RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED **30 SEPTEMBER 2020**

HYPO NOE

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	**30 Sep. 2020**	**30 Sep. 2019**
Net interest income	96,296	86,862
Administrative expenses	-83,261	-86,617
Impairment losses/gains on financial assets – IFRS 9 ECL	-2,707	3,581
Profit before tax	**37,607**	**35,317**
Income tax expense	-8,735	-8,660
Profit for the period	**28,872**	**26,657**
Consolidated statement of financial position	**30 Sep. 2020**	**31 Dec. 2019**
Total assets	16,979,534	14,571,762
Financial assets – AC	13,220,029	12,417,093
Financial liabilities – AC	14,811,293	12,522,091
Equity (incl. non-controlling interests)	707,016	683,502
Consolidated own funds and own funds requirement	**30 Sep. 2020**	**31 Dec. 2019**
Eligible Tier 1 capital	663,139	666,345
Total eligible capital	663,139	666,345
Minimum capital requirement (Pillar I)	302,142	277,828
Excess equity	360,997	388,517
Total risk exposure amount in accordance with Art. 92(3) CRR	3,776,773	3,472,853
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR – fully loaded	17.56%	19.19%
Total capital ratio in accordance with Art. 92(2)(c) CRR – fully loaded	17.56%	19.19%
Operational resources	**30 Sep. 2020**	**31 Dec. 2019**
Number of employees at period end	716	742
Number of branches	27	27
Selected payments, levies and other public sector items	**30 Sep. 2020**	**30 Sep. 2019**
Financial stability contribution (bank tax)	-7,983	-7,919
Current income tax	-10,902	-5,183
Deferred income tax	2,167	271
Social security contributions and other pay-related contributions	-10,621	-11,606
Key indicators	**30 Sep. 2020**	**31 Dec. 2019**
Return on equity after tax	5.55%	4.51%
Cost/income ratio (CIR)	55.10%	59.51%
NPL ratio	0.84%	0.96%
LCR	163.75%	157.14%

The intrayear indicators are annualised on a daily basis. For details of the calculation, see the 'Earnings performance' section.

COMPANY PROFILE

Profile of the HYPO NOE Group

This HYPO NOE Group 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 Austrian state mortgage bank[1], and has been a dependable commercial bank, stable state bank and 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 provided by the branch network in the Group's Lower Austria/Vienna home market, with its focus on housing finance.

The Group concentrates on five business segments that play to its core competences: Public Sector, Real Estate Customers, Retail and Corporate Customers, Treasury & ALM, and Real Estate Services. The Group also includes HYPO NOE Leasing, which works with large state and local government customers, as well as HYPO NOE First Facility and selected partners, which look after real estate customers. This allows the Group to provide services across the entire real estate management value chain.

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. Based on the solid foundations provided by customer deposits, and on its closer cooperation with development banks, HYPO NOE Landesbank also takes steps aimed at diversifying 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 and ensures that it stays true to its strategy of organic growth in its core business, best-in-class digital solutions in its mortgage lending, and further improvements in profitability, whilst maintaining a conservative risk and capital profile.

The Bank's sustainable approach to its core operations is underpinned and promoted by its clear ethical principles and business policies. Its portfolio leans 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.

[1]In terms of total assets (2019 consolidated financial statements) and foundation dates

FINANCIAL REVIEW

- Net profit up 8.9% and operating profit 27.0% higher compared with the first nine months of 2019
- Consistently strong core earnings: 10.9% increase in “Net interest income” compared with the first three quarters of last year; “Net fee and commission income” stable year on year, and 5.7% up on the comparative period in Q3
- “Administrative expenses” down 3.9% on Q1-3 2019, CIR at 55.1% as at 30 September 2020
- “NPL ratio” at a record low of 0.84% at 30 September 2020 (31 Dec. 2019: 0.96%), low cost of risk at expected levels despite provisioning for effects of the Covid-19 pandemic
- Strong CET1 ratio of 17.56% (pro forma figure incl. interim result: 18.40%) at the end of the reporting period

In the course of this year, the HYPO NOE Group has focused on the systematic implementation of its fine-tuned Fokus 25 strategy. This has enabled the Group to extend its strong performance over previous reporting periods and further enhance profitability based on its operating activities. The Bank put in a particularly strong showing in terms of core earnings. “Net interest income” jumped by 10.9% to EUR 96.3m during the first nine months of 2020, up from EUR 86.9m in the same period a year earlier. Although fewer personal consultations were held with customers due to the Covid-19 situation, “Net fee and commission income” held steady at EUR 13.2m; however, this item increased significantly year on year in the third quarter, by 5.7%.

