	18,236
Balances at central banks	1,793,455	1,391,012
Financial assets – HFT	**183,348**	**310,574**
Positive fair value of interest rate derivatives	141,262	285,171
Positive fair value of foreign exchange derivatives	42,087	25,404
Financial assets – mandatorily FVTPL	**132,001**	**149,504**
Loans	60,780	74,636
General governments	1,709	2,005
Other financial corporations	1,220	1,345
Non-financial corporations	38,102	47,711
Households	19,749	23,574
Bonds	71,221	74,868
General governments	36,753	39,920
Banks	34,469	34,948
Financial assets – FVOCI	**256,074**	**370,575**
Bonds	253,984	368,483
General governments	201,285	302,505
Banks	44,328	57,146
Other financial corporations	8,371	8,832
Equity instruments	2,090	2,092
Other financial corporations	1,573	1,606
Non-financial corporations	516	486
Financial assets – AC	**13,580,870**	**14,053,484**
Loans	12,222,562	12,746,673
General governments	4,048,480	4,107,134
Banks	408,860	554,964
Other financial corporations	241,144	256,708
Non-financial corporations	5,089,719	5,344,950
Households	2,434,359	2,482,917
Bonds	1,358,309	1,306,811
General governments	520,941	573,908
Banks	563,486	475,801
Other financial corporations	231,059	208,568
Non-financial corporations	42,822	48,535
Total	**15,965,155**	**16,293,386**

4.2.1 Supplementary information concerning financial assets

Transfer of financial assets

The HYPO NOE Group transferred financial assets that were not derecognised, on the following grounds:

- Securities and credit claims in the collateral pool for the ECB tender liability
- Securities and loans for collateralised deposits
- Securities forming a contribution to a default fund (initial margin obligation)

The following table shows the carrying amounts of financial assets that were transferred.

	30 Jun. 2022		31 Dec. 2021	
EUR '000	Transferred assets	Related liabilities	Transferred assets	Related liabilities
Financial assets – FVOCI	**232,358**	**280,730**	**264,473**	**305,665**
Bonds	232,358	280,730	264,473	305,665
Financial assets – AC	**1,486,418**	**1,876,805**	**1,543,339**	**1,856,431**
Bonds	959,319	1,211,406	997,056	1,196,185
Loans	527,099	665,399	546,282	660,246
Total	**1,718,777**	**2,157,535**	**1,807,812**	**2,162,096**

4.3 Financial liabilities

Estimation uncertainties and judgements

HYPO NOE Landesbank is participating in the ECB Targeted Longer-Term Refinancing Operations (TLTRO) III programme. This is a monetary policy intervention whereby, in addition to the average deposit facility rate and the main refinancing business, the ECB offers performance-based interest rate components when specified thresholds are met for accumulated net lending, in “special interest rate periods”. In the Group’s view, TLTRO instruments do not constitute below-market interest rate instruments, but as ECB monetary policy measures they establish a separate market and are essentially variable interest rate financial instruments. Therefore the provisions of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance are not applied to these instruments.

The performance-based interest rate components from the special interest rate periods are reflected in the effective interest rate over the entire term, as a “blended interest rate”. In June 2022 the OeNB confirmed that the HYPO NOE Group had demonstrated it meets the criteria for Special Interest Rate Period 2 (June 2021 to June 2022).

Financial liabilities arising from the TLTRO programme are recognised at amortised cost under “Financial liabilities – AC”, in accordance with paragraph 4.2.1 IFRS 9, and amounted to EUR 2,002,206thsd as at 30 June 2022 (31 Dec. 2021: EUR 2,007,718thsd). Interest income from these liabilities is reported in Note 4.1.1 Net interest income, as negative interest expense under the item “Interest and similar income measured using the effective interest method”, and stood at EUR 9,752thsd in the first half of 2022 (H1 2021: EUR 8,716thsd). During the reporting period the HYPO NOE Group decided to make use of its refinancing options for longer than was originally anticipated. The change in the expected repayment dates was reflected in adjustments of the gross carrying amounts of the revised expected contractual cash flows. In accordance with paragraph B5.4.6 IFRS 9, this adjustment was taken to profit or loss and recognised as an expense of EUR 4,241thsd under “Interest and similar income measured using the effective interest method”.

The following table presents a list of the HYPO NOE Group’s financial liabilities grouped into financial instrument classes in accordance with paragraph 6 IFRS 7:

EUR '000	30 Jun. 2022	31 Dec. 2021
Financial liabilities – HFT	**167,232**	**289,887**
Negative fair value of interest rate derivatives	120,035	262,252
Negative fair value of foreign exchange derivatives	47,197	27,635
Financial liabilities – FVO	**5,534**	**6,061**
Other financial liabilities	5,534	6,061
Financial liabilities – AC	**14,778,196**	**14,920,835**
Savings and savings-equivalent deposits	1,213,923	1,209,885
Deposits	5,735,823	5,731,364
Banks	3,140,873	3,151,365
General governments	752,046	812,308
Other financial corporations	399,466	449,293
Non-financial corporations	696,489	611,455
Households	746,947	706,943
Bonds in issue	7,828,451	7,979,585
Covered bonds	1,496,631	1,107,930
Municipal bonds	2,960,888	3,769,058
Other bonds	3,370,932	3,102,597
Total	**14,950,963**	**15,216,782**

"Financial liabilities – FVO" comprises a liability related to the HETA contingent additional purchase price. Details can be found in Note 4.6.2 Fair value hierarchy: Level 3 disclosures.

4.3.1 Contingent liabilities

EUR '000	30 Jun. 2022	31 Dec. 2021
Guarantees and financial guarantee contracts	66,469	70,213

4.4 Credit risk and risk provisions

4.4.1 Credit risk

The credit risk strategy defines the framework for managing individual Bank-specific credit risks. These risks include:

- Counterparty risk
- Replacement risk
- Issuer risk
- Investment risk
- Customer foreign exchange risk (foreign-currency-induced credit risk)
- Customer fixed interest risk
- Repayment vehicle risk
- Lease residual value risk
- Country risk/transfer risk and conversion risk
- Residual risk arising from credit risk mitigation techniques
- Settlement risk (prepayment and clearing risk)
- Securitisation risk
- Dilution risk
- Central counterparty (CCP) risk
- Concentration risk present in credit risk incl. the banking book

- Migration risk
- Sustainability risk

The main credit risks to which the HYPO NOE Group is exposed are counterparty risk (loans), replacement risk (derivatives), issuer risk (securities) and concentration risk.

The Group is also exposed to investment risk, customer foreign currency credit risk, repayment vehicle risk and country risk, all of which are accordingly limited and monitored.

The significance of sustainability risk is growing markedly at present, and it is therefore recognised as a separate key risk sub-category. Since the HYPO NOE Group seeks to conduct its business responsibly and sustainably, in order to limit and manage the sustainability risks that arise in connection with loan approval and review processes, the Group has defined inclusion and exclusion criteria, as well as environmentally and socially sensitive sectors that call for greater care. ESG indicators are also included in the assessment of country ratings, in the form of a corruption index and rule of law indicators. The incorporation of sustainability aspects in loan approval, the internal capital adequacy assessment process (ICAAP) and credit risk procedures is ongoing.

Principles derived from the Group's strategic objectives provide the framework for exposure to and management of individual credit risks. These principles are implemented by the Operating Credit Risk Management and Strategic Risk Management departments, using an appropriate reporting system, coordinated limits, suitable measurement methods and transparent processes.

The HYPO NOE Group's credit risk strategy is based on the following principles:

- Identifying and regularly evaluating credit risks
- Determining models and processes for measuring identified credit risks, and regularly reviewing their suitability
- Quantifying credit risk using the methods established for this purpose
- Identifying and complying with legislative and regulatory frameworks
- Determining Management's risk appetite/tolerance
- Limiting and monitoring credit risk on the basis of the risk tolerance specified
- Appropriate and regular reporting
- Use of methods and processes for risk-weighted calculation of credit risk costs

Credit risk in the narrow sense (counterparty risk, replacement risk and issuer risk)

Credit risk is the risk of a change in creditworthiness, and monitoring it involves keeping a watch on the risk of a deterioration in creditworthiness and, in the worst case, the default of the counterparty or guarantor.

Credit risk is classified according to the product groups concerned, as follows:

In the lending business, counterparty risk is the risk of complete or partial loss due to a default or deterioration in the counterparty's creditworthiness. In this case, from the Bank's perspective, credit risk exists over the entire lifetime of a transaction, from the time of its conclusion through to its termination.

Replacement risk exists in the case of derivatives (including forwards and futures, and credit derivatives) that are subject to fixed price agreements, which could experience market price changes during their lifetimes. If a party to a contract drops out during the lifetime of the derivative, the Bank must conclude a new contract for the remaining maturity at the market price then ruling. If the current price is unfavourable for the Bank, costs or losses arise from the replacement transaction. The Bank is exposed to counterparty risk throughout the lifetime of a transaction.

Similarly, issuer risk means the risk of complete or partial loss due to a default of the counterparty where the latter is an issuer of securities. From the Group's perspective, issuer risk again exists from the time of conclusion of the transaction until its termination, i.e. over its entire lifetime.

Risk concentration

Risk concentrations in the HYPO NOE Group are identified and monitored using country and industry limits, and by means of internal capital charges for name concentrations, as well as securities, derivatives and money market activities, and a limit for related-party transactions.

Name concentration risk

The concentration in the Public Sector segment reflects the HYPO NOE Group's strategic focus on Austria, and Lower Austria in particular. The public finance portfolio is essentially granular and inter alia comprises loans to sovereigns, state governments and local authorities; among these, finance for social and public infrastructure, and for (largely collateralised) subsidised homebuilding loans stand out.

Country risk

Country risks are operational banking risks that arise in the international lending business as a result of a foreign country's insolvency (business risk) or unwillingness to pay (political risk). This is a superordinate category of risk, which may affect the creditor and the borrower, but cannot be influenced by either. Other elements of country risk are transfer and conversion risk, representing restrictions on foreign currency dealings caused by the above risks.

Country risk is managed by setting country limits for the target countries, and by limiting the entire outstanding foreign exposures to 20% of total Group assets, as well as limiting foreign lending operations (in the Public Finance, Real Estate Project Finance and Corporate Customers control units) to 8% of total assets (early warning level).

Operating Credit Risk Management oversees utilisation of the individual country limits, while portfolio country limits are monitored at the quarterly RICO meetings.

Current credit risk situation

The Group's loan and investment portfolio largely consists of loans to public sector borrowers such as sovereigns, state governments and local authorities (and their associated enterprises) in Lower Austria, as well as loans to banks with good external ratings (own investments, derivatives and money market investments), and generally well-collateralised loans to housing construction companies (both large housing associations and commercial developers).

In addition, the HYPO NOE Group finances real estate projects with good to excellent ratings, as well as infrastructure companies, corporate and retail customers, and small and medium-sized enterprises.

The NPL ratio is a key performance measure for banks in connection with financial assets in default. The Group's NPL ratio stood at 0.87% at 30 June 2022 (31 Dec. 2021: 0.85%). NPL coverage is defined as total Stage 3 risk provisions, taking account of collaterals, divided by the sum of the gross carrying amounts of the NPLs. Coverage for the Group as at 30 June 2022 was 89.02% (31 Dec. 2021: 88.84%).

Covid-19-related payment deferrals and bridging loans

At the peak of the Covid-19 crisis, individual requests were received for payment deferrals and bridging loans not covered by a national moratorium. However, no significant payment deferral agreements were in place as at 30 June 2022. In carrying out these restructuring measures the lending process was not changed, and existing decision-making authorisations as well as the separation between back office and front office functions were maintained.

Independently of the requirements of the subsidising authority, the HYPO NOE Group performs plausibility checks of the information and accompanying documents provided by the customer, primarily with regard to financial difficulties, indications of unlikeliness to pay, and compliance with the criteria in the Austrian Unternehmensreorganisationsgesetz (Business Reorganisation Act). These reviews focus on the following points:

- Plausibility of the problem described; the Covid-19 crisis must be the reason for increased liquidity requirements (evidenced, for instance, by lost revenue, a decline in orders, supply chain disruption, branch closures, a fall in bookings, or cancellations), taking into account the business model in question.
- Plausibility of the financing requirement with regard to the amount of credit applied for, relative to existing borrowing, and plausibility of the deferral requirement relative to costs and expenses
- Plausibility of ability to repay based on (pre-crisis) cash flows

The Group continues to fully exercise the degree of care generally applicable to banking transactions.

In connection with the deferral of contractually agreed payment dates due to the state moratorium, a user-friendly online form has been set up in accordance with the law, enabling customers to formally apply for payment deferral. Consumers and microbusinesses are entitled to apply.

Effects of current crises

Customers in sectors significantly affected by the Covid-19 pandemic were subject to a systemic downgrading process.

A one-off review was carried out in order to determine whether borrowers have been materially and directly impacted by the war in Ukraine. The HYPO NOE Group does not have any direct exposures in the country.

The effects of supply chain disruption were also analysed and included in the rating review.

