

RESULTS ANNOUNCEMENT FOR THE THREE
QUARTERS ENDED **30 September 2022**



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	Q1-Q3 2022	Q1-Q3 2021
Net interest income	106,261	105,572
Administrative expenses	-80,523	-77,041
Impairment losses on financial assets – IFRS 9 ECL	-957	-118
Profit before tax	42,423	48,879
Income tax expense	-10,498	-11,729
Profit for the period	31,925	37,150
Return on equity before tax	7.45%	9.00%
Cost/income ratio	52.59%	52.04%
Consolidated statement of financial position	30 Sep. 2022	31 Dec. 2021
Total assets	16,375,598	16,763,250
Financial assets – AC	13,758,266	14,053,484
Financial liabilities – AC	14,577,924	14,920,835
Equity (incl. non-controlling interests)	776,215	747,344
Non-performing loan ratio	0.84%	0.85%
Regulatory indicators	30 Sep. 2022	31 Dec. 2021
Eligible Tier 1 capital	725,249	729,622
Total eligible capital	725,249	729,622
Minimum capital requirement (Pillar I)	307,213	301,609
Excess equity	418,036	428,013
Total risk exposure amount in accordance with Art. 92(3) CRR	3,840,163	3,770,117
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	18.89%	19.35%
Total capital ratio in accordance with Art. 92(2)(c) CRR	18.89%	19.35%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.46%	4.88%
Liquidity coverage ratio	351.31%	202.45%
Operational resources	30 Sep. 2022	31 Dec. 2021
Employees	629	630
Branches	27	27

The intrayear indicators are annualised on a daily basis.

COMPANY PROFILE

Profile of the HYPO NOE Group

This HYPO NOE Group quarterly results announcement 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 Austrian state mortgage bank¹, and has been a reliable commercial bank, stable state bank and specialist mortgage lender for over 130 years. The Bank operates primarily in Austria and Germany, as well as in selected markets elsewhere in the European Union, using its strong position in Lower Austria and Vienna as a springboard.

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.

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 unchanged at Aa1.

HYPO NOE Landesbank is backed by a stable and reliable sole owner in the shape of Austria's largest federal 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.

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

FINANCIAL REVIEW

- Robust core earnings despite the challenging operating environment in “Net interest income” as well as in “Net fee and commission income”
- “Profit before tax” at a solid level of EUR 42.4m
- CIR of 52.59% as at 30 September 2022
- NPL ratio of 0.84% at the end of the period under review
- CET1 ratio at 18.89% as at 30 September 2022; if applied, the pro forma ratio at 19,7%, i.e. including the interim result, would be higher than the CET1 ratio of 19.35% reported at 31 December 2021.

In the first nine months of 2022, the HYPO NOE Group recorded “Profit before tax” of EUR 42.4m and a return on equity (ROE) before tax of 7.45%. The Group has made further progress in implementing its FOKUS25 strategy, which is geared towards 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.

In spite of the difficult operating conditions “Net interest income” shows a good result and “Net fee and commission income” remained largely stable.

“Administrative expenses” went up to EUR 80.5m, compared with EUR 77.0m in the same period a year earlier. This was mainly due to the EUR 2.9m year-on-year increase in the contribution to the resolution fund. Adjusted for this and other one-time effects, the CIR remained close to the level reported in the first nine months of 2021, at 52.59%.

Risk provisions in the performing loan portfolio (Stages 1 and 2) amounted to EUR 44.3m as at 30 September 2022, while total risk provisions (Stages 1-3) fell to EUR 84.7m.

The shift in the ECB’s interest rate strategy has led to sharp falls in the basis adjustments on hedging relationships and derivatives, resulting in a decline in this item. The key component on the equity and liabilities side of the balance sheet as at 30 September 2022 was “Financial liabilities – AC”, which remained high at EUR 14.6bn. 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. Meanwhile, the Group once again underscored its issuing capacity with the placement of three benchmark bonds.

The HYPO NOE Group’s Common Equity Tier 1 (CET1) ratio continued to hold steady, coming in at 18.89% as at 30 September 2022. Adjusted for earnings in the first three quarters of 2022 and the prorating of regulatory costs, which were required to be recognised in full at the start of the year, the pro forma CET1 ratio at 19,7% was higher year on year, in spite of the increase in risk-weighted assets (RWA).

The HYPO NOE Group’s statement of financial position as at the end of the third quarter stood out for the excellent quality of assets, coupled with the Group’s strong capitalisation and robust liquidity position. The non-performing loan (NPL) ratio remained low as at the reporting date, at 0.84%. Systematic, proactive intensive care management, in tandem with risk-aware lending focused on the Group’s core competences, laid the foundations for this strong performance.

STATEMENT OF PROFIT OR LOSS

Gains/losses

EUR '000	Q1-Q3 2022	Q1-Q3 2021
Interest and similar income measured using the effective interest method	191,174	190,553
Interest and similar income not measured using the effective interest method	114,701	135,180
Interest and similar expense	-199,614	-220,219
Dividend income	-	58
Net interest income	106,261	105,572
Fee and commission income	14,737	15,943
Fee and commission expense	-1,366	-2,136
Net fee and commission income	13,371	13,807
Net measurement gains or losses	-5,654	3,083
Net gains on derecognition of financial assets	71	-
Net gains or losses on financial assets and liabilities	-5,583	3,083
Other operating income	15,585	13,359
Other operating expense	-6,160	-11,747
Administrative expenses	-80,523	-77,041
Impairment losses on financial assets – IFRS 9 ECL	-957	-118
Net gains on investments accounted for using the equity method	430	1,965
Profit before tax	42,423	48,879
Income tax expense	-10,498	-11,729
Profit for the period	31,925	37,150
Non-controlling interests	-337	-91
Profit attributable to owners of the parent	31,589	37,059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR '000	30 Sep. 2022	31 Dec. 2021
Cash and balances at central banks	1,567,775	1,409,248
Financial assets – HFT	157,241	310,574
Financial assets – mandatorily FVTPL	126,862	149,504
Financial assets – FVOCI	237,243	370,575
Financial assets – AC	13,758,266	14,053,484
Positive fair value of hedges (hedge accounting)	368,495	302,262
Investments accounted for using the equity method	34,342	33,692
Investment property	24,589	33,518
Intangible assets	180	197
Property, plant and equipment	64,152	65,942
Current tax assets	17,472	15,999
Deferred tax assets	314	352
Other assets	18,667	17,904
Total assets	16,375,598	16,763,250

