

HYPO NOE Group with very positive results in the first half of 2023

Highlights H1 2023

- Profit before tax of EUR 66.5m above the level of the same period last year (H1 2022: EUR 25.5m)
- Further expansion of net interest income to EUR 86.6m up by +27.5% year-on-year (H1 2022: EUR 67.9m)
- Administrative expenses of EUR 60.4m slightly higher (H1 2022: EUR 59.2m), CIR of 52.01% based on the operating result better than in the same period of the previous year (H1 2022: 53.44%)
- NPL ratio as at 30 Jun. 2023 at 1.37% (31 Dec. 2022: 1.03%), risk provisions (ECL) in the performing loan portfolio at a solid 101 bps as a proportion of RWA
- Strong CET1 ratio at 30 Jun. 2023 of 19.88% - „pro-forma“-figure incl. interim result: 21.20% (31 Dec. 2022: 20.52%)

Very positive business figures in the first half of 2023 - also due to a one-off effect

HYPO NOE Group reported a **profit before tax** of EUR 66.5m for the first half of 2023, up from EUR 25.5m in H1 2022. This significant year-on-year improvement is partly the result of higher income generated from customer business, but also due to a one-off effect: After the provisions for legal risk regarding negative interest rates, which were formed during the ECB's zero interest rate policy, were largely released, the **operating profit** (before risk costs) increased to EUR 68.5m, compared to EUR 22.9m in H1 2022.

Core earnings again increased noticeably by 23.3% to EUR 95.4m (H1 2022: EUR 77.4m). The main contributor to this was **net interest income**, which increased by +27.5% to EUR 86.6m compared to H1 2022, while **net fee and commission income** was EUR 0.7m below the previous year's level at EUR 8.8m. Despite inflation-related increases in operating expenses, there was only a moderate increase in **administrative expenses** to EUR 60.4m year-on-year (+2.0% vs. H1 2022), also thanks to lower contributions to the resolution and deposit guarantee funds. Accordingly, the **cost/income ratio¹ (CIR)** based on operating profit was even better than in the same period last year at 52.01% (H1 2022: 53.44%), while the **net result** increased from EUR 19.1m to EUR 51.1m compared to H1 2022.

In the reporting period **net gains on risk provisions** (ECL) amounted to EUR -2.1m (H1 2022: EUR +2.6m), 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. ECL provisions in the performing loan portfolio (Stage 1 and 2) amounted to EUR 39.4m as at 30 Jun. 2023, which in relation to risk-weighted assets (RWA) continues to represent a solid 101 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 19.88%. 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 21.20% (31 Dec. 2022: 20.52%). The capitalisation of HYPO NOE Group thus remained above target, and at 30 Jun. 2022 was just over 8.5 percentage points above the regulatory minimum requirement including SREP.

The Group's **non-performing loan (NPL) ratio** was 1.37% at the end of the first six months of 2023 thanks to consistent restructuring management and the low-risk business model with a focus on infrastructure and residential housing (31.12.2022: 1.02%). The **NPL coverage ratio** was maintained at a solid level of 75.1% as at 30 Jun. 2023 (31 Dec. 2022: 89.0%).

Successful new business and funding activities

In the first six months of 2023, the volume of new loans extended by the Bank was +19.2% higher than in the first half of the previous year at around EUR 832.6m (H1 2022: EUR 698.7m). Compared to the end of 2022, **financial assets - AC** nevertheless remained almost stable at EUR 14.2bn (31 Dec. 2022: EUR 13.9bn) with +2.1%.

On the liabilities side of the balance sheet, **financial liabilities - AC** even after the scheduled repayment of EUR 600m TLTRO in the second quarter increased to EUR 13.7bn at the end of the reporting period (+2.7% vs. 31 Dec. 2022), mainly due to the issuance of a green senior preferred benchmark bond of EUR 500m in January 2023 and the issuance of a public sector covered benchmark bond of EUR 500m in April 2023. The renewed successful issuance of an unsecured retail bond in HYPO NOE Landesbank's own branch network as a further refinancing product also contributed to this.

At the same time, **customer deposits** (excl. TLTRO III) increased by EUR 435.4m to EUR 4.9bn as of 30 Jun. 2023 (+9.7% vs. 31 Dec. 2022), whereby their share of the total funding mix versus debt securities issued increased by 0.7 percentage points to 36.9% at the end of the first half (31 Dec. 2022: 36.2%). All in all, thanks to continued strong investor demand, the 2023 refinancing programme of HYPO NOE Landesbank has largely already been implemented as planned in the first half of the year.

Outlook

In the first half 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. HYPO NOE Group's committed staff and its above-average solid capital base with a CET1-ratio of 19.88% continue to be the main pillars of its ongoing successful development under volatile and sometimes difficult economic conditions.

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 Semi-Annual Financial Report 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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¹ By total assets (ø of the consolidated financial statements 2020 - 2022) and date of establishment