Investment risk

Investment risk is the risk of a partial or total loss of the value of investments (ceding of equity to third parties). Such risks only materialise when it becomes necessary to write down (or, in extreme cases, totally write off) the carrying amounts of investments and any remargining.

Investment risk is managed by acquiring equity holdings which serve the Group’s primary business objectives and are supportive of its strategic alignment. Other control levers include measuring core investments against internal models, and acting on the results of the analysis, as well as constantly monitoring existing holdings at portfolio and customer level.

Customer foreign exchange risk (foreign-currency-induced credit risk)

Foreign exchange risk from a customer’s perspective (foreign-currency-induced credit risk) arises where the customer has taken out a loan in a currency that differs from the one in which the customer generates most of the cash flow required to service the debt. In this case, there is a risk that the borrower may be unable to carry on servicing the loan due to unfavourable exchange rate movements.

Customer foreign currency risk is managed by offering conversion products at preferential prices, by limiting the exposure, and by constantly monitoring existing positions that are vulnerable to foreign exchange risk, both at portfolio and individual customer level. New lending that is subject to foreign exchange risk is only offered to customers in specific segments and in accordance with the borrower’s creditworthiness.

Other subtypes of credit risk

Repayment vehicle risk refers to the risk of the emergence of a hedging gap due to adverse market developments affecting the repayment vehicle. This type of risk is quantified when calculating risk-bearing capacity, and is hedged using equity (including limits).

Customer fixed interest risk consists of the risk that hedging will lead to losses on structured and fixed-interest loans. It is regularly monitored by Asset Liability Management (ALM). This form of risk is limited and managed by monitoring the counterparty’s parameter rating (in order to assess the probability of default) and the present value of hedging transactions.

Lease residual value risk is the risk that it will not be possible to realise the full calculated residual value of a leased asset. Operating Credit Risk Management performs regular monitoring of residual value risk exposures, mainly identifying lessees or types of real estate where residual value without purchase options may arise, as well as the possibility of disposal of assets to third parties, the strategic significance of a property for the lessee in question, and the time to maturity of the residual value.

Migration risk refers to the risk of a deterioration in a debtor’s creditworthiness resulting in an increase in the probability of default and a consequent downgrading of the customer’s credit rating. It is countered by providing additional equity cover, using the buffer, as part of the risk-bearing capacity calculation. In addition, potential effects of migration on profit or loss and on capital requirements are taken into account using scenario assumptions and sensitivities as part of bank and reverse stress tests. Migration matrixes are used for the ongoing monitoring of rating changes in the finance portfolio in the course of regular reporting.

Settlement risk comprises prepayment risk and clearing risk. Prepayment risk is the risk that consideration will not be received at the agreed time. Clearing risk is the risk of changes in fair value when a transaction is not completed on the due date. Settlement risk is limited and monitored primarily by setting and regularly monitoring volume limits for risk exposures. Settlement limits are reduced accordingly when they are no longer necessary.

Sustainability risks relate to events or circumstances that have an impact on sustainability (i.e. in connection with environmental, social and employee-related matters, and respect for human rights, as well as anti-corruption and antibribery measures) where their occurrence has or can potentially have significant negative effects on asset values, or on a business's assets, finances, earnings or reputation. As far as credit risk is concerned, sustainability risks are currently limited and managed using internally defined inclusion and exclusion criteria, and by identifying environmentally and socially sensitive sectors (where the Bank has a greater duty of care), which form the basis for decision making in the loan approval process.

4.4.2 Risk provisions

In principle, when recognising risk provisions the same accounting policies and approaches to estimation uncertainty and judgements were applied as described in the notes to the 2021 annual financial statements. Updates and refinements are described below.

Estimation uncertainties and judgements

Rating models

Measures related to Covid-19

Annual financial statements and financial data that are currently available from customers are still being distorted by government support measures. Once these support measures are phased out, it can be assumed that the creditworthiness of customers in affected sectors will deteriorate in subsequent periods. Analysis by Kreditschutzverband von 1870 (KSV) shows an increase in defaults to pre-pandemic levels in the first quarter, as does the forecast for the first half of 2022, a trend which is expected to continue. As a result, the sector-dependent systemic downgrade applied to financial statements for 2020 and 2021 will remain in place. Exceptions will continue to be made solely for customers which can demonstrate that the Covid-19 crisis has had either no impact or a positive impact on their activities.

Financial instruments for which there has been a significant increase in credit risk (Stage 2)

The staging factor threshold determined on the basis of the customer group, lifetime and residual maturity is compared with the current staging factor (the rate of change in the PD) for each transaction. A stage transfer takes place if the threshold is exceeded. The threshold bands resulting from the model are shown in the following table.

	30 Jun. 2022			31 Dec. 2021		
	Min.	Max.	Median	Min.	Max.	Median
All	130%	355%	183%	130%	355%	183%
Retail	145%	246%	187%	145%	245%	188%
Corporate	141%	225%	175%	141%	225%	175%
Institutions	130%	225%	169%	130%	225%	169%
Sovereign	137%	355%	229%	137%	355%	229%

As at 30 June 2022, the same qualitative stage transfers resulting from the effects of the Covid-19 pandemic were applied as those adopted in the 2021 annual financial statements. The HYPO NOE Group's portfolio has not been directly affected by the war in Ukraine, meaning that no staging measures have been required for individual customers or portfolios.

With regard to the indirect impacts of Covid-19 and the Ukraine conflict, the Group's portfolios were subjected to a one-off analysis in order to more accurately assess the consequences of increases in construction costs:

- In relation to retail customers, mortgage lending from the last two years that includes an unused loan component was analysed in greater detail. The decisive criteria were an unutilised credit facility of more than 30% of the total facility and of more than EUR 30,000, as these thresholds were deemed to indicate a material risk of a construction cost overrun.
- Additionally, commercial real estate developments where less than 70% of construction work had been completed were identified, as the risk of cost overruns on such projects was also classified as high.

In view of the significant increase in credit risk (SICR) since initial recognition, a qualitative stage transfer was applied to the affected accounts in Stage 2.

Purchased or originated credit-impaired (POCI) financial assets

POCI assets are financial assets for which there is objective evidence of impairment on initial recognition. The HYPO NOE Group has defined the following conditions that are intended to help identify whether there is actually objective evidence of impairment for a particular financial asset:

- Purchase of a financial asset at a price that reflects a significant rating discount.
- Purchase of new instruments (fresh money or bridge loans) that leads to a significant increase in exposure from the uncollateralised portion, while intensive care management is still in the initial stages, meaning that there is a high degree of uncertainty regarding a cure.
- Substantial modification of a Stage 3 financial asset, leading to the derecognition of the original instrument and recognition of a modified, impaired instrument (originated credit-impaired).

In the course of initial measurement of a POCI asset, the expected cash flows are discounted using a credit-adjusted effective interest rate. This present value represents the carrying amount of the POCI asset on initial recognition in accordance with IFRS. No risk provisions are recognised at the time of initial recognition. However, risk provisions are recognised on subsequent measurement for both positive and negative deviations from the present value.

Measurement parameters

Point in time (PiT) PD curves

The modelling approach and assumptions made as at 31 December 2021 have been largely retained. From 31 December 2021, in addition to the baseline scenario, an optimistic and a pessimistic alternative scenario will be incorporated into the estimate for the final PiT PDs. The three PD scenarios are weighted to produce the overall PiT PD curves for the retail and corporates customer groups. The weighted PiT PD curves provide the basis for evaluation of the quantitative stage transfer. In principle, both the optimistic and the pessimistic scenario are given a 10% weighting, in accordance with the selected quantiles. However, if available information is not adequately reflected in the forecasts, the weighting is reviewed to determine whether an adjustment is necessary. As at the end of the reporting period, the forecasts were subject to a high degree of uncertainty due to several negative factors. These include the substantial risks associated with future gas supplies, which would have a significant impact on the Austrian economy, as well as high inflation, rising interest rates and the most recent predictions of a sharp increase in the number of Covid-19 infections in the short term. In order to take this information into consideration appropriately, the HYPO NOE Group adapted the weighting of the three PD scenarios as at 30 June 2022 as follows: baseline scenario 60%, optimistic scenario 10%, pessimistic scenario 30%.

The current model considers macroindicators, as well as a time lag between the movement of the indicators and the expected time of default. Moratoriums and state support measures have further extended the lag between shifts in the indicators and the defaults. This degree of lagging was not included in previous empirical studies. The lengths of these delays are known and they were taken into account in the forecasts for probability of default, as was the case in the 2021 annual financial statements. The tables below provide a comparison of the macroeconomic indicators published by the selected sources and those applied in generating the HYPO NOE Group's forecasts as at 30 June 2022 and 31 December 2021.

30 Jun. 2022	Years	OeNB forecast	OECD forecast	Fitch forecast
GDP	2021	4.9	4.6	4.5
	2022	3.8	3.6	3.9
	2023	1.9	1.4	2.0
	2024	1.9	N/A	1.8
Private consumption	2021	3.3	3.2	3.5
	2022	3.9	4.0	4.0
	2023	2.0	1.1	2.2
	2024	2.0	N/A	1.8
Exports	2021	14.5	13.3	12.7
	2022	7.1	8.5	6.0
	2023	2.9	4.4	4.0
	2024	3.3	N/A	2.5

30 Jun. 2022	Years	OeNB parameters	OECD parameters	Fitch parameters
GDP	2022	-2.2	-2.5	-2.5
	2023	1.5	1.0	1.3
	2024	1.9	1.4	2.0
Private consumption	2022	-5.4	-5.5	-5.5
	2023	-1.7	-1.7	-1.7
	2024	0.3	-0.6	0.4
Exports	2022	1.3	0.3	0.5
	2023	7.1	8.5	6.0
	2024	2.9	4.4	4.0

31 Dec. 2021	Years	OeNB forecast	WIFO forecast	Fitch forecast
GDP	2021	4.9	4.1	4.1
	2022	4.3	5.2	4.3
	2023	2.6	2.5	2.4
	2024	1.8	N/A	1.8
Private consumption	2021	1.8	3.4	3.0
	2022	5.7	6.3	4.0
	2023	3.4	2.9	2.0
	2024	2.4	N/A	1.8
Exports	2021	10.5	10.2	10.3
	2022	3.2	8.5	8.0
	2023	4.8	4.2	3.0
	2024	2.5	N/A	2.5

31 Dec. 2021	Years	OeNB parameters	WIFO parameters	Fitch parameters
GDP	2022	-2.2	-2.9	-2.9
	2023	2.0	2.2	1.3
	2024	2.6	2.5	2.4
Private consumption	2022	-6.8	-5.4	-7.1
	2023	-1.4	0.6	-3.4
	2024	1.9	2.9	-1.4
Exports	2022	-2.2	-1.7	-1.2
	2023	0.9	6.7	6.7
	2024	4.8	4.2	3.0

The table below shows the one-year default probabilities generated by the PiT PD model, and a comparison with the one-year probability of default according to the long-term average PD based on the HYPO master scale, broken down by rating grades. The comparison between the master scale and the PIT-adjusted PDs reveals a significant increase in expectations of default in both PD segments compared with the long-term average.

Rating	1Y PD – master scale	1Y PiT PD – corporate	1Y PiT PD – retail
1A	0.01%	0.04%	The assessment of retail customers' creditworthiness begins at a rating of 2C, meaning that these categories do not apply
1B	0.02%	0.04%	
1C	0.03%	0.05%	
1D	0.04%	0.06%	
1E	0.05%	0.07%	
2A	0.07%	0.09%	
2B	0.11%	0.14%	
2C	0.16%	0.20%	0.25%
2D	0.24%	0.30%	0.36%
2E	0.35%	0.48%	0.54%
3A	0.53%	0.80%	0.80%
3B	0.80%	1.31%	1.19%
3C	1.20%	1.97%	1.73%
3D	1.79%	2.93%	2.54%
3E	2.69%	4.38%	3.73%
4A	4.04%	6.54%	5.46%
4B	6.05%	10.13%	8.01%
4C	9.08%	15.67%	11.71%
4D	13.62%	24.12%	17.08%
4E	20.44%	36.90%	24.84%

Scenarios and sensitivities

The HYPO NOE Group analyses a range of scenarios in order to reduce uncertainty arising from the use of forecasts and statistical models when estimating PD, and to provide a transparent indication of such uncertainty. The results from the different scenarios as at 30 June 2022 and 31 December 2021 are shown below. A reconciliation of risk provisions in the individual scenarios with the weighted overall scenario is not possible, as the differing PDs in the scenarios result in different quantitative stage transfers.

30 Jun. 2022, EUR '000	Optimistic	Baseline	Pessimistic
Risk provisions generated by the fully automated process (Stage 1 and Stage 2)	43,804	47,448	50,938

31 Dec. 2021, EUR '000	Optimistic	Baseline	Pessimistic
Risk provisions generated by the fully automated process (Stage 1 and Stage 2)	47,610	51,110	54,748

The current crises have increased the level of uncertainty associated with forecasting expected credit losses. In order to counter this, the HYPO NOE Group has carried out additional sensitivity analyses. These show the effects and sensitivities of qualitative staging for industries, customer groups and customers significantly affected by the Covid-19 pandemic. In addition, one scenario is presented that depicts the effects of an increase of 25% in all unsecured losses, coupled with a 15% fall in the value of real estate collaterals. The last two sensitivities show the effect on earnings of qualitative staging due to increases in construction costs.

