

## HYPO NOE Group remains on track for success in the first nine months of 2023

### Highlights Q1-Q3 2023

- Profit before tax of EUR 95.8m still significantly above the level of the same period last year (Q1-Q3 2022: EUR 42.4m)
- Further expansion of net interest income to EUR 132.3m up by +24.5% year-on-year (Q1-Q3 2022: EUR 106.3m)
- Administrative expenses of EUR 84.9m slightly higher (Q1-Q3 2022: EUR 80.5m), CIR of 50.78% based on the operating result better than in the same period of the previous year (Q1-Q3 2022: 52.59%)
- NPL ratio as at 30 Sep. 2023 at 1.61% (31 Dec. 2022: 1.02%), NPL coverage ratio further increased to 98.3% (31 Dec. 2022: 89.0%), risk provisions (ECL) in the performing loan portfolio at a solid 90 bps as a proportion of RWA
- Strong CET1 ratio at 30 Sep. 2023 of 19.85% - „pro-forma“-figure incl. interim result: 21.40% (31 Dec. 2022: 20.52%)

### Further improvement in earnings in the first nine months of 2023

HYPO NOE Group reported a **profit before tax** of EUR 95.8m for the first nine months of 2023, up from EUR 42.4m in Q1-Q3 2022. In addition to the positive one-off effect from the reversal of provisions for legal risks relating to negative interest rates in connection with corporate loan agreements already reported at the half-year stage, this significant year-on-year improvement is due to the continuous expansion of income in the customer business. With this long-term increase in profitability through organic growth in the core business, the **operating profit** (before risk costs) for the first nine months of 2023 increased to EUR 94.7m, compared to EUR 43.4m in Q1-Q3 2022.

**Core earnings** again increased noticeably by 21.5% to EUR 145.3m (Q1-Q3 2022: EUR 119.6m). The main contributor to this was **net interest income**, which increased by +24.5% to EUR 132.3m compared to Q1-Q3 2022, while **net fee and commission income** was EUR 0.4m below the previous year's level at EUR 13.0m. Despite inflation-related increases in operating expenses, there was only a moderate increase in **administrative expenses** to EUR 84.9m year-on-year (+5.4% vs. H1 2022), also thanks to lower contributions to the resolution and deposit guarantee funds. Accordingly, the **cost/income ratio<sup>1</sup> (CIR)** based on operating profit was even better than in the same period last year at 50.78% (Q1-Q3 2022: 52.59%), while the **net result** increased from EUR 31.6m to EUR 72.5m compared to Q1-Q3 2022.

In the reporting period **net gains on risk provisions** (ECL) amounted to EUR 1.1m (Q-Q31 2022: EUR -1.0m), 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) at the end of the first nine months of 2023 amounted to

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<sup>1</sup> Operating expenses/operating income

EUR 34.9m, which in relation to risk-weighted assets (RWA) continues to represent a solid 90 bps (31 Dec. 2022: EUR 44.4m or 118 bps, respectively).

### 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 19.85%. Adjusted for earnings through the first three quarters of this year 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 21.40% (31 Dec. 2022: 20.52%). The capitalisation of HYPO NOE Group thus remained above target, and at 30 Sep. 2022 was just over 8.5 percentage points above the regulatory minimum requirement including SREP.

The Group's **non-performing loan (NPL) ratio** was 1.61% at the end of the first nine 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 further increased to a remarkable level of 98.3% as at 30 Sep. 2023 (31 Dec. 2022: 89.0%).

### Successful new business and funding activities

In the first nine months of 2023, the volume of new loans extended by the Bank was +21.9% higher than in the first three quarters of the previous year at around EUR 1,203.5m (Q1-Q3 2022: EUR 987.3m). Compared to the end of 2022, **financial assets - AC** nevertheless remained almost stable at EUR 14.4bn (31 Dec. 2022: EUR 13.9bn) with +3.4%.

On the liabilities side of the balance sheet, **financial liabilities - AC** increased to EUR 14.2bn at the end of the reporting period (+6.5% vs. 31 Dec. 2022), mainly due to the issuance of another, this time mortgage covered benchmark bond of EUR 500m in August 2023. At the same time, **customer deposits** (excl. TLTRO III) increased by EUR 622.1m to EUR 5.1bn as of 30 Sep. 2023 (+13.8% vs. 31 Dec. 2022), whereby their share of the total funding mix versus debt securities issued increased by 0.3 percentage points to 36.5% at the end of the first three quarters (31 Dec. 2022: 36.2%). All in all, thanks to continued strong investor demand, the 2023 refinancing programme of HYPO NOE Landesbank has already been concluded in the first three quarters of the reporting year.

### Outlook

In the first nine months 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. The unavoidable increase in administrative expenses associated with high inflation is to be countered with further increases in efficiency while maintaining the risk-conscious sustainable growth path. The committed staff and the above-average solid capital base with a CET1-ratio of 19.85% continue to be the main pillars of HYPO NOE Group's ongoing successful development in a volatile and sometimes difficult economic environment.

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 Three Quarters ended 30 September 2023 is available to download at <https://ir.hyponoe.at/en/>.

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#### **HYPO NOE Landesbank für Niederösterreich und Wien AG**

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks<sup>1</sup>, 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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<sup>1</sup> By total assets (according to half-year financial report 2023 or consolidated financial statements 2022) and date of establishment