

RESULTS ANNOUNCEMENT FOR THE THREE
QUARTERS ENDED **30 SEPTEMBER 2023**



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 2023	Q1-Q3 2022
Net interest income	132,343	106,261
Administrative expenses	-84,890	-80,523
Impairment gains/losses on financial assets – IFRS 9 ECL	1,097	-957
Profit before tax	95,825	42,423
Income tax expense	-23,498	-10,498
Profit for the period	72,327	31,925
Return on equity before tax	15.56%	7.45%
Cost/income ratio	50.78%	52.59%
Consolidated statement of financial position	30 Sep. 2023	31 Dec. 2022
Total assets	16,141,433	15,121,252
Financial assets – AC	14,371,362	13,899,591
Financial liabilities – AC	14,228,526	13,362,690
Equity (incl. non-controlling interests)	856,385	790,571
Non-performing loan ratio	1.61%	1.02%
Regulatory indicators	30 Sep. 2023	31 Dec. 2022
Eligible Tier 1 capital	770,769	772,830
Total eligible capital	770,769	772,830
Minimum capital requirement (Pillar I)	310,710	301,300
Excess equity	460,059	471,530
Total risk exposure amount in accordance with Art. 92(3) CRR	3,883,874	3,766,253
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	19.85%	20.52%
Total capital ratio in accordance with Art. 92(2)(c) CRR	19.85%	20.52%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.87%	5.14%
Liquidity coverage ratio (LCR)	135.01%	162.89%
Net stable funding ratio (NSFR)	115.35%	112.54%
Operational resources	30 Sep. 2023	31 Dec. 2022
Employees	612	616
Branches	26	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 of Austria's state mortgage banks¹, and has been a reliable commercial bank, a stable state bank and a specialist mortgage lender for over 130 years. Using its strong position in Lower Austria and Vienna as a springboard, the Bank operates primarily in Austria and Germany, as well as in selected markets elsewhere in the European Union.

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 also unchanged at Aa1.

HYPO NOE Landesbank is backed by a stable and reliable sole owner in the shape of Austria's largest state, Lower Austria. The Bank's owner takes a long-term view, ensuring that the Bank can maintain 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 preserving 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, Moody's ESG Solutions (previously Vigeo Eiris [V.E]) and imug, and has been awarded the DZ Bank sustainability seal of approval.

¹In terms of total assets (interim financial statements 2023/consolidated financial statements 2022) and date of establishment.

FINANCIAL REVIEW

- Significant year-on-year increase in “Profit before tax” to EUR 95.8m (Q1-Q3 2022: EUR 42.4m)
- Further rise in “Net interest income” to EUR 132.3m (Q1-Q3 2022: EUR 106.3m)
- “Administrative expenses” slightly higher than in the same period a year earlier, at EUR 84.9m (Q1-Q3 2022: EUR 80.5m)
- Net other operating income of EUR 37.3m (Q1-Q3 2022: EUR 9.4m) includes non-recurring effects of settlement agreements concerning negative interest on corporate loan agreements
- Improvement in CIR based on operating profit to 50.78% (Q1-Q3 2022: 52.59%)
- Non-performing loan (NPL) ratio of 1.61% at 30 September 2023 (31 Dec. 2022: 1.02%)
- Common Equity Tier 1 (CET1) ratio of 19.85% (31 Dec. 2022: 20.52%), without adjustment for earnings in the year to date

Further progress has been made in implementing the Group's 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. The continuing increase in core earnings has laid the foundations for a further improvement in the Group's results.

The HYPO NOE Group reported “Profit before tax” of EUR 95.8m and return on equity (ROE) before tax of 15.56% for the first three quarters of 2023. The results include a significant increase in “Net interest income”, which reached EUR 132.3m (Q1-Q3 2022: EUR 106.3m), as well as a positive non-recurring effect in the first half of the year of EUR 28.7m resulting from settlement agreements concerning negative interest on corporate loan agreements. Aside from this non-recurring effect, business from the Group's operating activities also grew: new loans totalling EUR 1,203m were extended to customers in the first three quarters, exceeding the volume recorded a year earlier by a considerable distance (Q1-Q3 2022: EUR 987m). The Bank mainly extended this vital funding to customers for infrastructure projects, housing construction and corporate finance.

“Net fee and commission income” fell slightly to EUR 13.0m (Q1-Q3 2022: EUR 13.4m), while “Administrative expenses” were up year on year, reaching EUR 84.9m (Q1-Q3 2022: EUR 80.5m). Adjusted for non-recurring effects, the cost/income ratio (CIR) improved again, standing at 50.78% at the end of the third quarter (30 Sep. 2022: 52.59%).

The HYPO NOE Group's balance sheet stood out for the very high quality of assets as at the end of the third quarter. The non-performing loan (NPL) ratio was 1.61% at 30 September 2023 (31 Dec. 2022: 1.02%). The Group's consistently low NPL ratio – despite a difficult environment – reflects its business model, which favours low-risk business and corresponding credit approval practices, as well as the systematic approach taken by Intensive Care Management.

Risk provisions in the performing loan portfolio (Stages 1 and 2) amounted to EUR 34.2m as at 30 September 2023, lower than at the end of previous reporting period (31 Dec. 2022: EUR 44.4m), and total risk provisions (Stages 1-3 and purchased or originated credit impaired [POCI]) fell to EUR 87.6m (31 Dec. 2022: EUR 90.9m).

Meanwhile, the Group again underscored its issuing capacity by placing three benchmark bonds and a retail bond in the year to date. This resulted in higher “Financial liabilities – AC” compared with 31 December 2022; this item amounted to EUR 14.2bn (31 Dec. 2022: EUR 13.4bn).