EUR '000	Risk provisions – Stage 1 and 2	Sensitivity	Description of change in parameters
Sensitivity 1	45,907	-2,245	No qualitative staging for industries affected by Covid-19
Sensitivity 2	46,725	-1,427	No qualitative staging for special financing affected by Covid-19
Sensitivity 3	47,417	-735	No qualitative staging due to Covid-19 for retail customers
Sensitivity 4	50,077	1,925	Increased Covid-19-related staging for all retail customers
Sensitivity 5	67,739	19,587	Increase of 25% in the unsecured LGD and reduction of 15% in the value of real estate collaterals
Sensitivity 6	47,977	-174	No qualitative staging of private mortgages due to increased construction costs
Sensitivity 7	46,496	-1,656	No qualitative staging of commercial real estate finance due to increased construction costs

4.4.3 Detailed information on risk provisions

Gross carrying amount/nominal amount by rating class

	30 Jun. 2022					31 Dec. 2021				
EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and balances at central banks	**1,812,762**	**112**	**-**	**-**	**1,812,874**	**1,409,007**	**264**	**-**	**-**	**1,409,271**
Financial assets – AC	**10,345,654**	**3,205,298**	**106,993**	**3,706**	**13,661,652**	**10,715,770**	**3,313,966**	**111,883**	**-**	**14,141,619**
Loans	9,090,268	3,092,906	106,993	3,706	12,293,873	9,520,891	3,192,377	111,883	-	12,825,151
Rating class 1	3,793,489	866,054	-	-	4,659,543	3,816,296	916,762	-	-	4,733,058
Rating class 2	4,071,178	885,997	-	-	4,957,175	4,378,457	1,017,716	-	-	5,396,173
Rating class 3	1,194,602	1,167,757	-	-	2,362,359	1,297,323	1,052,471	-	-	2,349,794
Rating class 4	30,999	173,098	-	-	204,097	28,816	205,428	-	-	234,244
Rating class 5	-	-	106,993	3,706	110,699	-	-	111,883	-	111,883
Bonds	1,255,386	112,392	-	-	1,367,779	1,194,879	121,589	-	-	1,316,468
Rating class 1	776,742	38,149	-	-	814,890	763,146	43,624	-	-	806,771
Rating class 2	472,242	21,907	-	-	494,149	424,419	24,901	-	-	449,320
Rating class 3	6,402	14,278	-	-	20,680	7,314	53,063	-	-	60,377
Rating class 4	-	38,059	-	-	38,059	-	-	-	-	-
Financial assets – FVOCI	**247,928**	**-**	**-**	**-**	**247,928**	**357,958**	**-**	**-**	**-**	**357,958**
Bonds	247,928	-	-	-	247,928	357,958	-	-	-	357,958
Rating class 1	197,728	-	-	-	197,728	297,151	-	-	-	297,151
Rating class 2	50,200	-	-	-	50,200	60,807	-	-	-	60,807
Provisions for off-balance-sheet risks	**1,316,533**	**288,009**	**14,518**	**-**	**1,619,060**	**1,484,630**	**236,851**	**1,267**	**-**	**1,722,748**
Rating class 1	555,841	76,123	-	-	631,964	469,869	78,467	-	-	548,336
Rating class 2	232,265	39,009	-	-	271,274	229,491	50,822	-	-	280,313
Rating class 3	519,483	158,729	-	-	678,211	779,757	92,132	-	-	871,890
Rating class 4	8,944	14,149	-	-	23,093	5,513	15,429	-	-	20,941
Rating class 5	-	-	14,518	-	14,518	-	-	1,267	-	1,267
Trade receivables	**-**	**4,563**	**-**	**-**	**4,563**	**-**	**4,196**	**-**	**-**	**4,196**
Total	**13,722,877**	**3,497,982**	**121,511**	**3,706**	**17,346,076**	**13,967,365**	**3,555,276**	**113,150**	**-**	**17,635,791**

Risk provisions by rating class

EUR '000	30 Jun. 2022 Stage 1	Stage 2	Stage 3	POCI	Total	31 Dec. 2021 Stage 1	Stage 2	Stage 3	POCI	Total
Cash and balances at central banks	**-6**	**-7**	**-**	**-**	**-13**	**-7**	**-16**	**-**	**-**	**-23**
Financial assets – AC	**-8,309**	**-37,470**	**-35,002**	**-**	**-80,781**	**-9,639**	**-39,627**	**-38,868**	**-**	**-88,135**
Loans	-8,126	-28,184	-35,002	-	-71,311	-9,473	-30,138	-38,868	-	-78,478
Rating class 1	-1	-151	-	-	-152	-62	-236	-	-	-298
Rating class 2	-3,620	-4,150	-	-	-7,770	-3,621	-5,210	-	-	-8,831
Rating class 3	-4,171	-15,110	-	-	-19,281	-5,499	-14,763	-	-	-20,262
Rating class 4	-334	-8,773	-	-	-9,107	-291	-9,928	-	-	-10,219
Rating class 5	-	-	-35,002	-	-35,002	-	-	-38,868	-	-38,868
Bonds	-183	-9,286	-	-	-9,470	-167	-9,489	-	-	-9,656
Rating class 1	-49	-33	-	-	-82	-46	-43	-	-	-89
Rating class 2	-130	-43	-	-	-172	-116	-52	-	-	-168
Rating class 3	-5	-333	-	-	-338	-5	-9,394	-	-	-9,399
Rating class 4	-	-8,878	-	-	-8,878	-	-	-	-	-
Financial assets – FVOCI	**-11**	**-**	**-**	**-**	**-11**	**-12**	**-**	**-**	**-**	**-12**
Bonds	-11	-	-	-	-11	-12	-	-	-	-12
Rating class 1	-6	-	-	-	-6	-6	-	-	-	-6
Rating class 2	-5	-	-	-	-5	-5	-	-	-	-5
Provisions for off-balance-sheet risks	**-547**	**-1,760**	**-1,612**	**-**	**-3,919**	**-924**	**-1,523**	**-894**	**-**	**-3,342**
Rating class 1	-	-26	-	-	-26	-	-29	-	-	-29
Rating class 2	-112	-39	-	-	-151	-112	-108	-	-	-221
Rating class 3	-315	-1,087	-	-	-1,402	-773	-600	-	-	-1,373
Rating class 4	-119	-609	-	-	-728	-39	-787	-	-	-826
Rating class 5	-	-	-1,612	-	-1,612	-	-	-894	-	-894
Trade receivables	**-**	**-41**	**-**	**-**	**-41**	**-**	**-49**	**-**	**-**	**-49**
Total	**-8,873**	**-39,279**	**-36,613**	**-**	**-84,765**	**-10,582**	**-41,215**	**-39,762**	**-**	**-91,560**

In the first half of 2022, financing for an international infrastructure project was restructured, resulting in a significant modification of the non-performing contract. Due to the restructuring, the original financial instrument was derecognised and a new financial instrument was recognised as originated credit-impaired (POCI).

Impact of Covid-19 – industry analysis

The tables below show the results of the industry-based analysis of the impact of Covid-19, and in particular the systemic rating downgrades applied to the different rating classes, as well as the carrying amounts, the risk provisions and the proportion of customers assigned to Stage 2 as at 30 June 2022.

Industries very seriously affected by Covid-19

EUR '000	Downgrade (notches)	Carrying amount	Risk provisions	Stage 2 Interest
Rating class 1	-	33,889	33	100%
Rating class 2	1	1,320	4	100%
Rating class 3	1 - 2	32,337	747	100%
Rating class 4	3 (to max. 4E)	2,198	71	100%
Total		**69,744**	**856**	

Industries seriously affected by Covid-19

EUR ’000	Downgrade (notches)	Carrying amount	Risk provisions	Stage 2 Interest
Rating class 1	-	144,415	38	100%
Rating class 2	-	126,942	165	100%
Rating class 3	1	76,887	1,040	100%
Rating class 4	2 (to max. 4E)	5,669	401	100%
Total		**353,912**	**1,644**	

Industries moderately affected by Covid-19

EUR ’000	Downgrade (notches)	Carrying amount	Risk provisions	Stage 2 Interest
Rating class 1	-	703,331	136	100%
Rating class 2	-	137,335	210	100%
Rating class 3	1	168,048	1,684	100%
Rating class 4	1 (to max. 4E)	22,089	266	100%
Total		**1,030,802**	**2,296**	

4.4.4 Detailed information on impairment losses/gains – IFRS 9, ECL

The following table shows the changes in risk provisions in 2022 and the breakdown of the changes by statement of profit or loss items.

EUR ’000	Changes in risk provisions, 2022	Impairment losses/gains on financial assets – IFRS 9 ECL	Interest expense	Not recognised through profit or loss	Changes in risk provisions, 2021
Risk provisions at start of reporting period	**-91,560**				**-81,947**
Increase due to origination and purchase	-1,824	-1,824	-	-	-6,037
Reduction due to derecognition and substantial modification	1,559	1,559	-	-	3,279
Utilisation of risk provisions	4,620	-	-	4,620	1,722
Allocations and reversals due to changes in credit risk	2,416	2,824	-408	-	-8,566
Other adjustments (incl. exchange differences)	6	6	-	-	-
Cash and balances at central banks, and trade receivables	17	17	-	-	-12
Risk provisions at end of reporting period	**-84,765**	**2,583**	**-408**	**4,620**	**-91,560**

Stage 1 impairment losses/gains

30 Jun. 2022 EUR '000	1.1.2022	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2022
Cash and balances at central banks	**-7**	**-**	**4**	**-3**	**-**	**-6**
Financial assets – AC	**-9,640**	**-1,124**	**680**	**1,775**	**-**	**-8,309**
Loans	-9,473	-1,090	679	1,757	-	-8,126
General governments	-8	-4	3	1	-	-8
Other financial corporations	-869	-15	12	78	-	-794
Non-financial corporations	-7,719	-952	637	1,494	-	-6,540
Households	-870	-118	21	184	-	-784
Bonds	-167	-35	-	18	-	-183
Banks	-123	-27	-	11	-	-138
General governments	-7	-1	-	-	2	-6
Other financial corporations	-30	-7	-	5	-1	-33
Non-financial corporations	-7	-	-	1	-	-6
Financial assets – FVOCI	**-12**	**-**	**-**	**1**	**-**	**-11**
Bonds	-12	-	-	1	-	-11
Banks	-9	-	-	-	-	-8
General governments	-2	-	-	-	-	-2
Other financial corporations	-1	-	-	-	-	-1
Non-financial corporations	-	-	-	-	-	-
Provisions for off-balance-sheet risks	**-924**	**-427**	**130**	**675**	**-**	**-547**
Loan commitments and financial guarantee contracts	-924	-427	130	675	-	-547
Total	**-10,583**	**-1,551**	**813**	**2,448**	**-**	**-8,873**

30 Jun. 2021 EUR '000	1.1.2021	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2021
Cash and balances at central banks	**-4**	**-**	**2**	**-3**	**-**	**-5**
Financial assets – AC	**-10,889**	**-2,341**	**410**	**2,127**	**-**	**-10,693**
Loans	-10,765	-2,296	401	2,123	-	-10,537
Banks	-	-	-	-	-	-
General governments	-11	-25	5	20	-	-11
Other financial corporations	-940	-130	1	179	-	-890
Non-financial corporations	-8,580	-1,738	363	1,224	-	-8,731
Households	-1,235	-403	32	700	-	-906
Bonds	-124	-45	9	4	-	-156
Banks	-91	-34	9	5	-2	-113
General governments	-6	-1	-	-	-	-7
Other financial corporations	-25	-8	-	4	2	-27
Non-financial corporations	-2	-3	-	-5	-	-9
Financial assets – FVOCI	**-18**	**-2**	**2**	**3**	**-**	**-15**
Bonds	-18	-2	2	3	-	-15
Banks	-13	-	1	1	-	-10
General governments	-4	-	1	1	-	-3
Other financial corporations	-1	-	-	-	-	-1
Non-financial corporations	-	-2	-	1	-	-1
Provisions for off-balance-sheet risks	**-885**	**-757**	**110**	**661**	**-**	**-872**
Loan commitments and financial guarantee contracts	-885	-757	110	661	-	-872
Total	**-11,797**	**-3,100**	**524**	**2,788**	**-**	**-11,585**