Liabilities

EUR '000	30 Sep. 2022	31 Dec. 2021
Financial liabilities – HFT	140,545	289,887
Financial liabilities – FVO	5,365	6,061
Financial liabilities – AC	14,577,924	14,920,835
Negative fair value of hedges (hedge accounting)	671,251	615,675
Provisions	76,276	76,862
Current tax liabilities	13,057	5,809
Deferred tax liabilities	19,918	22,297
Other liabilities	95,046	78,481
Equity	776,215	747,344
Equity attributable to owners of the parent	767,377	738,842
Non-controlling interests	8,838	8,501
Total equity and liabilities	16,375,598	16,763,250

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 Sep. 2022 EUR '000	1 Jan. 2022	Profit for the period	Reversals	Dividends paid	Other comprehen- sive income	Other changes	30 Sep. 2022
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-	191,824
Retained earnings	490,427	31,589	-61	-3,500	-	-	518,454
Other reserves composed of:	4,610	-	61	-	447	-	5,119
Actuarial gains and losses	-3,694	-	-	-	3,219	-	-475
Debt instruments – FVOCI	7,903	-	-	-	-2,767	-	5,135
Equity instruments – FVOCI	401	-	61	-	-5	-	458
Equity attributable to owners of the parent	738,842	31,589	-	-3,500	447	-	767,377
Non-controlling interests	8,501	337	-	-	-	-	8,838
Equity	747,344	31,925	-	-3,500	447	-	776,215

30 Sep. 2021 EUR '000	1 Jan. 2021	Profit for the period	Reversals	Dividends paid	Other comprehen- sive income	Other changes	30 Sep. 2021
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-	191,824
Retained earnings	452,557	37,059	42	-3,800	-	-17	485,841
Other reserves composed of:	5,020	-	-28	-	-1,286	17	3,723
Actuarial gains and losses	-4,462	-	-	-	-34	17	-4,479
Debt instruments – FVOCI	9,034	-	-	-	-1,154	-	7,880
Equity instruments – FVOCI	449	-	-28	-	-99	-	322
Equity attributable to owners of the parent	701,382	37,059	14	-3,800	-1,286	-	733,369
Non-controlling interests	8,980	91	-650	-	-	-	8,421
Equity	710,362	37,150	-636	-3,800	-1,286	-	741,790

SIGNIFICANT ACCOUNTING POLICIES

In all material respects, this HYPO NOE Group quarterly results announcement was drawn up in accordance with the same accounting policies as those applied to the IFRS consolidated annual financial statements for the year ended 31 December 2021.

The HYPO NOE Group prepared this quarterly results announcement voluntarily, and is under no obligation to publish such information. It does not meet all the requirements of International Financial Reporting Standards (IFRS) and was not drawn up in accordance with the IFRS as adopted in the EU.

In particular, paragraphs 8(d) (condensed consolidated statement of cash flows) and 8(e) (selected explanatory notes) of IAS 34 were not fully applied. This announcement should be read in conjunction with the 2022 semi-annual financial report and the 2021 Annual Report.

It was neither subjected to a full audit nor reviewed by independent auditors.

CONSOLIDATED OWN FUNDS AND REGULATORY CAPITAL ADEQUACY REQUIREMENTS

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 Sep. 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	590,027	594,641
Retained earnings	479,570	481,417
Other reserves	104,744	104,744
Accumulated comprehensive income	5,713	8,480
Prudential filters: adjustments due to the prudential measurement requirements	-581	-997
Prudential backstop: insufficient coverage of non-performing exposures	-563	-372
Intangible assets	-180	-197
CET1 capital	725,249	729,622
Additional Tier 1 capital	-	-
Tier 1 capital	725,249	729,622
Deductions due to investments, pursuant to Arts. 36 and 89 CRR	-	-
Eligible Tier 1 capital	725,249	729,622
Deductions due to investments, pursuant to Arts. 36 and 89 CRR	-	-
Eligible supplementary capital (after deductions)	-	-
Total eligible capital	725,249	729,622
Capital requirement	307,213	301,609
Excess equity	418,036	428,013
Coverage ratio	236.07%	241.91%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	18.89%	19.35%
Total capital ratio in accordance with Art. 92(2)(c) CRR	18.89%	19.35%
Own funds requirement incl. all buffer requirements	12.52%	12.62%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.46%	4.88%
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 19.7%. Changes in the risk-weighted measurement basis and the resulting own funds requirement are shown below:

EUR '000	CRR/CRD IV 30 Sep. 2022	CRR/CRD IV 31 Dec. 2021
Total leverage ratio exposure	16,276,645	14,940,070
Risk-weighted exposure measure	3,503,005	3,430,746
Minimum own funds requirement for credit risk (8%)	280,240	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	2,517	2,694
Total own funds requirement	307,213	301,609

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Important information

The greatest possible care has been taken in preparing this quarterly results announcement. 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 announcement 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 announcement is the definitive version. The English version is a translation of the German announcement.