Against the backdrop of increased market volatility, “Net measurement gains” remained positive, at EUR 0.7m (Q1-3 2019: EUR 6.0m), which reflected the Group’s conservative balance sheet structure. This decline was more than offset by robust core earnings – as a result, operating income[2] rose by 4.4% to EUR 123.6m. At the same time, “Administrative expenses”[3] were reduced once again, by 3.9% compared with the like period of 2019. As a consequence, operating profit (before the cost of risk) surged by 27.0% to EUR 40.3m, and the cost/income ratio (CIR) improved to 55.10% (Q1-3 2019: 61.91%).

The cost of risk remained low at normal levels during the first nine months of 2020, at EUR 2.7m (Q1-3 2019: positive by EUR 3.6m due to the reversal of risk provisions). In order to address current macroeconomic uncertainties and their potential impact on the loan portfolio, additional risk provisions for effects related to the coronavirus pandemic were recognised in the ECL models. The Group has no significant exposures to industries that have been particularly badly affected by the crisis, as the portfolio is mainly geared towards low-risk financing for infrastructure and housing construction.

“Profit attributable to owners of the parent” (net profit) rose appreciably by 8.9% to EUR 28.7m during the reporting period (Q1-3 2019: EUR 26.4m). This was primarily due to strong results in the customer business and a further reduction in the cost base, which has shrunk continuously over the past few years.

With new lending at a solid EUR 1.2bn during the first three quarters, the “Financial assets – AC” item was 6.5% higher than at year-end 2019, at EUR 13.2bn. This new lending was spread broadly across the Group’s business segments – in terms of both volumes and margins – and was on budget despite the Covid-19 pandemic.

Although the operating environment was testing, with greater volatility on the markets, the Group secured long-term refinancing at an early stage of the year. Following two successful benchmark issues – a mortgage-backed covered bond in May and a debut

[2] After exceptional effects (measurement of the contingent additional HETA purchase price, and allocation to the provision for negative interest rates payable by corporate customers): EUR 125.2m (Q1-3 2019: EUR 117.7m)
[3] After exceptional effects (allocation to the resolution and deposit insurance fund, and financial stability contribution instalment payments): EUR 69.0m (Q1-3 2019: EUR 72.9m)

senior preferred green bond in June – HYPO NOE Landesbank participated in the European Central Bank's TLTRO III programme at the end of the first half. This ensured unlimited access to the capital markets even during the crisis. Due to the ECB tender and the take-up of pre-funding for repayments due in the second half of this year, "Financial liabilities – AC" rose to EUR 14.8bn, up from EUR 12.5bn at year-end 2019. This led to a temporary increase in "Total assets" to EUR 17.0bn as at 30 September 2020.

The HYPO NOE Group reported a Common Equity Tier 1 (CET1) ratio of 17.56% at the end of the reporting period – well above the national and EU averages[4]. Taking account of the interim result and linear prorating of regulatory costs, the CET1 ratio was 18.40%, even though the SME supporting factor – a form of relief provided for under the CRR – has not yet been applied. Consequently, the HYPO NOE Group's capitalisation was more than five percentage points above the minimum regulatory requirement including the SREP at the end of the third quarter of 2020. The Financial Market Stability Board (FMSB), which is based at the Austrian Ministry of Finance, intends to reduce the systemic risk buffer for Austrian mortgage banks from the current 1.0% to 0.5% in December 2020.

The non-performing loan (NPL) ratio remained at an all-time low, standing at 0.84% as at 30 September 2020 (31 Dec. 2019: 0.96%). The consistently low ratio is testimony to the high quality of the HYPO NOE Group's lending portfolio, its low-risk business model and proactive intensive care management. The NPL coverage ratio remained high, coming in at 81.61% as at the end of the reporting period (31 Dec. 2019: 86.58%).

