

HYPO NOE Group with further improvement in results in the first quarter of 2023

Highlights Q1 2023

- Profit before tax increased by +10.5% to EUR 19.1m (Q1 2022: EUR 17.3m)
- Robust core earnings as a basis – net interest income of EUR 44.0m up by +20.8% year-on-year (Q1 2022: EUR 36.4m)
- Slightly lower administrative expenses (-3.8% vs. Q1 2022) in a visibly inflationary environment, CIR remains at a low level of 48.68% (Q1 2022: 46.38%)
- NPL ratio as at 31 Mar. 2023 remains at a low level of 1.00% (31 Dec. 2022: 1.03%), risk provisions (ECL) in the performing loan portfolio at a solid 110 bps as a proportion of RWA
- Strong CET1 ratio at 31 Mar. 2023 of 20.18% – „pro-forma“-figure incl. interim result: 20.69% (31 Dec. 2022: 20.52%)

Successful start into the year 2023

HYPO NOE Group reported a **profit before tax** of EUR 19.1m for the first quarter of 2023, up from EUR 17.3m in Q1 2022. This further year-on-year improvement is again the result of higher income generated from customer business as part of the "Focus 25" corporate development process, coupled with a reduction in administrative expenses. Consequently, the **operating profit** (before risk costs) increased to EUR 16.6m, compared to EUR 9.5m in Q1 2022.

Core earnings again increased noticeably by 15.7% to EUR 48.5m (Q1 2022: EUR 42.0m). The main contributor to this was **net interest income**, which increased by +20.8% to EUR 44.0m compared to Q1 2022, while **net fee and commission income** was EUR 1.0m below the previous year's level at EUR 4.5m. Despite inflation-related increases in operating expenses, **administrative expenses** were down year-on-year to EUR 33.7m (-3.8% vs. Q1 2022) also thanks to lower contributions to the resolution and deposit guarantee funds. Accordingly, the **cost/income ratio¹ (CIR)** remained at a low level of 48.68% (Q1 2022: 46.38%), while the **net result** increased from EUR 13.1m to EUR 15.2m compared to Q1 2022.

In the reporting period **net gains on risk provisions** (ECL) amounted to EUR +2.5m (Q1 2022: EUR +7.8m), whereby the indirect effects of the Ukraine conflict and disruptions in the supply chains assumed within the models when forming risk provisions since the previous year, were still taken into account. After the end of COVID-19 disruptions, ECL provisions in the performing loan portfolio (Stage 1 and 2) amounted to EUR 41.9m as at 31 Mar. 2023, which in relation to risk-weighted assets (RWA) continues to represent a solid 110 bps (31 Dec. 2022: EUR 44.4m or 118 bps, respectively).

¹ Operating expenses/operating income

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 20.18%. Adjusted for first-quarter earnings and an accrual for regulatory costs, which are to be recognised in full at the start of the year, the pro forma figure for the Group's CET1 ratio is even higher at 20.69% (31 Dec. 2022: 20.52%). The capitalisation of HYPO NOE Group thus remained above target, and at 31 Mar. 2022 was just over 8 percentage points above the regulatory minimum requirement including SREP.

The Group's **non-performing loan (NPL) ratio** remained at a low level of 1.00% at the end of the first three months of 2023 in view of the consistent restructuring management and the low-risk business model with a focus on infrastructure and residential housing (31.12.2021: 0.85%). The **NPL coverage ratio** was maintained at a solid level of 72.1% as at 31 Mar. 2023 (31 Dec. 2022: 89.0%).

Successful new business and funding activities

In the first three months of 2023, the volume of new loans extended by the Bank was +25.9% higher than in the first quarter of the previous year at around EUR 391.3m (Q1 2022: EUR 310.7m). Compared to the end of 2022, **financial assets - AC** nevertheless remained almost stable at EUR 14.0bn (31 Dec. 2022: EUR 13.9bn).

On the liabilities side of the balance sheet, **financial liabilities - AC** increased to EUR 14.7bn at the end of the reporting period (+5.3% vs. 31 Dec. 2022), mainly due to the issuance of a green senior preferred benchmark bond of EUR 500m in January 2023. At the same time, **customer deposits** (excl. TLTRO III) increased by EUR 189.9m to EUR 4.7bn as of 31 Mar. 2023 (+4.2% vs. 31 Dec. 2022), whereby their share of the total funding mix versus debt securities issued decreased by only 0.5 percentage points to 35.7% at the end of the quarter (31 Dec. 2022: 36.2%).

Since then, together with a public sector covered benchmark bond of EUR 500m issued in the second quarter of the current year, the refinancing programme of HYPO NOE Landesbank for 2023 has already been implemented to a large extent as planned, thanks to continued strong investor demand.

Outlook

In the first quarter of 2023, the HYPO NOE Group's business model, with its focus on low-risk infrastructure and residential housing finance, once again proved its worth in the face of a continuous stream of new challenges. Despite the rather subdued macroeconomic forecasts for Austria and Germany - the Group's core markets - and the persistence of uncertainties, this diversified yet conservative approach has therefore already laid the foundations for an expected stable financial year in 2023.

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 endorses the consistent implementation of this strategy.

The complete Results Announcement for the Quarter ended 30 March 2023 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