Stage 2 impairment losses/gains

30 Jun. 2022 EUR '000	1.1.2022	Origination and purchase	Derecognition /utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2022
Cash and balances at central banks	**-16**	**-**	**1**	**8**	**-**	**-7**
Financial assets – AC	**-39,627**	**-199**	**524**	**1,825**	**6**	**-37,470**
Loans	-30,138	-14	524	1,437	6	-28,184
General governments	-764	-	61	141	-	-562
Other financial corporations	-302	-	-	-102	-	-404
Non-financial corporations	-23,078	-3	268	1,185	3	-21,625
Households	-5,994	-11	195	214	3	-5,592
Bonds	-9,489	-185	-	387	-	-9,286
General governments	-2	-	-	1	-	-1
Other financial corporations	-9,000	-185	-	303	-9	-8,891
Non-financial corporations	-488	-	-	84	9	-395
Financial assets – FVOCI	**-**	**-**	**-**	**-**	**-**	**-**
Bonds	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-
Trade receivables	**-49**	**-2**	**9**	**-**	**-**	**-41**
Provisions for off-balance-sheet risks	**-1,523**	**-74**	**37**	**-200**	**-**	**-1,760**
Loan commitments and financial guarantee contracts	-1,523	-74	37	-200	-	-1,760
Total	**-41,215**	**-274**	**572**	**1,632**	**6**	**-39,279**

30 Jun. 2021 EUR '000	1.1.2021	Origination and purchase	Derecognition /utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2021
Cash and balances at central banks	**-9**	**-**	**-**	**-24**	**-**	**-33**
Financial assets – AC	**-39,077**	**-60**	**437**	**2,551**	**-**	**-36,149**
Loans	-28,874	-60	432	2,424	-	-26,078
General governments	-938	-	62	93	-	-784
Other financial corporations	-182	-	1	6	-	-175
Non-financial corporations	-17,989	-53	162	18	-	-17,862
Households	-9,764	-7	208	2,306	-	-7,257
Bonds	-10,203	-	5	127	-	-10,071
General governments	-3	-	-	-	-	-2
Other financial corporations	-9,554	-	-	109	-41	-9,485
Non-financial corporations	-647	-	5	17	41	-584
Financial assets – FVOCI	**-7**	**-**	**-**	**5**	**-**	**-2**
Bonds	-7	-	-	5	-	-2
Non-financial corporations	-7	-	-	5	-	-2
Trade receivables	**-17**	**-**	**-**	**11**	**-**	**-6**
Provisions for off-balance-sheet risks	**-1,873**	**-22**	**499**	**-572**	**-**	**-1,968**
Loan commitments and financial guarantee contracts	-1,873	-22	499	-572	-	-1,968
Total	**-40,982**	**-82**	**936**	**1,970**	**-**	**-38,158**

Stage 3 impairment losses/gains

30 Jun. 2022 EUR '000	1.1.2022	Origination and purchase	Derecognition /utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2022
Financial assets – AC	**-38,868**	**-**	**4,808**	**-941**	**-**	**-35,002**
Loans	-38,868	-	4,808	-941	-	-35,002
General governments	-3,541	-	-	285	-	-3,256
Other financial corporations	-7,569	-	-	-166	-	-7,735
Non-financial corporations	-20,251	-	4,488	-1,047	-	-16,810
Households	-7,508	-	320	-12	-	-7,200
Trade receivables	**-**	**-**	**-**	**-**	**-**	**-**
Provisions for off-balance-sheet risks	**-894**	**-**	**-**	**-718**	**-**	**-1,612**
Loan commitments and financial guarantee contracts	-894	-	-	-718	-	-1,612
Total	**-39,762**	**-**	**4,808**	**-1,659**	**-**	**-36,613**

30 Jun. 2021 EUR '000	1.1.2021					30 Jun. 2021
Financial assets – AC	**-29,102**	**-184**	**1,446**	**411**	**-**	**-27,429**
Loans	-29,102	-184	1,446	411	-	-27,429
General governments	-3,945	-	-	201	-	-3,744
Other financial corporations	-2,995	-	-	-1,585	-	-4,579
Non-financial corporations	-13,980	-	796	1,456	-	-11,728
Households	-8,183	-184	650	339	-	-7,378
Trade receivables	**-30**	**-**	**15**	**-**	**-**	**-15**
Provisions for off-balance-sheet risks	**-36**	**-**	**5**	**-3**	**-**	**-35**
Loan commitments and financial guarantee contracts	-36	-	5	-3	-	-34
Total	**-29,168**	**-184**	**1,466**	**408**	**-**	**-27,478**

4.5 Derivatives and hedge accounting

4.5.1 Carrying amounts and nominal values of derivatives

At the end of the reporting period the HYPO NOE Group only held unlisted OTC derivatives.

The following table shows the nominal values and carrying amounts of derivatives recognised as at 30 June 2022.

EUR '000	30 Jun. 2022 Carrying amount Assets	30 Jun. 2022 Carrying amount Liabilities	30 Jun. 2022 Nominal value	31 Dec. 2021 Carrying amount Assets	31 Dec. 2021 Carrying amount Liabilities	31 Dec. 2021 Nominal value
Financial assets and liabilities – HFT	**183,348**	**167,232**	**3,754,737**	**310,574**	**289,887**	**4,024,225**
Interest rate derivatives	141,262	120,035	2,936,089	285,171	262,252	3,314,621
Foreign exchange derivatives	42,087	47,197	818,647	25,404	27,635	709,604
Positive and negative fair value of hedges (hedge accounting)	**293,552**	**533,867**	**10,945,477**	**302,262**	**615,675**	**10,453,371**
Interest rate derivatives	283,464	506,391	10,729,117	292,833	596,834	10,236,440
Foreign exchange derivatives	10,088	27,476	216,360	9,429	18,841	216,931

The Group has not netted off derivatives for accounting purposes, as the current master agreements that provide for netting (the ISDA Master Agreements, as well as other Austrian and German master agreements for financial forward transactions) do not fulfil the relevant criteria in this regard. Under these agreements, the right to offset all transactions by a single net amount would only be enforceable if certain future events occurred which would result in termination of the agreements (e.g. default or insolvency of the counterparty).

30 Jun. 2022 EUR '000	Financial assets/liabilities (gross) (a)	Reported amounts offset (gross) (-) (b)	Reported financial assets (net) (c)=(a)+(b)	Not offset: Effect of master netting agreements (-) (d)(i)	Not offset: Collateral in the form of financial instruments (-) (d)(ii)	Net amount (e)=(c)+(d)
Assets						
Financial assets – HFT	183,348	-	183,348	-5,216	-1,564	176,569
Positive fair value of hedges (hedge accounting)	293,552	-	293,552	-275,795	-1,447	16,310
Total assets	**476,900**	**-**	**476,900**	**-281,011**	**-3,011**	**192,878**
Liabilities						
Financial liabilities – HFT	167,232	-	167,232	-5,216	-149,072	12,945
Financial liabilities – FVO	5,534	-	5,534	-	-	5,534
Negative fair value of hedges (hedge accounting)	533,867	-	533,867	-275,795	-232,057	26,015
Total equity and liabilities	**706,633**	**-**	**706,633**	**-281,011**	**-381,128**	**44,494**

31 Dec. 2021	Financial assets/liabilities (gross)	Reported amounts offset (gross) (-)	Reported financial assets (net)	Effect of master netting agreements (-)	Collateral in the form of financial instruments (-)	Net amount
				Not offset		
EUR '000	(a)	(b)	(c)=(a)+(b)	(d)(i)	(d)(ii)	(e)=(c)+(d)
Assets						
Financial assets – HFT	310,574	-	310,574	-13,684	-10,413	286,478
Positive fair value of hedges (hedge accounting)	302,262	-	302,262	-214,937	-16,674	70,652
Total assets	**612,836**	**-**	**612,836**	**-228,620**	**-27,087**	**357,129**
Liabilities						
Financial liabilities – HFT	289,887	-	289,887	-13,684	-213,035	63,168
Financial liabilities – FVO	6,061	-	6,061	-	-	6,061
Negative fair value of hedges (hedge accounting)	615,675	-	615,675	-214,937	-354,478	46,261
Total equity and liabilities	**911,623**	**-**	**911,623**	**-228,620**	**-567,513**	**115,490**

4.5.2 Detailed information on hedge accounting

	H1 2022			H1 2021		
EUR '000	Net gains or losses on hedged transactions	Net gains or losses on hedges	Net gains or losses on hedging relationships	Net gains or losses on hedged transactions	Net gains or losses on hedges	Net gains or losses on hedging relationships
Assets						
Financial assets – FVOCI	**-25,772**	**26,135**	**363**	**-10,740**	**10,843**	**102**
Bonds	-25,772	26,135	363	-10,740	10,843	102
Financial assets – AC	**-515,173**	**523,667**	**8,493**	**-139,806**	**141,585**	**1,778**
Loans	-419,854	427,302	7,447	-125,035	126,348	1,312
Bonds	-95,319	96,365	1,046	-14,771	15,237	466
Investment property	**-424**	**442**	**18**	**-115**	**116**	**1**
Liabilities						
Financial liabilities – AC	**460,040**	**-465,044**	**-5,004**	**97,509**	**-99,093**	**-1,584**
Deposits	2,244	-2,236	8	421	-437	-15
Bonds in issue	457,795	-462,808	-5,012	97,088	-98,656	-1,568
Total	**-81,330**	**85,200**	**3,870**	**-53,152**	**53,450**	**298**

Positive fair value of hedges (hedge accounting)

The table below provides an analysis of the positive fair value of hedges (hedge accounting) according to the items in the statement of financial position under which the hedged underlyings are reported.

EUR '000	30 Jun. 2022	31 Dec. 2021
Assets	**224,340**	**25,536**
Financial assets – FVOCI	1,291	34
Financial assets – AC	222,770	25,502
Other (non-financial) assets	279	-
Liabilities	**69,212**	**276,726**
Financial liabilities – AC	69,212	276,726
Total	**293,552**	**302,262**

Negative fair value of hedges (hedge accounting)

The table below shows the negative fair value of hedges (hedge accounting) according to the items in the statement of financial position under which the hedged underlyings are reported.

EUR '000	30 Jun. 2022	31 Dec. 2021
Assets	**220,892**	**577,893**
Financial assets – FVOCI	16,638	46,667
Financial assets – AC	204,254	531,063
Other (non-financial assets)	-	163
Liabilities	**312,975**	**37,783**
Financial liabilities – AC	312,975	37,783
Total	**533,867**	**615,675**

4.6 Fair value disclosures

The nature and extent of the risks that arise from financial instruments, as well as sensitivity analyses and other additional disclosures, also form part of Note 8 RISK MANAGEMENT.

Significant accounting policies

On 31 December 2021, HETA exited the resolution regime implemented under the Federal Act on the Recovery and Resolution of Banks. Since 1 January 2022 the company has been under resolution in accordance with the Aktiengesetz (Austrian Companies Act). In March this year, HETA published its 2021 financial statements as well as an updated financial plan for the period to 2030. The HYPO NOE Group has no direct exposures to HETA, but holds a Kärntner Ausgleichszahlungsfonds (Carinthian Compensation Payment Fund, KAF) debtor warrant which is regularly remeasured.

Taking into account published documentation as compared with the results as at 31 December 2021, the main remeasurement pillars have remained unchanged, and only an update of the market parameters was carried out.

4.6.1 Fair value hierarchy

The table below summarises the fair value hierarchies of all the financial instruments held by the HYPO NOE Group.

			Fair value measurement		
30 Jun. 2022, EUR '000	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks	1,812,861	1,812,861	1,793,455	19,406	-
Financial assets – HFT	183,348	183,348	-	54,679	128,669
Financial assets – mandatorily FVTPL	132,001	132,001	-	44,087	87,914
Financial assets – FVOCI	256,074	256,074	253,984	15	2,075
Financial assets – AC	13,580,870	13,420,762	1,121,679	134,220	12,164,863
Positive fair value of hedges (hedge accounting)	293,552	293,552	-	293,552	-
Total assets	**16,258,707**				
Liabilities					
Financial liabilities – HFT	167,232	167,232	-	166,951	281
Financial liabilities – FVO	5,534	5,534	-	-	5,534
Financial liabilities – AC	14,778,196	14,469,280	1,551,876	7,804,946	5,112,458
Negative fair value of hedges (hedge accounting)	533,867	533,867	-	533,867	-
Total equity and liabilities	**15,484,830**				

31 Dec. 2021, EUR '000	Carrying amount	Fair value	Fair value measurement		
			Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks	1,409,248	1,409,248	1,391,013	18,236	-
Financial assets – HFT	310,574	310,574	-	59,939	250,636
Financial assets – mandatorily FVTPL	149,504	149,504	-	45,151	104,353
Financial assets – FVOCI	370,575	370,575	368,483	-	2,092
Financial assets – AC	14,053,484	14,410,188	1,083,649	151,803	13,174,736
Positive fair value of hedges (hedge accounting)	302,262	302,262	-	302,262	-
Total assets	**16,595,647**				
Liabilities					
Financial liabilities – HFT	289,887	289,887	-	289,887	-
Financial liabilities – FVO	6,061	6,061	-	-	6,061
Financial liabilities – AC	14,920,835	14,989,463	2,147,971	7,579,077	5,262,415
Negative fair value of hedges (hedge accounting)	615,675	615,675	-	615,675	-
Total equity and liabilities	**15,832,458**				

In 2022 there has been one transfer from Level 3 to Level 2 due to the availability of a quoted price on an inactive market.