In view of the strong operating results in the first nine months of 2020, the HYPO NOE Group expects to record solid performance once again in the fourth quarter. However, the Group anticipates that the reintroduction of lockdown measures will have some impact on the level of personal interaction with customers. That said, the expansion of the Group's multi-channel offering and digitalisation of the product portfolio have served to limit such negative effects in the year to date. There is still considerable uncertainty as regards the duration and macroeconomic consequences of the Covid-19 pandemic, especially in light of the trend in the number of cases. However, the governments of Austria and Germany – both important markets for the Group – have passed comprehensive stabilisation measures that should cushion the blow to the real economy. In any event, when recognising additional risk provisions, the HYPO NOE Group has taken the possible impacts of the Covid-19 crisis into account in its ECL models.

Thanks to the range of segments in which it operates, the HYPO NOE Group is well placed to build on its strong foundations. As at 30 September 2020, low-risk infrastructure, housing development and treasury positions accounted for a substantial 80% of assets. The NPL ratio for these positions was very low, at 0.07%. In addition, the Group has no equity or fund exposures and has continued to reduce the level of fair value positions on the balance sheet over the course of this year, in order to minimise volatility as far as possible. Positions accounted for at cost made up fully 92% of financial assets at the end of the third quarter.

The HYPO NOE Group will continue to base its strategy on organic growth in its core business, digitalisation and further increases in profitability. This will be backed up by its conservative capital and risk profile. The Group's sole owner, the State of Lower Austria, takes a long-term view, and will support the consistent implementation of this strategy.

[4] Austria: 14.27%; EU: 14.72% | Source: EBA Risk Dashboard; most recent figures: June 2020

STATEMENT OF PROFIT OR LOSS

Gains/losses

EUR ’000	Q1-Q3 2020	Q1-Q3 2019
Interest and similar income measured using the effective interest method	186,276	156,126
Interest and similar income not measured using the effective interest method	142,325	183,349
Interest and similar expense	-232,361	-252,840
Dividend income	56	226
Net interest income	**96,296**	**86,862**
Fee and commission income	15,469	15,226
Fee and commission expense	-2,289	-2,116
Net fee and commission income	**13,179**	**13,111**
Net measurement gains	704	6,032
Net gains on derecognition of financial assets	25	79
Net gains on financial assets and liabilities	**729**	**6,111**
Other operating income	**24,648**	**24,817**
Other operating expense	**-13,943**	**-13,224**
Administrative expenses	**-83,261**	**-86,617**
Impairment losses/gains on financial assets – IFRS 9 ECL	**-2,707**	**3,581**
Net gains on investments accounted for using the equity method	**2,666**	**676**
Profit before tax	**37,607**	**35,317**
Income tax expense	-8,735	-8,660
Profit for the period	**28,872**	**26,657**
Non-controlling interests	-160	-290
Profit attributable to owners of the parent	**28,711**	**26,367**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR '000	30 Sep. 2020	31 Dec. 2019
Cash and balances at central banks	1,971,676	235,481
Financial assets – HFT	452,575	438,035
Financial assets – mandatorily FVTPL	177,215	224,413
Financial assets – FVOCI	515,365	620,063
Financial assets – AC	13,220,029	12,417,093
Positive fair value of hedges (hedge accounting)	456,904	436,278
Investments accounted for using the equity method	29,505	27,510
Investment property	37,111	38,235
Intangible assets	307	463
Property, plant and equipment	65,965	68,201
Current tax assets	21,242	26,319
Deferred tax assets	1,147	1,162
Other assets	30,493	38,507
Total assets	**16,979,534**	**14,571,762**

