

HYPO NOE Group with a significantly expanded result in 2022

Highlights 2022

- Increase in profit before tax by +13.6% to EUR 61.6m (2021: EUR 54.2m)
- Robust core earnings as a basis – net interest income and net fee and commission income – despite challenging market environment and one-off effects – with EUR 157.2m close to previous year's result (2021: EUR 159.2m)
- Only slight increase in administrative expenses (+1.2% vs. 2021) in a visibly inflationary environment, CIR improves further to 51.69% (2021: 52.14%)
- NPL ratio as at 31 Dec. 2022 remains at a low level of 1.02% (31 Dec. 2021: 0.85%), risk provisions (ECL) in the performing loan portfolio at a solid 118 bps as a proportion of RWA
- Strong CET1 ratio at 31 Dec. 2022 of 20.52% (31 Dec. 2021: 19.35%)

Core earnings persistently robust

On 9 March 2023, HYPO NOE Group reported its results for 2022. After EUR 54.2m in 2021, **profit before tax** rose by 13.6% to EUR 61.6m in the reporting period. Despite the challenging market environment and negative one-off effects, **core earnings** remained almost unchanged year on year at EUR 157.2m (2021: EUR 159.2m).

Compared to 2021, **net interest income** rose by 1.3% to EUR 142.1m, while **net fee and commission income** fell by EUR 3.8m due to one-off effects. Despite a significant increase in allocations to the resolution and deposit guarantee fund as well as inflation-related cost-increases year-on-year, the rise in **administrative expenses** was kept within narrow limits with an increase of only 1.2% to EUR 102.7m (2021: EUR 101.5m).

„Even in the face of a highly eventful financial year, from the coronavirus pandemic to the Ukraine conflict, supply chain problems and rising prices and economic uncertainties, our resilient business model has proven itself once again. With a persistent focus on our strengths, an increased financial result is in turn the agreeable consequence of our strategy.“

Wolfgang Viehauser

Management Board Member Markets and Speaker of the Board

The **cost/income ratio**¹ (CIR) at a level of 51.69% for the year 2022 was again improved (2021: 52.14%), while the **net result** increased from EUR 41.7m in 2021 to EUR 46.9m. All operating segments contributed to this agreeable result, which from an earnings perspective once again confirms HYPO NOE Group's comprehensive client strategy with a regional focus on the core market of Austria and Germany.

Continuation of prudent provisioning policy

In the reporting period **net losses on risk provisions** (ECL) amounted to EUR -3.7m (2021: EUR -10.7m), whereby indirect effects of the Ukraine conflict and supply chain disruptions were additionally taken into account in the formation of risk provisions compared to 31 December 2021. ECL provisions in the performing loan portfolio (Stage 1 and 2) amounted to EUR 44.4m at the end of 2022, representing in relation to risk-weighted assets (RWA) a very solid 118 bps (31 Dec. 2021: EUR 51.7m and 137 bps, respectively).

„Encouragingly, an unavoidable increase in administrative expenses was kept under control last year through successful cost management, despite the meaningful return of inflation. Without direct credit exposures in Russia or Ukraine and thus continuing stable risk costs, higher operating income resulted in a further improvement of the CIR to 51,69%.“

Udo Birkner

Management Board Member Finance, Risk & Operations

Resilient capital and risk profile

At the end of the reporting period, HYPO NOE Group once again reported a well above-average **Common Equity Tier 1 (CET1) ratio** of 20.52% (2021: 19.35%). The capitalisation of HYPO NOE Group thus remained above target, and at 31 December 2022 was almost 8 percentage points above the regulatory minimum requirement including SREP.

The Group's **non-performing loan (NPL) ratio** rose to 1.02% in 2022 (31.12.2021: 0.85%) but remains at a low level from a long-term perspective due to the consistent restructuring management and the low-risk business model with a focus on infrastructure and residential housing. The **NPL coverage ratio** remained almost unchanged at a high level of 89.0% as at 31 December 2022 (31 Dec. 2021: 88.8%).

Refinancing programme for 2022 successfully completed

The liabilities side of the balance sheet was characterised by reduced **financial liabilities - AC** in the amount of EUR 13.4b as at 31 December 2022 (vs. 31 Dec. 2021: EUR 14.9 billion), which is also attributable to the utilisation of a first partial repayment option of the TLTRO in the amount of EUR 1.1b in the fourth quarter of 2022. Although **customer deposits** (excl. TLTRO III) declined to EUR 4.5bn as of 31 December 2022 (-8.7% vs.

¹ Operating expenses/operating income

31 Dec. 2021), their share of the total funding mix at the end of the quarter versus debt securities issued decreased by only 2.0 percentage points to 36.2% (31 Dec. 2021: 38.2%). Thanks to continued high investor demand, the three bonds issued over the year - a green senior preferred, a mortgage and a public sector covered benchmark bond - together enabled HYPO NOE Landesbank to implement its refinancing programme for 2022 as planned.

Outlook

Despite the unforeseeable new challenges (Ukraine conflict, high inflation) and the associated uncertainties over much of 2022, HYPO NOE Group again posted solid results. Once more, the business model with its focus on low-risk infrastructure and residential housing proved its worth. Despite significant economic uncertainties, the rather subdued macroeconomic forecasts for Austria and Germany - the Group's core markets - in particular, the business is expected to remain stable in another challenging financial year 2023 thanks to its diversified and conservative business model.

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 Annual 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.

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