4.6.2 Fair value hierarchy: Level 3 disclosures

EUR '000	1 Jan. 2022	Gains/losses		Purchases	Sales	Transfers to/from Level 3	30 Jun. 2022	Unrealised gains or losses recognised in profit or loss as at 30 Jun. 2022
		Recog-nised in profit or loss	Not rec-ognised in profit or loss					
Assets								
Financial assets – HFT	250,636	-121,966	-	-	-	-	128,669	-120,520
Financial assets – mandatorily FVTPL	104,353	-4,207	-	7,927	-20,159	-	87,914	-4,207
Financial assets – FVOCI	2,092	-	-2	-	-	-15	2,075	-
Total assets	**357,080**	**-126,173**	**-2**	**7,927**	**-20,159**	**-15**	**218,658**	**-124,727**
Liabilities								
Financial liabilities – HFT	-	281	-	-	-	-	281	-527
Financial liabilities – FVO	6,061	-527	-	-	-	-	5,534	527
Total equity and liabilities	**6,061**	**-246**	**-**	**-**	**-**	**-**	**5,815**	**-**

The main gains or losses on existing Level 3 assets are shown in Note 4.1.2 Net gains or losses on financial assets and liabilities.

EUR '000	1 Jan. 2021	Gains/losses: Recognised in profit or loss	Gains/losses: Not recognised in profit or loss	Purchases	Sales	Transfers to/from Level 3	31 Dec. 2021	Unrealised gains or losses recognised in profit or loss as at 31 Dec. 2021
Assets								
Financial assets – HFT	341,731	-91,095	-	-	-	-	250,636	-89,925
Financial assets – mandatorily FVTPL	125,845	4,034	-	10,943	-36,469	-	104,353	4,034
Financial assets – FVOCI	2,156	-	-24	-	-49	-	2,092	-
Total assets	**469,732**	**-87,061**	**-24**	**10,943**	**-36,518**	**-**	**357,080**	**-85,890**
Liabilities								
Financial liabilities – FVO	5,309	752	-	-	-	-	6,061	752
Total equity and liabilities	**5,309**	**752**	**-**	**-**	**-**	**-**	**6,061**	**752**

The results of the sensitivity analysis for the "Financial assets – HFT", "Financial assets – mandatorily FVTPL" and "Financial assets – FVOCI" (equity instruments) items at Level 3 are discussed below.

All sensitivities are presented using a historical value-at-risk (VaR) approach (95% confidence level, one-year holding period, five-year history) in accordance with internal risk management policies. The table below shows the impact of changes in significant unobservable input parameters on Level 3 fair value. The figures are not a forecast or indication of future changes in fair value, but represent potential losses, where gains of a similar amount are also possible. In the case of "Financial assets and liabilities – HFT", the significant inputs are global CDS spreads. For the "Financial assets – mandatorily FVTPL" item, the credit and liquidity risk premiums are the unobservable inputs that drive prices. The designated VaR results in a fluctuation of 50 bp. An increase in premiums results in lower fair values. In the case of "Financial assets – FVOCI", conventional company valuation methods such as discounted cash flow or adjusted net asset value are used to determine fair value. The item solely comprises equity instruments assigned to Level 3.

30 Jun. 2022, EUR ’000	Fair value	Fluctuation (VaR)	Measurement method	Inputs
Financial assets – HFT	120,715	207	Hybrid Hull-White model	Global CDS spreads
Financial assets – mandatorily FVTPL (excl. HETA)	60,162	1,521	Discounted cash flow (DCF) model	Premiums for credit and liquidity risk
Financial assets – FVOCI	2,090	N/A	Adjusted net asset value (NAV) model; DCF model	Adjusted equity (for adjusted NAV model); WACC (for DCF model); cost of equity (for both models)
Total	**182,967**	**1,728**		

31 Dec. 2021, EUR ’000	Fair value	Fluctuation (VaR)	Measurement method	Inputs
Financial assets – HFT	242,048	388	Hybrid Hull-White model	Global CDS spreads
Financial assets – mandatorily FVTPL (excl. HETA)	72,400	1,828	Discounted cash flow (DCF) model	Premiums for credit and liquidity risk
Financial assets – FVOCI	2,092	N/A	Adjusted net asset value (NAV) model; DCF model	Adjusted equity (for adjusted NAV model); WACC (for DCF model); cost of equity (for both models)
Total	**316,540**	**2,216**		

The ranges for unobservable inputs to the “Financial assets – FVOCI” (equity instruments) item categorised as Level 3 are shown below.

Change in fair value

EUR ’000	30 Jun. 2022	31 Dec. 2021
10% increase in adjusted equity	198	197
10% decrease in adjusted equity	-198	-197
50 bp increase in WACC	-	-2
50 bp decrease in WACC	-	3
50 bp increase in cost of equity	-14	-12
50 bp decrease in cost of equity	16	14

5 ADDITIONAL NOTES TO THE STATEMENT OF PROFIT OR LOSS

5.1 Net fee and commission income

H1 2022, EUR '000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Total
Fee and commission income	**633**	**580**	**8,685**	**406**	**12**	**10,315**
Securities and custody account business	50	-	2,558	300	25	2,934
Payment transactions	306	365	2,770	59	-13	3,487
Foreign exchange, foreign notes and coins, and precious metals	12	10	175	10	-	207
Other services	315	1	2,772	52	3	3,143
Other fee and commission income	-51	205	409	-16	-3	544
Fee and commission expense	**-51**	**-14**	**-488**	**-300**	**5**	**-847**
Securities and custody account business	-13	-	-31	-119	-	-163
Payment transactions	-12	-9	-426	-181	-	-628
Other services	-	-	-26	-	-	-26
Other fee and commission expense	-26	-5	-6	-	6	-31
Total	**581**	**566**	**8,197**	**106**	**17**	**9,468**

H1 2021, EUR '000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Total
Fee and commission income	**1,527**	**688**	**8,790**	**250**	**-13**	**11,242**
Securities and custody account business	142	4	3,357	139	2	3,644
Payment transactions	305	400	2,405	54	-7	3,158
Foreign exchange, foreign notes and coins, and precious metals	21	13	238	5	-13	263
Other services	1,124	-	2,207	52	-6	3,377
Other fee and commission income	-66	272	583	-	10	799
Fee and commission expense	**-73**	**-29**	**-1,109**	**-280**	**-**	**-1,491**
Securities and custody account business	-36	-1	-663	-118	-	-818
Payment transactions	-11	-14	-444	-162	-	-631
Other services	-	-	-3	-	-	-3
Other fee and commission expenses	-26	-14	1	-	-	-40
Total	**1,454**	**659**	**7,680**	**-30**	**-13**	**9,750**

5.2 Net other operating income

EUR '000	H1 2022	H1 2021
Other income	**10,023**	**10,834**
Gains on the disposal of intangible assets, property, plant and equipment, and other non-financial assets	59	83
Gains on the reversal of provisions	-	104
Gains on foreign currency translation	4,225	-
Gains on deconsolidation	-	964
Gains on investment property	2,076	1,310
Other rental income	225	177
Income from real estate services and property development	1,358	5,880
Income from early repayments	1,303	1,408
Sundry other income	777	909
Other expenses	**-6,004**	**-9,066**
Losses on the disposal of intangible assets, property, plant and equipment, and other non-financial assets	-24	-
Expenses arising from the recognition of provisions	-4,552	-4,503
Losses on foreign currency translation	-	-1,193
Losses on investment property	-996	-982
Expenses arising from real estate services and property development	-	-2,214
Sundry other expenses	-432	-174
Total	**4,019**	**1,767**

See Note 6.2 Provisions for further details on the “Expenses arising from the recognition of provisions” item.

Net gains or losses on deconsolidation

EUR '000	H1 2022	H1 2021
Cash and balances at central banks	-	79
Financial assets – AC	-	107
Intangible assets	-	40
Property, plant and equipment	-	829
Deferred tax assets	-	36
Other assets	-	2,930
Total assets	**-**	**4,021**
Provisions	-	799
Current tax liabilities	-	77
Other liabilities	-	2,600
Total liabilities	**-**	**3,477**
Proceeds of disposal	-	1,500
- Assets disposed of	-	-4,021
+ Liabilities disposed of	-	3,477
Net gains on disposal of consolidated subsidiaries	**-**	**956**
FVOCI reserve	-	8
Net gains on disposal of consolidated subsidiaries through profit or loss	**-**	**964**

EUR '000	H1 2022	H1 2021
Consideration received in cash and cash equivalents	-	1,500
Cash proceeds from the disposal of subsidiaries	**-**	**1,500**
Amount outstanding from the corporate transaction	-	-

5.3 Administrative expenses

5.3.1 Analysis of administrative expenses

EUR ’000	H1 2022	H1 2021
Staff costs	**-28,853**	**-30,264**
Wages and salaries	-22,432	-23,966
Pensions and other employee benefit expenses	-6,421	-6,298
Other administrative expenses	**-28,378**	**-24,507**
Premises	-1,829	-1,497
Office and communication expenses	-577	-635
IT expenses	-6,174	-5,572
Legal and consultancy costs	-1,366	-1,101
Auditors: annual audit	-261	-252
Auditors: tax consultancy services	-20	-50
Advertising and entertainment expenses	-2,069	-1,953
Other administrative expenses	-16,362	-13,748
Financial stability contribution (bank tax)	-1,566	-1,478
Deposit insurance fund and resolution fund	-11,790	-9,274
Cost of compliance with company law	-312	-359
Training costs	-369	-340
Vehicle and fleet expenses	-151	-227
Insurance	-223	-249
Cost of information procurement and payment transactions	-430	-441
Depreciation, amortisation and impairment	**-1,935**	**-2,205**
Intangible assets	-39	-123
Buildings used by Group companies	-773	-775
Equipment, fixtures and furnishings (incl. low value assets)	-970	-1,055
Right-of-use assets (IFRS 16)	-153	-253
Administrative expenses	**-59,165**	**-56,976**

	H1 2022	H1 2021
Average number of employees (incl. staff on parental leave)	635	686

The year-on-year decrease was due mainly to the deconsolidation of HYPO NOE First Facility GmbH, which employed 70 people as at 31 May 2021.

6 ADDITIONAL NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1 Investment property

EUR ’000	H1 2022	H1 2021
Other income from investment property	**2,076**	**1,310**
Rental income	920	1,072
Other income	218	237
Income from disposals	938	-
Other expenses arising from investment property	**-996**	**-982**
Depreciation, amortisation and impairment	-782	-793
Expenses arising from let investment property	-213	-187
Total	**1,081**	**327**

EUR ’000	30 Jun. 2022	31 Dec. 2021
Investment property	25,192	33,518

The carrying amount of land as at 30 June 2022 was EUR 12,984thsd (31 Dec. 2021: EUR 12,984thsd).

6.2 Provisions

Estimation uncertainties and judgements

Other provisions

As the legal situation regarding negative interest on corporate loan agreements remains unchanged and the Austrian Supreme Court is yet to make a ruling that would change our risk assessment, the provision for this risk, which is included in “Other provisions”, was adjusted in line with the HYPO NOE Group’s measurement model.

Measurement is based on estimates by experts, on the Bank’s own experience, and on discounted cash flow methods. The carrying amounts reflect best estimates of the expenditure (outflow of resources) required to settle the obligations. Measurement was on the basis of scenarios reflecting assumptions as to an average settlement percentage and the expected outflow of resources in the absence of precedents. In accordance with paragraph 45 IAS 37, a discount rate of 1.1% (31 Dec. 2021: 0%) was applied in the scenarios. Regarding the sensitivity of the provision, a notional increase of 0.5% in the discount rate would mean a reduction in the provision of EUR 318thsd (31 Dec. 2021: EUR 364thsd).

As at 30 June 2022 the provision for negative interest rates in connection with corporate loan agreements, carried under “Other provisions”, amounted to EUR 47,781thsd (31 Dec. 2021: EUR 43,292thsd). As this provision relates to a legal risk, the recognition of allocations to it forms part of “Other operating expense” as well as any reversals of “Other operating income”.

EUR ’000	30 Jun. 2022	31 Dec. 2021
Employee benefit provisions	**29,097**	**29,384**
Provisions for pensions	17,396	17,913
Provisions for termination benefits	8,774	8,670
Provisions for jubilee benefits	2,926	2,801
Credit provisions	**3,919**	**3,342**
Other provisions	**48,618**	**44,136**
Total	**81,633**	**76,862**

6.3 Other assets and liabilities

Other assets

EUR ’000	30 Jun. 2022	31 Dec. 2021
Accruals and deferrals, and contract assets in accordance with IFRS 15	5,761	6,760
VAT and other tax credits (other than income tax)	4,442	758
Trade receivables	4,522	4,147
Offset receivables (public loan management)	4,826	1,926
Other offset receivables	2,216	2,756
Immaterial equity investments	645	673
Sundry other receivables	206	884
Other assets	**22,618**	**17,904**

Other liabilities

EUR ’000	30 Jun. 2022	31 Dec. 2021
Accruals and deferrals, and contract liabilities in accordance with IFRS 15	12,430	24,059
VAT and other tax liabilities (other than income tax)	4,161	6,200
Trade payables	25,180	34,775
Offset liabilities (public loan management)	804	2,421
Other offset liabilities	2,693	1,810
Employee liabilities	7,177	5,453
Lease liabilities in accordance with IFRS 16	1,204	1,227
Firm commitments	13,616	184
Sundry other liabilities	1,962	2,352
Other liabilities	**69,228**	**78,481**

7 TAXES

Significant accounting policies

Due to the amendment of the 1988 Corporation Tax Act, from 2022 the HYPO NOE Group will apply a tax rate of 23% in the calculation of deferred taxes.