Equity and liabilities

EUR '000	30 Sep. 2020	31 Dec. 2019
Financial liabilities – HFT	424,306	406,606
Financial liabilities – FVO	5,191	4,432
Financial liabilities – AC	14,811,293	12,522,091
Negative fair value of hedges (hedge accounting)	852,455	767,441
Provisions	68,399	68,270
Current tax liabilities	9,809	6,034
Deferred tax liabilities	23,566	26,238
Other liabilities	76,046	85,695
Subordinated capital	1,453	1,453
Equity	707,016	683,502
Equity attributable to owners of the parent	698,440	675,087
Non-controlling interests	8,576	8,415
Total liabilities	**16,979,534**	**14,571,762**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 Sep. 2020 EUR ’000	1 Jan. 2020	Profit for the period	Dividends paid	Other comprehensive income	Other changes	30 Sep. 2020
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	424,706	28,711	-3,500	-	-	449,917
Other reserves composed of:						
Actuarial gains and losses	-5,878	-	-	576	-	-5,301
Debt instruments – FVOCI	11,717	-	-	-2,386	-	9,331
Equity instruments – FVOCI	809	-	-	-121	-	688
Hedges (hedge accounting)	-72	-	-	72	-	-
Equity attributable to owners of the parent	**675,087**	**28,711**	**-3,500**	**-1,859**	**-**	**698,440**
Non-controlling interests	8,415	160	-	-	-	8,576
Equity	**683,502**	**28,872**	**-3,500**	**-1,859**	**-**	**707,016**

30 Sep. 2019 EUR ’000	1 Jan. 2019	Profit for the period	Dividends paid	Other comprehensive income	Other changes	30 Sep. 2019
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	398,240	26,367	-3,500	-	-64	421,043
Other reserves composed of:						
Actuarial gains and losses	-3,416	-	-	-490	-	-3,906
Debt instruments – FVOCI	15,882	-	-	-3,224	-	12,658
Equity instruments – FVOCI	986	-	-	-201	-	785
Hedges (hedge accounting)	-77	-	-	36	-	-41
Equity attributable to owners of the parent	**655,419**	**26,367**	**-3,500**	**-3,878**	**-64**	**674,344**
Non-controlling interests	7,978	290	-	-	66	8,334
Equity	**663,398**	**26,657**	**-3,500**	**-3,878**	**2**	**682,678**

SIGNIFICANT ACCOUNTING POLICIES

In all material respects, this quarterly results announcement by the HYPO NOE Group 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 2019.

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 2020 semi-annual financial report and the consolidated annual financial statements as at 31 December 2019.

It was neither subjected to a full audit nor reviewed by independent auditors.

CONSOLIDATED OWN FUNDS AND REGULATORY CAPITAL ADEQUACY REQUIREMENTS

Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) and the directive on access to the activity of credit institutions (Capital Requirements Directive IV, CRD IV), which came into effect in 2014, require the determination of banks' consolidated own funds, and consolidated regulatory own funds requirements in accordance with IFRS and with the regulatory scope of consolidation.

The own funds of the HYPO NOE Group, calculated in accordance with the CRR/CRD IV requirements, are broken down as follows:

EUR '000	CRR/CRD IV 30 Sep. 2020	CRR/CRD IV 31 Dec. 2019
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	528,364	531,865
Retained earnings	417,536	417,536
Other reserves	104,744	104,744
Accumulated comprehensive income	6,085	9,585
Prudential filter: adjustments due to the prudential measurement requirements	-1,470	-1,620
Other transitional adjustments to Common Equity Tier 1 (CET1) capital	-	-
Intangible assets	-301	-446
CET1 capital	663,139	666,345
Additional Tier 1 capital	-	-
Tier 1 capital	**663,139**	**666,345**
Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR	-	-
Eligible Tier 1 capital	**663,139**	**666,345**
Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR	-	-
Total eligible capital	**663,139**	**666,345**
Own funds requirement	**302,142**	**277,828**
Excess capital	**360,997**	**388,517**
Coverage ratio	219.48%	239.84%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR – fully loaded	17.56%	19.19%
Total capital ratio in accordance with Art. 92(2)(c) CRR – fully loaded	17.56%	19.19%
Capital requirement incl. all buffer requirements	13.12%	13.14%

Changes in the risk-weighted measurement basis and the resultant own funds requirement are shown below:

EUR '000	CRR/CRD IV 30 Sep. 2020	CRR/CRD IV 31 Dec. 2019
Risk-weighted measurement basis for credit risk	3,428,132	3,102,800
8% minimum own funds requirement	274,251	248,224
Own funds requirement for open currency positions	-	-
Own funds requirement for operational risk	22,527	23,263
Own funds requirement for CVA risk	5,364	6,341
Total own funds requirement	**302,142**	**277,828**

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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 the 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. Formulations referring to people are intended to be gender-neutral.