

HYPO NOE Group with solid earnings in the first half of 2022

Highlights H1 2022

- Decrease in profit before tax to EUR 25.5m (H1 2021: EUR 34.0m)
- Robust core earnings - net interest income and net fee and commission income - in spite of challenging operating environment with only slight decline to EUR 77.4m (down -2.8% on H1 2021)
- Higher contribution to the resolution fund impacts administrative expenses (+3.8% vs. H1 2021), CIR in the first half at 53.44% nearly at the level of the previous year (H1 2021: 53.13%)
- NPL ratio as at 30 June 2022 remains low at 0.87% (31 Dec. 2021: 0.85%), risk provisions (ECL) in the performing loan portfolio at a solid 129 bps as a proportion of RWA
- Increase in CET1 ratio to 19.41% (pro forma figure incl. interim result: 19.95%) as at 30 June 2022

Core earnings continue to be robust

On 11 August 2022, HYPO NOE Group reported solid results for the first half of 2022. After EUR 34.0m in H1 2021, **profit before tax** fell by 24.9% to EUR 25.5m in the reporting period. **Core earnings** showed only a slight decline by 2.8% to EUR 77.4m (H1 2021: EUR 79.7m) despite a challenging market environment.

Despite the uncertain economic situation and a no less challenging operating environment, we can look back on a good business development for the first half of 2022, as in the past two pandemic years. Robust core earnings once again formed the solid basis. We will therefore continue to implement our successful "Focus 25" strategy as planned.

Wolfgang Viehauser

Management Board Member Markets and Speaker of the Board

Compared to H1 2021, **net interest income** declined by 2.8% to EUR 67.9m, while **net fee and commission income** fell by 2.9% to EUR 9.5m. Due to a significant increase in allocations to the resolution and deposit guarantee fund year-on-year, **administrative expenses** increased by 3.8% to EUR 59.2m (H1 2021: EUR 57.0m). However, **operating expenses** were further reduced by 0.7% to EUR 47.4m (H1 2021: EUR 47.7m).

The **cost/income ratio**¹ (CIR) remained with most recently 53.44% almost at the same level as the previous year's period (H1 2021: 53.12%), while the **net result** declined from EUR 25.8m in H1 2021 to EUR 19.1m. However, compared to the average half-year results of EUR 18.4m for both comparison periods 2020 and 2021, which were affected by Covid-19, there is an increase of 3.7% in the first half of 2022.

Continuation of prudent provisioning policy

In the reporting period **net gains on risk provisions** (ECL) amounted to EUR 2.6m (H1 2021: EUR 3.8m), whereby indirect Ukraine effects and supply chain challenges were introduced as a model for the formation of risk provisions compared to 31 December 2021. ECL provisions in the performing loan portfolio (Stage 1 and 2) at the end of the first half of 2022 totaled EUR 48.2m, representing in relation to risk-weighted assets (RWA) a very solid 129 bps (31 Dec. 2021: EUR 51.7m and 138 bps, respectively).

Our risk-conscious business model has once again proven to be particularly resilient. Increasingly robust capitalisation and excellent asset quality without direct exposures in Russia, Belarus or Ukraine are an expression of our prudent risk policy, which we continue to pursue with determination.

Udo Birkner

Management Board Member Finance, Risk & Operations

Resilient capital and risk profile

HYPO NOE Group once again reported a strong **Common Equity Tier 1 (CET1) ratio** of 19.41% at the end of the period under review. Adjusted for first-half earnings and an accrual for regulatory costs, which are to be recognised in full at the start of the year, the pro forma figure for the Group's CET1 ratio is even higher at 19.95% (31 Dec. 2021: 19.35%).

As a result of systematic intensive care management efforts, as well as its low-risk business model - with a focus on infrastructure and housing finance - the Group's **non-performing loan (NPL) ratio** remains stable at a low level of 0.87% at the end of the first half of 2022 slightly up from year-end (31 Dec. 2021: 0.85%). The **NPL coverage ratio** remained at a high level of 89.0% as at 30 June 2022 (31 December 2021: 88.8%).

¹ Operating expenses/operating income

Refinancing for 2022 already largely covered

The liabilities side of the balance sheet was characterised by slightly lower **Financial liabilities - AC** as at mid-year (EUR 14.8bn: -1.0% vs. 31 December 2021). At the same time, as at 30 June 2022 customer deposits (excl. TLTRO III) stood at a solid EUR 4.9bn (+0.3% vs. 31 December 2021) further expanding their share versus debt securities issued to 33.5% (31 December 2021: 33.1%). Thanks to continued high investor demand, the two bonds issued so far this year - a green senior preferred and a mortgage covered benchmark bond - together already cover a substantial portion of HYPO NOE Landesbank's overall refinancing needs for 2022.

Outlook

Despite the additional challenges in the first half of 2022, HYPO NOE Group once again posted solid results. Once again, the business model with its focus on low-risk infrastructure and residential housing proved its worth. Despite significant economic uncertainties, and in particular the now rather subdued macroeconomic forecasts for Austria and Germany - the Group's core markets - the business is expected to continue to perform sturdily over the remainder of the year.

Depending on the development of the lending business in the further course of the year, the focus of any capital markets refinancing in the second half of the year will be in the area of a possible first issue under the unified new Pfandbrief Act. The objective remains to maintain the high deposit levels built up over the last reporting periods at a solid level.

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

The complete Semi-Annual Financial Report 2022 is available to download at ir.hyponoe.at/en.

HYPO NOE Landesbank für Niederösterreich und Wien AG

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks¹, and has served as a dependable commercial bank, stable state bank and specialist mortgage bank for more than 130 years. Based on the foundations of its strong position in the capital region of Lower Austria and Vienna, the Bank operates primarily in Austria and Germany, as well as in selected markets in the European Union.

For further information, please contact the Investor Relations team:

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¹In terms of total assets (2021 consolidated financial statements) and foundation dates