7.1 Income tax

EUR ’000	H1 2022	H1 2021
Current income tax	-7,997	-7,652
Deferred income tax	1,929	-431
Total	**-6,068**	**-8,082**

7.2 Tax assets

EUR ’000	30 Jun. 2022	31 Dec. 2021
Current tax assets	17,558	15,999
Deferred tax assets	317	352
Total	**17,875**	**16,350**

7.3 Tax liabilities

EUR ’000	30 Jun. 2022	31 Dec. 2021
Current tax liabilities	10,163	5,809
Deferred tax liabilities	19,182	22,297
Total	**29,346**	**28,106**

8 RISK MANAGEMENT

The HYPO NOE Group defines risk as the possibility of unexpected, unfavourable future developments that could have an adverse impact on the assets, earnings or liquidity of the Group or of individual subsidiaries.

Development of all significant business activities derived from the Group's strategic objectives takes strategic risk factors into account, with a strong focus on risk-bearing capacity. The Bank attaches particular importance to the assessment of risks in the light of the risk-reward ratio. Risks are not ends in themselves but are assumed in the interests of value creation and hence improved risk-bearing capacity, as well as adequate returns on risk capital. The refinement of instruments and processes aimed at maintaining an adequate risk-reward ratio is seen as an integral component of the Group's long-term business development strategy.

The Group's risk-bearing capacity is safeguarded by a balanced relationship between risks and coverage capital. To this end, eligible risk coverage capital is very carefully defined, and the confidence level for risk quantification (i.e. the probability of loss) is set at a conservative level.

The disclosure of risks is based on the Group's internal risk management and risk reporting systems.

8.1 Risk management system

Achieving business success necessarily involves taking risks. The HYPO NOE Group practises active risk transformation and risks are consciously incurred in connection with it. The Group's risk management objectives are to identify, measure, actively manage and monitor all risks arising from banking operations (credit, market, liquidity, operational, reputational and other risks).

The Group's organisational structure provides for a clear separation of front and back office functions (four-eye principle) at every level up to and including the Management Board. The front office functions originate business and give initial clearance to transactions, while the back office functions cast an additional, independent vote that confers final approval. The internal division of responsibilities requires the unanimous approval of the front and back office functions for all business decisions that would alter the risk profile. There are also rules for the ultimate approval of exposures requiring resolutions of the Group's Supervisory Board.

In principle, all risks throughout the HYPO NOE Group are subject to a Group-wide, uniform limit system, which is constantly monitored. A Group-wide risk reporting system ensures timely, regular and comprehensive risk reporting. In addition to the quarterly risk management report, which provides an aggregated summary of all identified material capital risks and the available capital coverage, and the monthly analysis of the liquidity position and insolvency risk, the Management and Supervisory Boards receive separate, regular risk reports for each risk category. These provide comprehensive information on current risk-related developments.

The disclosures required by Part 8 of the CRR are made on a consolidated basis for the HYPO NOE Group, in a separate document posted on the corporate website at ir.hyponoe.at/en.

The rules for introducing new areas of business or new products, and for entering new markets, call for an appropriate analysis of the relevant business risks beforehand. Without exception, transactions that entail risks are only permitted if they are explicitly regulated and authorised by the Group's risk documentation. In principle, the Group restricts its exposures to areas where it has the necessary expertise to judge and manage the specific risks involved.

The HYPO NOE Group identifies, quantifies, monitors and manages risks in accordance with the applicable statutory and commercial requirements. In spite of the risk management methods and internal control processes in place, the Group may still be exposed to unknown and unexpected risks. Neither can the risk management techniques and strategies applied completely rule out the future occurrence of risks.

8.2 Aggregate risk management and risk-bearing capacity (ICAAP)

The identification, quantification and oversight of total Bank risk at portfolio level is the responsibility of the Strategic Risk Management Department, and encompasses the identification, measurement, aggregation and analysis of all the risks assumed, assessment of the adequacy of economic capital in relation to the risk profile, and the use and ongoing refinement of appropriate risk management systems.

Maintenance of adequate risk-bearing capacity is monitored by two control loops:

1. The economic capital management control loop (“gone concern”) provides creditor protection against the dangers of liquidation. Risks are measured at a high confidence level (99.9% with a one-year holding period), and compared with the risk coverage capital available in the event of liquidation.

2. The going concern management control loop is designed to ensure that the Bank survives as a going concern. Here, risks are measured at a lower confidence level (95% with a one-year holding period), and compared with the coverage capital realisable without endangering survival.

As at 30 June 2022 the Group was utilising 72.1% of its risk-bearing capacity – a slight increase compared with 31 December 2021 (66.9%).

8.2.1 Recovery plan

Under the *Bundesgesetz über die Sanierung und Abwicklung von Banken* (Federal Act on the Recovery and Resolution of Banks), which came into force on 1 January 2015, the HYPO NOE Group is required to draw up a recovery plan. The embedding of the plan in day-to-day operations pursuant to the Act is integral to the Group’s risk and capital management framework.

At the core of the expanded risk management and overall control processes implemented under the recovery plan, specific indicators and restructuring and communication measures will be established, as well as robust escalation and decision-making processes within the recovery governance structure that supplement the existing control measures in the event of an impending or unfolding crisis.

Early warning and recovery indicators are an integral part of the reporting within the relevant management bodies.

The regular review of the Group’s recovery plan for 2022, as required by the Act on the Recovery and Resolution of Banks, is currently in progress. It involves assessing selected indicators (including defined threshold values) and the defined escalation process, as well as updating recovery measures including overall restructuring capacity and the modelled scenarios.

Together with the stable business model, which is geared towards maintaining profitability over the long term, and dictates that risks can only be assumed on the basis of an overall risk strategy that is in line with the Group’s regional roots in Lower Austria, the recovery plan forms an additional key element in protecting the Group’s assets, and those of its business partners and shareholders.

8.2.2 Bank-wide stress test

As part of the internal Bank-wide stress testing process, an economic study compiled every year provides the basis for the annual analysis of scenarios relevant to the HYPO NOE Group’s business model. The impact of the scenarios on credit, investment and liquidity risk, net interest income and credit spreads, as well as on the recognition of additional risk provisions pursuant to IFRS 9 and expected defaults, are simulated at Group level to determine both regulatory and economic risk-bearing capacity. The results of the stress test and possible countermeasures identified are reported to the Management Board and presented to the Risk Management Committee (RICO) and Risk Committee.

In addition, reverse stress tests are carried out annually.

8.2.3 Basel III/IV

In the first six months of 2022, activities focused on preparing the disclosures required under Part 8 of the CRR in conjunction with Commission Implementing Regulation (EU) 2021/637; the disclosures were revised in full and published in the middle of June 2022. In addition, an analysis of the credit-risk implications arising from the EU Commission’s proposed amendments to Regulation (EU) No 575/2013 (known as CRR III) was carried out on the basis of the quarterly COROFC report as at 31 March 2022 – the results of this analysis will feed into the medium-term plan, which will be drawn up in autumn 2022. The analysis and its results are subject to uncertainty on a number of different fronts, as some of the changes have not been fully implemented in the Commission's proposal, while certain new regulations will require additional clarification. Furthermore, on 23 May 2022 the European Parliament published its own proposals for amendments, some of which deviate significantly from – or add to – those of the Commission.

8.2.4 Minimum requirement for own funds and eligible liabilities (MREL)

At present, the HYPO NOE Group must comply with the following mandatory minimum requirements for MREL:

- 5.9% of leverage ratio exposure, or
- 20.92% of total risk exposure

The Bank’s own funds and eligible liabilities are well above the minimum requirements established by the regulator.

8.3 Credit risk

Information on credit risk can be found in Note 4 FINANCIAL INSTRUMENTS AND CREDIT RISK.

8.4 Market risk

8.4.1 General information

Market risks are potential losses resulting from adverse changes in the net asset value of exposures due to changes in market prices.

Market risks specific to banking include:

- Interest rate risk in the banking book
- Credit spread risk
- Foreign exchange risk
- Options risk (volatility risk)
- Trading book risk
- Basis risk
- Credit valuation adjustment (CVA) risk
- Concentration risk inherent in market risk
- Commodity price risk
- Share price risk
- Fund price risk
- Sustainability risk

The HYPO NOE Group’s market risk management strategy outlines the strategic guidelines for managing market risks specific to banking.

The main market risks facing the HYPO NOE Group are interest rate risk in the banking book and credit spread risk (particularly in the nostro portfolio), which arise in part from ordinary banking activities such as fixed-interest lending and management of liquidity reserves. In the course of its business operations, the HYPO NOE Group is exposed to foreign exchange and option risks (e.g. embedded upper and lower interest rate limits) which are monitored and managed. The use of derivatives to hedge interest rate risk can give rise to basis risk, which is likewise closely monitored. Risk management procedures and methods are also in place to deal with the CVA risk associated with derivatives. The concentration risk inherent in market risk chiefly arises from own investments made to control the liquidity reserve, and is managed and limited together with the latter. The Bank also uses the small trading book to service the secondary market and trade on its own account. Appropriate and transparent limits that reflect risk appetite and monitoring processes have been introduced in order to ensure compliance with legal requirements and internal risk management policies.

The HYPO NOE Group has not earmarked any internal risk capital for commodity, share price or fund risk, and consequently no material risks may be incurred in these market risk categories. Sustainability risk is limited and managed by applying inclusion and exclusion criteria, among other measures.

The HYPO NOE Group's market risk strategy is based on the principles set out below, which are enshrined in the Group's risk strategy. These principles guarantee capital coverage of the market risks incurred at all times, and underpin the related monitoring, control and transparency of the individual market risk positions as follows:

- Identifying and regularly evaluating market risks
- Specifying and regularly reviewing the suitability of models and processes for measuring market risks
- Quantifying market risk on the basis of the processes established
- Determining Management's risk appetite and tolerance with respect to the various individual market risk categories, taking account of risk and reward expectations
- Identifying and implementing legislative and regulatory frameworks
- Appropriately limiting and monitoring market risk on the basis of the specified risk tolerance
- Goal-driven reporting

8.4.2 Interest rate risk in the banking book

When measuring, managing and restricting interest rate risk, the HYPO NOE Group distinguishes between period net interest income risk – which mainly tracks the risk of net interest income fluctuations in a given period – and present value risk, which measures decreases in the asset value of a particular portfolio due to interest-rate-induced changes in present value.

Monitoring and quantifying interest rate risk is the responsibility of an independent back office department, Strategic Risk Management. This scrutiny includes observing interest rate gaps and sensitivity analyses. Positions with interest rates fixed for indefinite periods are modelled and regularly assessed on the basis of statistical models and/or expert estimates. Analysis is carried out for the entire banking book and for sub-portfolios.

The Treasury/Capital Market/FI Department is responsible for managing intra-year interest rate risk positions. The main objective is to achieve stable, long-term contributions to net interest income, while also managing the present value of interest rate risk in terms of its impact on earnings. Material fixed-interest positions and non-linear interest risks in the retail and refinancing segments are usually hedged. Strategic long-term positions in the banking book that are sensitive to interest rates are managed in compliance with the corresponding limits. The Bank normally aims to prevent any option positions with a significant bearing on IFRS fair value. Because of this, there are strict limits on the use of open option derivatives for interest rate management.

Current interest risk situation: total banking book

The OeNB statistics show interest rate risk remaining low relative to the regulatory limits (20% of eligible capital). The following table shows the results of the OeNB regulatory interest rate risk statistics as at 30 June 2022 and 31 December 2021:

OeNB regulatory interest rate risk statistics	30 Jun. 2022	31 Dec. 2021
OeNB interest rate risk statistics	2.82%	4.61%
Supervisory outlier test	3.14%	2.68%

8.4.3 Credit spread risk

Credit spread risk is the impact of adverse changes in risk premiums on securities, and of the related loss in net asset value. This type of risk plays a particularly important role in connection with the Group's own investments. The capital requirements resulting from credit spread risk are determined using a historical value-at-risk (VaR) model (historical distribution assumption) for the entire nostro portfolio in the banking book, and for the securities portfolio in the small trading book.

8.4.4 Other market risks

Refinancing in the same currency and the use of FX derivatives serves to effectively eliminate foreign exchange risks for the Group. Consequently, under the Capital Requirements Regulation, as at 30 June 2022 the Group was not subject to the minimum capital requirement for foreign exchange positions, as the total position for the Group as a whole was less than 2% of eligible capital.

