

HYPO NOE Group continues to develop favourably in the first six months of 2024

Highlights H1 2024

- Profit before tax at EUR 48.2m (H1 2023: EUR 66.5m) - high result in the prior-year period due to one-off effect
- Further expansion of core earnings: net interest income of EUR 94.1m up +8.7%, net fee and commission income of EUR 10.6m up +19.9% year-on-year (H1 2023: EUR 86.6m and EUR 8.8m, respectively)
- Administrative expenses of EUR 55.7m below prior year level despite inflation (H1 2023: EUR 60.4m), improvement in CIR based on operating result to 47.95% (H1 2023: 52.01%)
- Temporary increase in NPL ratio to a moderate 2.79% as at 30 Jun. 2024 primarily due to macroeconomic developments (31 Dec. 2023: 2.45%), NPL coverage ratio remains at a high level of 97.7% (31 Dec. 2023: 102.9%)
- Strong CET1 ratio at 30 Jun. 2024 of 19.82% - „pro-forma“-figure incl. interim result: 20.62% (31 Dec. 2023: 20.88%)

Continuing favourable development during the first six months of 2024

HYPO NOE Group reported a **profit before tax** of EUR 48.2m for the first six months of 2024, representing a nominal decrease from the previous year (H1 2023: EUR 66.5m). However, when adjusted for last year's one-off effect from the reversal of provisions in the amount of EUR 28.7m during the same period in 2023, profit before tax for the first half of 2024 compares significantly more favourably. This continuously positive year-on-year performance in a still demanding environment is the result of higher income from customer business and a reduction in administrative expenses, despite inflation. Consequently, the **operating profit** (before risk costs) saw only a slight nominal decrease to EUR 60.0m, compared to EUR 68.5m in H1 2023.

Core earnings increased once again by 9.7% to EUR 104.7m (H1 2023: EUR 95.4m). Both **net interest income**, up by +8.7% to EUR 94.1m (H1 2023: EUR 86.6m), and **net fee and commission income**, up by +19.9% to EUR 10.6m (H1 2023: EUR 8.8m), contributed to this result. At EUR 55.7m, **administrative expenses** were below the level of the same period last year (H1 2023: EUR 60.4m), influenced by the absence of expenses related to the allocation to the Resolution Fund, while inflation remained above average, albeit declining. Accordingly, the **cost/income ratio¹ (CIR)** improved further to 47.95% (H1 2023: 52.01%), while the **net result** of EUR 37.7m is EUR 13.4m below the previous year's outcome, which had included the significant one-off effect from the reversal of provisions (H1 2023: EUR 51.1m).

¹ Operating expenses/operating income

In the period under review, **net losses on risk provisions** (ECL) were EUR -11.8m (H1 2023: EUR -2.1m), with the IFRS 9 credit risk model continuing to conservatively reflect the current difficult conditions in the commercial property development sector in terms of expected future losses. ECL provisions in the performing loan portfolio (Stage 1 and 2) amounted to EUR 34.3m as at 30 Jun. 2024, which in relation to risk-weighted assets (RWA) still corresponds to a solid level of 83 bps (31 Dec. 2023: EUR 34.9m or 89 bps, respectively). The NPL coverage ratio remains high at 97.7% as at 30 Jun. 2024 (31 Dec. 2023: 102.9%).

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 19.82%. Adjusted for first-half earnings, the pro forma figure for the Group's CET1 ratio is even higher at 20.62% (31 Dec. 2023: 20.88%). As a result, HYPO NOE Group's capitalisation remained above target and was just over 7.5 percentage points above the regulatory minimum requirement including SREP, as at 30 Jun. 2023.

The Group's **non-performing loan (NPL) ratio**, which rose last year due to macroeconomic developments, remains at a moderate long-term level of 2.79% at the end of the first half of 2024 thanks to the low-risk business model focused on infrastructure and residential housing (31 Dec. 2023: 2.45%). With the consistent work of restructuring management, cases are being processed in a structured manner and the temporarily increased NPL volumes will be reduced in the coming reporting periods.

Slight decline in new business - refinancing activities continue to be a success

Compared to the end of last year, **financial assets - AC** increased slightly by +1.7% to EUR 14.5bn (31 Dec. 2023: EUR 14.2bn). Nevertheless, the volume of new loans extended by the Bank in the first six months of 2024 was -11.2% lower than in the first half of the previous year, at around EUR 739.4m (H1 2023: EUR 832.6m) due to an unchanged risk-conscious lending policy.

On the liabilities side of the balance sheet, **financial liabilities - AC** increased to EUR 15.1bn at the end of the reporting period (+8.3% vs. 31 Dec. 2023), mainly due to the issuance of a green senior preferred benchmark bond of CHF 100m and two EUR 500m mortgage-backed and public sector covered bond benchmarks in January and April 2024 respectively. At the same time, **customer deposits** (excl. TLTRO III) increased by EUR 893.5m to EUR 6.0bn as of 30 Mar. 2024 (+17.5% vs. 31 Dec. 2023), whereby their share of the total funding mix versus debt securities issued increased by a further 2.6 percentage points to 39.7% at the end of the first half (31 Dec. 2023: 37.1%).

Despite the scheduled repayment of the last tranche of the Eurosystem's Targeted Longer-Term Refinancing Operations at the end of the second quarter, HYPO NOE Landesbank's 2024 refinancing programme has therefore already been largely implemented as planned, thanks to continued strong investor demand.

Sustainable development: HYPO NOE Group excels once again

Since its inaugural Green Bond was awarded Austria's first "Umweltzeichen" Ecolabel in 2020, numerous other green current account, savings and investment products of HYPO NOE Landesbank have been certified with the Ecolabel. HYPO NOE Landesbank's Green Loans are now the first green loans in Austria to be certified with the Ecolabel for sustainable financial products. This means that the entire green product range of HYPO NOE Landesbank has been awarded the "Umweltzeichen" Ecolabel certificate. The ongoing sustainability efforts of HYPO NOE Group have not gone unnoticed elsewhere: The sustainability rating agency Sustainalytics published its updated assessment on 23 May 2024, according to which HYPO NOE Landesbank is now classified as 'Low Risk' with an ESG Risk Rating of 17.8.

Outlook

In the first half of 2024, the HYPO NOE Group's business model, which focuses on low-risk infrastructure and residential housing finance, continued to prove its worth in the face of ever new challenges. Despite the rather subdued macroeconomic forecasts for Austria and Germany - the Group's core markets - and the continuing, mainly geopolitical uncertainties, the Group's diversified and conservative business model is already well positioned towards what is expected to be a generally stable financial year 2024.

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 Semi-Annual Financial Report 2024 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 banks³, and has served as a dependable commercial bank, stable state bank and specialist mortgage bank for more than 135 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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³ In terms of total assets (ø of the consolidated financial statements 2021 - 2023) and foundation dates