The HYPO NOE Group again reported a strong CET1 ratio of 19.85% as at the end of the third quarter. Adjusted for earnings in the year to date 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 stood at 21.40%.

STATEMENT OF PROFIT OR LOSS

Gains/losses

EUR '000	Q1-Q3 2023	Q1-Q3 2022
Interest and similar income measured using the effective interest method	361,717	191,174
Interest and similar income not measured using the effective interest method	72,337	114,701
Interest and similar expense	-301,737	-199,614
Dividend income	26	-
Net interest income	132,343	106,261
Fee and commission income	14,573	14,737
Fee and commission expense	-1,595	-1,366
Net fee and commission income	12,978	13,371
Net measurement losses	-1,267	-5,654
Net gains on derecognition of financial assets	394	71
Net losses on financial assets and liabilities	-873	-5,583
Other operating income	40,497	15,585
Other operating expense	-3,244	-6,160
Administrative expenses	-84,890	-80,523
Impairment losses/gains on financial assets – IFRS 9 ECL	1,097	-957
Net gains on investments accounted for using the equity method	-2,083	430
Profit before tax	95,825	42,423
Income tax expense	-23,498	-10,498
Profit for the period	72,327	31,925
Non-controlling interests	177	-337
Profit attributable to owners of the parent	72,505	31,589

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR '000	30 Sep. 2023	31 Dec. 2022
Cash and balances at central banks	722,789	184,915
Financial assets – HFT	139,698	124,809
Financial assets – mandatorily FVTPL	109,987	122,172
Financial assets – FVOCI	218,850	236,890
Financial assets – AC	14,371,362	13,899,591
Positive fair value of hedges (hedge accounting)	408,739	388,385
Investments accounted for using the equity method	30,944	33,724
Investment property	22,447	24,671
Intangible assets	527	474
Property, plant and equipment	63,609	63,826
Current tax assets	24,263	17,719
Deferred tax assets	285	325
Other assets	27,932	23,751
Total assets	16,141,433	15,121,252

Liabilities

EUR '000	30 Sep. 2023	31 Dec. 2022
Financial liabilities – HFT	120,558	103,065
Financial liabilities – FVO	5,519	5,239
Financial liabilities – AC	14,228,526	13,362,690
Negative fair value of hedges (hedge accounting)	696,392	683,653
Provisions	29,686	74,970
Current tax liabilities	21,955	6,741
Deferred tax liabilities	24,881	22,613
Other liabilities	157,531	71,711
Equity	856,385	790,571
Equity attributable to owners of the parent	847,853	781,862
Non-controlling interests	8,532	8,710
Total equity and liabilities	16,141,433	15,121,252

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 Sep. 2023 EUR '000	1 Jan. 2023	Profit for the period	Reversals	Dividends paid	Other comprehensive income	30 Sep. 2023
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	533,782	72,505	6	-5,000	-	601,293
Other reserves composed of:	4,275	-	-6	-	-1,513	2,755
Actuarial losses	-299	-	-	-	885	586
Debt instruments – FVOCI	4,214	-	-	-	-2,461	1,754
Equity instruments – FVOCI	359	-	-6	-	63	416
Equity attributable to owners of the parent	781,862	72,505	-	-5,000	-1,513	847,853
Non-controlling interests	8,710	-177	-	-	-	8,532
Equity	790,571	72,327	-	-5,000	-1,513	856,385

30 Sep. 2022 EUR '000	1 Jan. 2022	Profit for the period	Reversals	Dividends paid	Other comprehensive income	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

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 2022.

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 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 by Regulation (EU) No. 2022/2036, 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 last 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 under 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. 2023	CRR/CRD IV 31 Dec. 2022
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	635,714	638,012
Retained earnings	523,041	522,979
Other reserves	104,844	104,744
Accumulated comprehensive income	7,829	10,290
Prudential filters: adjustments due to the prudent valuation requirements	-561	-544
Prudential backstop: insufficient coverage of non-performing exposures	-404	-711
Intangible assets	-527	-474
CET1 capital	770,769	772,830
Additional Tier 1 capital	-	-
Tier 1 capital	770,769	772,830
Deductions due to investments, pursuant to Arts. 36 and 89 CRR	-	-
Eligible Tier 1 capital	770,769	772,830
Eligible supplementary capital (after deductions)	-	-
Total eligible capital	770,769	772,830
Minimum capital requirements	310,710	301,300
Excess capital	460,059	471,530
Coverage ratio	248.07%	256.50%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	19.85%	20.52%
Total capital ratio in accordance with Art. 92(2)(c) CRR	19.85%	20.52%
Own funds requirement incl. all buffer requirements	12.68%	12.54%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.87%	5.14%
Leverage ratio requirement (Pillar 1)	3.00%	3.00%

Taking account of the profit for the year to date 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 would be approximately 21.40%.

Changes in the risk-weighted measurement basis and the resulting own funds requirement are shown below.

EUR '000	CRR/CRD IV 30 Sep. 2023	CRR/CRD IV 31 Dec. 2022
Total leverage ratio exposure	15,838,103	15,026,265
Risk-weighted exposure measure	3,536,146	3,409,434
Minimum own funds requirement for credit risk (8%)	282,892	272,755
Own funds requirement for open currency positions	-	-
Own funds requirement for operational risk	25,482	25,482
Own funds requirement for CVA risk	2,336	3,063
Total own funds requirement	310,710	301,300

PUBLICATION DETAILS

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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.