The residual foreign exchange risk for all open currency positions is regularly measured and monitored, using a VaR approach based on foreign currency fluctuations over time.

The Group does not engage in any business that requires it to maintain a large trading book as defined by the CRR. It maintains a small trading book in accordance with Article 94 CRR, and the volume of business is limited in line with that Article. Daily observation is performed by the Strategic Risk Management Department. During the first half of 2022 there were no instances of positioning in the small trading book.

Basis risks in hedge accounting arise from the use of different discount curves for hedging instruments and underlyings, as well as from the requirement to recognise the foreign currency basis in the hedging instrument without recognising the basis in the measurement of the underlying. Basis risks arising from differing discount curves are in principle purely valuation risks that arise from current market practice with respect to valuation in hedge accounting. Cash-collateralised derivatives are discounted using the risk-free interest curve. Collateralised underlyings are discounted using the Interbank Offered Rate (IBOR) interest curve, which includes the interbank liquidity spread as well as the risk-free rate. FX basis risks arise when the FX basis components in the hedged underlying do not qualify for hedge accounting, but are included in the valuation of the hedge instrument. In economic terms, no risk arises over the entire term of such FX hedges as the periodic effects on earnings completely cancel each other out.

When calculating the fair value of derivative instruments, the CVA for counterparty risk and the debt valuation adjustment (DVA) for the Bank's own credit risk must be taken into account. The CVA is calculated using customary methods (expected exposure arrived at by means of a Monte Carlo simulation, and probability of default according to CDS curves). Global CDS curves are applied according to rating and sector. The effects of the CVA and DVA are recognised in consolidated profit or loss. These effects are regularly analysed.

8.5 Liquidity risk

Liquidity risk is defined as the danger that the HYPO NOE Group will be unable to meet its present and future payment obligations in full and on time, or may only be able to do so at prohibitive cost.

The HYPO NOE Group distinguishes between intraday liquidity risk management, operational liquidity management (up to one year), and planning and implementation of the medium-to-long-term refinancing strategy (structural liquidity risk).

8.5.1 Strategic liquidity risk management targets

The liquidity risk management function identifies, analyses and manages the HYPO NOE Group's liquidity risk position, with a view to maintaining sufficient, cost-effective liquidity coverage at all times.

This gives rise to the following fundamental objectives of the Group's liquidity risk management:

- Maintenance of a sufficient liquidity buffer, based on suitable stress tests and limit systems, to maintain solvency at all times
- Optimisation of the refinancing structure with respect to risk tolerance, maturity transformation and costs
- Comprehensive planning of the medium-to-long-term refinancing strategy
- Coordination of issuance activity on the money and capital markets
- Risk and cost-reflective pricing
- Compliance with statutory regulations and legal frameworks

These objectives define the core elements of the Group's liquidity risk management set-up, namely:

- The identification and regular assessment of liquidity risks
- The selection of, and regular review of the suitability of models and processes for measuring identified liquidity risks
- Quantification of liquidity risk on the basis of the established processes
- Identifying and implementing legislation and regulatory frameworks
- Determining Management's risk appetite/tolerance
- Maintenance of an appropriate liquidity buffer at all times

- Reasonable limitation and monitoring of liquidity risk on the basis of the specified risk tolerance
- Goal-driven reporting
- Existence of emergency plans and processes, and regular reviews to ensure that they are up to date and appropriate
- Efficient and timely management of operational liquidity
- Approval and monitoring of the implementation of the medium-to-long-term refinancing strategy
- Employment of processes and procedures designed to ensure the risk-reflective allocation of liquidity costs

8.5.2 Implementation of liquidity risk management

Day-to-day liquidity requirements are monitored and managed on the basis of daily reports prepared by the Strategic Risk Management Department.

The department compiles comprehensive monthly liquidity risk reports to assist in the analysis and control of operational and structural liquidity, and monitoring of compliance with the liquidity risk limits. These reports describe and analyse operational liquidity risk over a period of 12 months according to a normal scenario (volatility scenario), as well as three stress scenarios (name crisis, market crisis and combined crisis), and the structural liquidity risk inherent in the normal scenario. In addition, the Management Board receives comprehensive monthly progress reports on the liquidity position, incorporating planning assumptions and key liquidity risk indicators, as well as information on the current liquidity situation. The Management Board also receives regular reports on the liquidity position and limit utilisation from the ALM Committee and RICO.

The HYPO NOE Group's operational liquidity capacity is evaluated and monitored on a monthly basis in terms of the length of time that the Bank is able to survive ("time to wall"). The net cash outflows in the normal scenario and the three stress scenarios are compared with the relevant available liquidity reserve, and the point in time when the liquidity reserve will no longer be sufficient to cover the net cash outflows is calculated.

With a limit of eight weeks (or 12 weeks in the case of an early warning), the HYPO NOE Group's time to wall as at 30 June 2022 was robust, at over 52 weeks (31 Dec. 2021: over 52 weeks). Alongside time to wall, the regulatory liquidity coverage ratio (LCR) is an important operational liquidity control metric. The LCR is reported on a monthly basis and is integral to the Group's operational liquidity management and the planning processes. The LCR reported to the regulator was 322.89% as at 30 June 2022 (31 Dec. 2021: 202.45%). Additionally, movements in deposits are monitored on a daily basis, with negative deviations from the budget limited by means of an indicator.

Besides the economic capital and structural funding ratio indicators, as well as a maximum annual gap defined in accordance with the Group's risk appetite, the regulatory net stable funding ratio (NSFR) is also measured and managed as a lever of structural liquidity risk. The NSFR in accordance with the CRR II was 127.96% as at the end of the reporting period (31 Dec. 2021: 120.40%)

Besides various internal limits, there are early warning indicators, designed to identify impending critical liquidity situations as early as possible, so that the Bank can take timely countermeasures.

Current liquidity risk situation

The HYPO NOE Group is in a strong position in terms of its refinancing options. It draws its liquidity from conventional capital market transactions and deposits, as well as standard repo transactions – at present, these are tenders under the ECB's TLTRO programme. Transactions with development banks are another source of refinancing.

The Group continued its capital issuance programme – a long-running success story – in the first half of 2022. A total of EUR 1bn in newly issued debt was taken up, made up of a EUR 500m green senior preferred benchmark bond issue and a EUR 500m mortgage-backed covered bond.

The Group's liquidity position is solid. The refinancing mix adopted, comprising current account and savings account deposits, fixed-term deposits from institutional customers, TLTRO tenders with the ECB and capital issues, will safeguard this strong position over the long term. This broad-based refinancing portfolio is supplemented by sufficient marketable securities.

Throughout the period under review, the regulatory indicators designed to limit liquidity risk – the Basel III indicators, LCR, NSFR and additional liquidity monitoring metrics (AMM) – were calculated on the basis of the published standards and reported to the Austrian regulator. Where applicable, the minimum regulatory requirements were observed. In future, compliance with the statutory regulations in day-to-day operations will be underpinned by the integration of the requirements with the internal liquidity risk management and planning processes, together with strict internal targets and the operational control processes already in place.

The primary instruments used by the HYPO NOE Group to manage and cover short-term maturities are its available liquidity reserve, cash reserves and overnight investments. The Group draws a distinction between high-quality, highly liquid assets (HQLA) and other ECB or GC Pooling repoable collateral. Strategic liquidity is mainly generated by means of OeNB tenders and GC Pooling repos. As a result of participation in the ECB's TLTRO III programme, a significant portion of the liquidity reserve has been converted into demand deposits at the OeNB.

8.6 Operational risk

Operational risk is the danger of losses arising directly or indirectly from the inadequacy or failure of internal processes or systems, human error or external events. In each category of operational risk, legal risks can result in losses. This is because in every category the HYPO NOE Group can be exposed to claims or legal proceedings arising from alleged breaches of contractual, statutory or regulatory requirements. Information and communication technology (ICT) risk and reputational risk are closely related to operational risk. However, business risks do not form part of operational risk.

The HYPO NOE Group has implemented a consistent Group-wide system of controls in order to manage operational risks. The following methods are used to identify, evaluate and mitigate operational risks:

- Continuous recording of operational risk events, including the development of countermeasures designed to recognise such events at an early stage or avert similar events in future, as well as regular reporting to the Management Board
- Ongoing monitoring of the implementation of such measures up to completion, and submission of quarterly status reports to the Management Board
- Forward-looking monitoring of the operational risk profile using key risk indicators
- Evaluation of factors that could alter the risk profile, such as the introduction of new products or outsourcing activities
- Ongoing adaptation of and improvements to internal guidelines
- Management of business interruption risks by means of emergency plans embedded in the business continuity management (BCM) system
- Strict adherence to the four-eye management principle so as to reduce the likelihood of the occurrence of risk events
- In-service training as part of staff development
- Insurance against various risks

There is also an emphasis on continuously improving the effectiveness and efficiency of operational risk management processes. The operation and continuous improvement of an effective internal control system (ICS) is aimed at reducing the likelihood of operational risk events and minimising their impact. Risks are systematically identified and assessed, controls agreed and developed, and where necessary key processes adapted.

Current operational risk situation

During the reporting period, all operational risk events were recorded in a central database. Improvements are seen as crucial to controlling operational risk: they were consistently formulated and implemented when operational risk events and near-miss incidents occurred.

The early-warning and key risk indicators yielded satisfactory results.

The ICS was updated in the course of the annual review. Consideration of the implications of heavy reliance on working from home due to Covid-19 was included.

The risk content of new products was routinely surveyed using a standard evaluation tool which is built into the product launch process.

Due to the Group's digitalisation efforts as well as the applicable regulatory requirements, ICT risk has become a major consideration. It is addressed by the Organisation & IT Department in cooperation with Strategic Risk Management. Work is proceeding on the identification, assessment, mitigation and documentation of ICT risks using a specialised tool. The emphasis is on the following three sources of risk: the ARZ computer centre, in its capacity as the developer and operator of the core banking system; HYPO NOE Landesbank, its employees and processes, as well as the IT systems and applications developed by it; and third parties to which ICT services are outsourced. The OeNB carried out an audit of ICT security at the HYPO NOE Group and the Allgemeines Rechenzentrum. The Group and ARZ have launched a project aimed at addressing the audit findings and rectifying any shortcomings.

8.7 Reputational risk

The HYPO NOE Group attaches great importance to limiting and managing reputational risk, and it is therefore treated as a separate risk category. Great care is taken to avoid potential harm to the reputation of the HYPO NOE Group when taking business decisions, and a process for evaluating reputational risk is in place.

Reputational risk is the danger of direct or indirect damage to the Group's good name, and the opportunity costs that this would entail. Such damage can compromise the Group's standing and undermine the trust of its stakeholders, including customers, investors, employees, business partners and the community. It may arise from a failure to live up to these stakeholders' expectations.

In the Group's view, effective business processes, coupled with sound risk monitoring and management are the means of meeting those expectations. The Group's code of conduct outlines the common values and principles shared by its employees. The HYPO NOE Group also avoids business policies and transactions associated with particularly acute legal or tax risks, or with substantial environmental risks. The Group's lending is subject to clear ethical guidelines and business principles, which are geared towards strict conformity with a holistic environmental and social sustainability approach. In this way, the Bank ensures that loans are only extended for purposes that are compatible with its philosophy and sustainability strategy. The ethics guidelines and business principles comprise exclusion criteria, while the principle of prudence is strictly applied to financing for environmentally and socially sensitive sectors. These guidelines and principles form the basis for initiating new business across the Group. These criteria are also explicitly referred to by a reputational risk questionnaire that forms part of loan applications.

The independent ombudsman deals quickly and efficiently with customers' concerns (such as complaints and misunderstandings), and seeks to find satisfactory solutions in consultation with them. Besides meeting the statutory requirements, the goal is to improve customer relationships and mitigate reputational risk.

8.8 Other risks

The following types of risk are classified as "other risks":

- Business risk (the danger of loss resulting from a deterioration in the economic environment or in the HYPO NOE Group's business relationships)
- Strategic risk (the danger of losses arising from decisions on the Group's basic focus and business development)
- Macroeconomic risk (potential losses resulting from exposure to macroeconomic risk factors)
- Concentration risk – encompassing various types of risk (potential adverse consequences of the concentration of, or interplay between similar or differing risk factors or types of risk)
- Leverage risk (any threat to the Bank's stability arising from its actual or potential indebtedness)
- Real estate price risk (potential losses due to downturns in property prices and the resultant adverse effect on the fair value of a property)
- Model risk (potential losses arising from the consequences of decisions that stem from internal approaches, and which are attributable to errors in the development, implementation and application of such approaches)
- Outsourcing/insourcing risk (risks connected with the outsourcing or insourcing of banking operations)
- Data protection risk (risks arising from data processing that could lead to physical, tangible or intangible damage)
- Securities risk arising in connection with the Austrian *Wertpapieraufsichtsgesetz* (Securities Supervision Act), i.e. risks arising from the provision of securities-related services

The Group identifies and monitors such potential risks, and uses equity to hedge them, responding to negative changes at an early stage.

8.9 Sustainability risks

In line with the recommendations of the FMA Guide for Handling Sustainability Risks, when drawing up its risk inventory the HYPO NOE Group has incorporated sustainability risks in the existing main risk categories of its risk map as sub-categories (effect on existing types of risk). The risk manuals and strategies have been revised accordingly.

Sustainability risks are limited and managed when approving new lending and by means of regular reviews based on inclusion and exclusion criteria, as well as by defining environmentally and socially sensitive sectors where the Bank has a greater duty of care. From 1 July 2022, these measures will be backed up by the introduction of an ESG questionnaire, and by taking ESG indicators into account (corruption index and rule of law indicators) in the assessment of country ratings.

Other steps taken to monitor sustainability risks include the integration of climate-related risks into stress tests; evaluation of the lending portfolio relative to industries that produce substantial CO_2 emissions based on a heat map and associated potential transitory risks; regular assessment of ethics guidelines and business principles; and the Group's planned participation in an OeKB platform which will provide ESG-related data on borrowers in the future.

The focus on environmental, social and governance factors in the HYPO NOE Group's organisational structure has been gradually strengthened through the establishment of a Sustainability Committee, and by defining responsibilities in relation to ESG matters. In addition, the Group has implemented a regulatory monitoring tool in order to keep track of regulatory developments connected with sustainability. There are also ongoing interbank information exchanges between members of ARZ, aimed at creating synergies by boosting efficiency and minimising costs through joint implementation of software in the core banking system.

Potential sustainability risks within the individual risk categories are evaluated in detail. The results of this assessment will subsequently be reflected in the Group's strategic risk objectives, and its operational business and risk management processes.

8.10 Risk buffer

To deal with unquantified risks which the risk inventory has determined should be given equity cover when the risk-bearing capacity is computed, the Group maintains a risk buffer which is calculated on the basis of the quantified risks. The risk buffer is treated as an exposure class forming part of the Bank's aggregate risk in the total risk-bearing capacity calculation, and is broken down into model risk, reputational risk and other non-quantified risks. The more sophisticated and accurate risk measurement processes are, and the smaller the share of the non-quantified risks they include, the smaller the capital buffer can be.

8.11 Latent legal risks

It is standard practice to recognise provisions for litigation in which the outcome or any potential losses can be reliably predicted. In such cases, provisions are recognised at a level deemed appropriate in the circumstances, and in accordance with the applicable accounting principles.

"Unutilised facilities" includes both unused loan facilities and revolving borrowing facilities (e.g. overdraft facilities) where there is a strong probability that the unused credit facilities will be used within a contractually specified period. By contrast, credit lines can be used at any time, implying a higher degree of uncertainty with regard to utilisation and the maturity date. The amounts disclosed for unutilised credit facilities include amounts listed in Note 9.2 Disclosures on related-party relationships.

EUR '000	30 Jun. 2022	31 Dec. 2021
Unutilised facilities	1,552,591	1,652,535

9 GROUP STRUCTURE AND RELATED-PARTY RELATIONSHIPS

9.1 Scope of consolidation

The scope of consolidation of the HYPO NOE Group includes all subsidiaries that are directly or indirectly controlled by the parent and are material to the presentation of the Group's assets, finances and earnings. The scope of consolidation is reviewed on an ongoing basis. Besides the parent, HYPO NOE Landesbank für Niederösterreich und Wien AG, the Group comprises 55 Austrian subsidiaries (31 Dec. 2021: 55) in which the parent meets the criteria for control as specified by IFRS 10. A total of 13 companies are accounted for using the equity method (31 Dec. 2021: 12).

Significant accounting policies

Where voting rights are seen as conclusive in judging whether control exists, the HYPO NOE Group is normally assumed to control an investee if it directly or indirectly holds or controls more than half of the voting rights. Besides voting rights, other rights and de facto circumstances are taken into account. Where the Group does not control a majority of the voting rights but has the practical ability to direct relevant activities, the Group is also assumed to control the entity concerned.

All material intra-Group transactions are eliminated on consolidation. The HYPO NOE Group does not apply proportionate consolidation, as it does not hold interests in joint operations.

Joint ventures (IFRS 11) and associates (IAS 28) are accounted for using the equity method. The first step towards determining whether there is joint control is to ascertain who exercises power over the relevant activities. Joint control exists if such power is exercised by two or more parties on a contractual basis. Associates are entities over which the HYPO NOE Group directly or indirectly has significant influence. Significant influence over an entity usually exists if the Group holds at least 20% of the voting rights. Besides the extent of the voting rights, the Group also takes account of other factors which indicate that significant influence is exercised. These include representation of the Bank on the management or supervisory bodies of the investee, or participation in key decisions. In such cases, the question as to whether there is significant influence is also considered even if the Group holds less than 20% of the voting rights.

30 Jun. 2022, EUR '000	Domicile	Interest	of which indirect	Carrying amount	Profit or loss from continuing operations	Segment/ Corporate Center	Reporting date
Joint ventures				**7,357**	**571**		
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	50.00%	50.00%	72	-3	Public Sector	30 Jun. 2022
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG	St. Pölten	50.00%	50.00%	715	3	Public Sector	30 Jun. 2022
Niederösterreichische Vorsorgekasse AG	St. Pölten	49.00%	-	5,924	347	Treasury & ALM	30 Jun. 2022
PPP Campus AM + SEEA GmbH	St. Pölten	50.00%	50.00%	14	-1	Public Sector	30 Jun. 2022
PPP Campus AM + SEEA GmbH & Co KG	St. Pölten	50.00%	50.00%	619	226	Public Sector	30 Jun. 2022
PPP Campus RAP + LGG GmbH	St. Pölten	45.00%	45.00%	13	-1	Public Sector	30 Jun. 2022
PPP Campus RAP + LGG GmbH & Co KG	St. Pölten	45.00%	45.00%	-	-	Public Sector	30 Jun. 2022
Associates				**28,362**	**656**		
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	48.00%	-	2,247	90	Real Estate	30 Jun. 2022
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Korneuburg	32.50%	-	2,749	553	Public Sector	30 Jun. 2022
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	45.41%	45.41%	638	1	Public Sector	30 Jun. 2022
NÖ. Landeshauptstadt - Planungsgesellschaft m.b.H.	St. Pölten	39.00%	39.00%	1,852	5	Public Sector	30 Jun. 2022
NOE Immobilien Development GmbH*	St. Pölten	48.00%	48.00%	19,406	7	Real Estate	31 Mar. 2022
VIVITliving GmbH	St. Pölten	24.50%	24.50%	1,470	-	Real Estate	Formation
Total				**35,719**	**1,227**		

*In accordance with paragraph 34 IAS 28, adjustments were made for the effects of significant transactions or other events that occurred between this reporting date and 31 March 2022.

31 Dec. 2021, EUR '000	Domicile	Interest	of which indirect	Carrying amount	Profit or loss from continuing operations, H1 2021	Segment/ Corporate Center	Reporting date
Joint ventures				**6,786**	**444**		
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	50.00%	50.00%	74	-3	Public Sector	31 Dec. 2021
Viminal Grundstückverwaltungs Gesellschaft m.b.H. (under liquidation)	Vienna	-	-	-	-3	Public Sector	Liquidated
NÖ. HYPO Leasing und Raiffeisen-Immobilien-Leasing Traisenhaus GesmbH & Co OG	St. Pölten	50.00%	50.00%	712	-4	Public Sector	31 Dec. 2021
Niederösterreichische Vorsorgekasse AG	St. Pölten	49.00%	-	5,577	470	Treasury & ALM	31 Dec. 2021
PPP Campus AM + SEEA GmbH	St. Pölten	50.00%	50.00%	15	-1	Public Sector	31 Dec. 2021
PPP Campus AM + SEEA GmbH & Co KG	St. Pölten	50.00%	50.00%	393	-	Public Sector	31 Dec. 2021
PPP Campus RAP + LGG GmbH	St. Pölten	45.00%	45.00%	14	-2	Public Sector	31 Dec. 2021
Associates				**26,905**	**1,200**		
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	48.00%	-	2,157	-68	Real Estate	31 Dec. 2021
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Korneuburg	32.50%	-	2,865	447	Public Sector	31 Dec. 2021
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	45.41%	45.41%	638	2	Public Sector	31 Dec. 2021
NÖ. Landeshauptstadt - Planungsgesellschaft m.b.H.	St. Pölten	39.00%	39.00%	1,846	1,084	Public Sector	31 Dec. 2021
NOE Immobilien Development GmbH*	St. Pölten	48.00%	48.00%	19,399	-264	Real Estate	30 Sep. 2021
Total				**33,692**	**1,644**		

*In accordance with paragraph 34 IAS 28, adjustments were made for the effects of significant transactions or other events that occurred between this reporting date and 31 December 2021.

9.2 Disclosures on related-party relationships

Estimation uncertainties and judgements

The transfer prices between the HYPO NOE Group and related parties are arm's length prices. The State of Lower Austria's guarantees of loans and advances extended to third parties by HYPO NOE Landesbank (see table below) are also all concluded on market terms.

30 Jun. 2022 EUR ’000 Open balances	Parent companies	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties	Identified staff
Selected financial assets	**2,344,358**	**121,910**	**434,706**	**12,302**	**6,054**	**1,874**
Equity instruments	-	89	28,362	7,357	297	-
Bonds	30,800	-	-	-	-	-
Loans	2,313,559	121,821	406,345	4,945	5,756	1,874
Selected financial liabilities	**252,296**	**170**	**55,257**	**668**	**5,626**	**2,329**
Deposits	252,296	170	55,257	668	5,626	2,329
Nominal value of loan commitments, financial guarantee contracts and other commitments	**707,708**	**42,799**	**13,421**	**2,488**	**6,014**	**228**
Loan commitments, financial guarantees and other commitments received	**2,818,776**	**-**	**-**	**-**	**-**	**-**
Nominal value of derivatives	**776,132**	**85,000**	**-**	**-**	**-**	**-**
Current period						
Interest income	21,725	1,020	3,967	178	33	4
Interest expense	-6,334	-	-3	-	-1	-1
Dividend income	-	-	670	-	-	-
Fee and commission income	349	1	96	9	12	-
Fee and commission expense	-	-	-	-	-	-

31 Dec. 2021 EUR ’000 Open balances						
Selected financial assets	**2,343,585**	**120,568**	**461,583**	**11,840**	**6,308**	**2,422**
Equity instruments	-	89	26,905	6,787	325	-
Bonds	32,658	-	-	-	-	-
Loans	2,310,927	120,479	434,678	5,054	5,983	2,422
Selected financial liabilities	**185,068**	**96**	**67,792**	**993**	**19,086**	**2,585**
Deposits	185,068	96	67,792	993	19,086	2,585
Nominal value of loan commitments, financial guarantee contracts and other commitments	**795,784**	**34,011**	**10,892**	**2,404**	**5,828**	**265**
Loan commitments, financial guarantees and other commitments received	**177,665**	**-**	**-**	**-**	**-**	**-**
Nominal value of derivatives	**941,294**	**85,000**	**-**	**-**	**-**	**-**
Current period						
Interest income	42,028	2,054	7,816	94	66	3
Interest expense	-14,313	-	-25	-1	-2	-2
Dividend income	-	-	619	-	80	-
Fee and commission income	2,583	1	241	20	19	12
Fee and commission expense	-	-	-	-	-1	-6

10 EVENTS AFTER THE REPORTING PERIOD

There have been no material events since the end of the reporting period.

DECLARATION BY THE COMPANY'S LEGAL REPRESENTATIVES

We hereby confirm that, to the best of our knowledge, the condensed 2022 interim consolidated financial statements of the HYPO NOE Group give a true and fair view of the Group's assets, finances and earnings as required by the applicable accounting standards, and that the Group interim operational and financial review gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim consolidated financial statements, and of the principal risks and uncertainties to which the Group will be exposed during the remaining six months of the financial year.

IAS 34 was applied in the preparation of the condensed 2022 interim consolidated financial statements. Essentially the same accounting policies were applied as to the financial statements for the year ended 31 December 2021.

St. Pölten, 9 August 2022
The Management Board

Wolfgang Viehauser
Management Board Member Markets and Speaker of the Board

responsible for

Sales Strategy, Digitalisation & Retail Banking, Marketing & Communication, Public Sector, Corporate Customers, Real Estate and Treasury & ALM; press spokesman

Udo Birkner
Management Board Member Finance, Risk & Operations

responsible for

Group General Secretariat, Human Resources & Law, Compliance, AML & Regulatory, Finance, Risk, Operations/Organisation & IT, and Internal Audit

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Important information

The greatest possible care has been taken in preparing this semi-annual financial report. However, transmission, typesetting and printing errors cannot be ruled out. Minor rounding differences may occur in connection with totals of rounded amounts and percentages.

The forecasts and forward-looking statements contained in this interim report are based on current estimates and information available at the time of writing. They should not be taken as a guarantee that results expressed in forecasts and forward-looking statements will actually occur; actual results are subject to risks and other factors, and could therefore differ materially from results contained in forecasts or forward-looking statements. The Group is not obliged to update its forecasts and forward-looking statements.

The German version of this report is definitive. The English version is a translation of the German report.