SEMI-ANNUAL FINANCIAL REPORT **2025**

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	**H1 2025**	**H1 2024**
Net interest income	82,242	94,141
Administrative expenses	-62,531	-55,694
Impairment losses on financial assets – IFRS 9 ECL	-23,142	-11,781
Profit before tax	**25,014**	**48,172**
Income tax expense	-4,937	-10,135
Profit for the period	**20,077**	**38,037**
Return on equity before tax	5.64%	11.28%
Cost/income ratio	55.02%	47.95%
Consolidated statement of financial position	**30 Jun. 2025**	**31 Dec. 2024**
Total assets	17,367,402	16,357,561
Financial assets – AC	14,963,177	14,708,988
Financial liabilities – AC	15,791,073	14,762,832
Equity (incl. non-controlling interests)	900,289	889,892
Non-performing loan ratio	2.88%	2.94%
Regulatory indicators	**30 Jun. 2025**	**31 Dec. 2024**
Eligible Tier 1 capital	858,011	867,308
Total eligible capital	858,011	867,308
Minimum capital requirement (Pillar I)	374,666	341,446
Excess equity	483,345	525,862
Total risk exposure amount in accordance with Art. 92(3) CRR	4,683,327	4,268,077
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	18.32%	20.32%
Total capital ratio in accordance with Art. 92(2)(c) CRR	18.32%	20.32%
Leverage ratio in accordance with Art. 92(2)(d) CRR	4.95%	5.30%
Liquidity coverage ratio	354.12%	229.23%
Net stable funding ratio	123.55%	118.55%
Operational resources	**30 Jun. 2025**	**31 Dec. 2024**
Employees at end of reporting period	629	617
Branches	26	26

The intrayear indicators are annualised on a daily basis.

FOREWORD BY THE MANAGEMENT BOARD

Serving as a strong partner in financial matters has been part of HYPO NOE Landesbank's core mission ever since it was established. And confirmation of our success in living up to this commitment came in the form of two distinctions that the Bank received in the first half of 2025. HYPO NOE was ranked third in the highly respected Forbes World's Best Banks survey – and was one of only 12 Austrian banks to be included in the listing. What's more, we were awarded top spots in the "overall satisfaction" and "trustworthiness" categories. Satisfied customers who – accordingly – are highly likely to recommend the Bank to others also laid the foundation for securing the financial marketing association FMVÖ's Recommender quality seal for very strong customer focus. More than 8,000 customers of Austrian banks and insurers took part in the representative FMVÖ Recommender survey in the first quarter of 2025.

It is not just these commendations that reflect HYPO NOE's status as a strong financial partner. With a long-term focus founded on constant organic growth, regional roots and risk-conscious business policies, our business model proved its worth once again. We were confronted with a challenging environment in the first half of 2025: besides interest rate cuts, the increase in the financial stability contribution affected our results in the first six months of this year. Nevertheless, the HYPO NOE Group put in a solid performance during the reporting period. Net interest income stood at EUR 82.2 million as at 30 June 2025, while net fee and commission income rose by more than 5% to EUR 11.1 million. Administrative expenses increased from EUR 55.7 million in the first half of 2024 to EUR 62.5 million at the end of June 2025. This was mainly due to the significant jump in the financial stability contribution, from EUR 1.3 million to EUR 5.4 million. As a result, profit before tax in the first half of 2025 was EUR 25 million. New lending was around 10% higher, at EUR 812 million.

Against the challenging economic backdrop during the first half, HYPO NOE once again underlined the outstanding level of confidence it enjoys among international capital market investors. In February, we issued a EUR 500 million, six-year green senior preferred benchmark bond that was heavily oversubscribed. This was followed in May by a seven-year, EUR 500 million benchmark bond from the public sector cover pool.

The strong first-half results are not only a reflection of the strength of our business model – they are testimony to the exceptional commitment of our employees. Extremely well trained, they are the cornerstone of the Bank's success. This is why we have been focusing on improving and optimising working conditions at the Group for many years now. Thanks to our efforts focused on employee experience, we achieved Leading Employer status for the fifth year in succession – meaning that HYPO NOE is among the top 1% of Austrian employers. The study was based on more than 250 independent sources as well as around 660 data points for each company, and also took into account benchmarking data, review platforms, social media analysis and HR standards.

In an environment that poses multiple challenges, our people again showed what being a reliable bank for regional people and businesses is all about. Their personal dedication, professional excellence and willingness to listen to the wishes of our customers have helped to deepen the sense of trust in the HYPO NOE Group. The Management Board would like to express its gratitude for this outstanding commitment. Without the trust of our customers and investors, these successes would not have been possible. And for that, we would like to extend our heartfelt thanks.

We will maintain our strategic focus in the second half of 2025 – by investing in digitalisation, bespoke financing, and measures aimed at honing our consulting expertise. Working hand-in-hand with our customers, this will enable us to shape the future – through a sense of responsibility, a regional focus, and outstanding performance.

Wolfgang Viehauser and Udo Birkner

GROUP OPERATIONAL AND FINANCIAL REVIEW

for the six months ended 30 JUNE 2025

IN ACCORDANCE WITH IFRS

HYPO NOE GROUP

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1 ECONOMIC CLIMATE

1.1 Global economic and financial market trends

The first half of 2025 was significantly shaped by political developments – particularly those stemming from the new US administration. Protectionist tendencies had already started coming to light before the 47th US President's inauguration on 20 January, notably in regard to long-standing trade partners such as Mexico and Canada. US economic policy has since been defined by a strongly nationalist agenda, which includes high import tariffs, restrictive immigration policies and tax reforms. On 2 April 2025, the US government announced a sweeping set of import tariffs on a wide range of goods.

Under them, the average tariff rate on US imports consequently rose from approximately 2.6% to around 25%. Capital markets initially reacted with significant unease, which led to a global sell-off of riskier assets, with US dollar-denominated assets coming under particular pressure. Subsequently, the tariff measures were partially scaled back or temporarily suspended. By the end of June, new trade policy frameworks had only been concluded with the United Kingdom and China. In the US's negotiations with China, Beijing adopted a markedly more assertive stance than it had in previous trade disputes. In particular, China's near-monopoly on rare earth elements - critical raw materials for future technologies - was deliberately used as a strategic pressure point. The new agreements include significantly higher tariffs on Chinese exports to the US compared to the past.

Transatlantic relations have noticeably shifted as a result of these developments. The US is increasingly positioning itself as an economic-policy rival, prompting Europe to reassess its strategic partnerships. The Zeitenwende speech by former German Chancellor Scholz at the onset of the Ukraine war in February 2022 has taken on broader significance due to the United States' current strategic reorientation. The international order is progressively transitioning from a rules-based, US-led system to a multipolar structure driven by the self-interests of major and regional powers. This has further intensified discussions about Europe's wider economic and security policy autonomy in recent months.

In Germany, early elections in spring 2025 resulted in the formation of a new coalition government by the CDU/CSU and SPD. The new federal government under Chancellor Friedrich Merz announced a comprehensive fiscal investment package. This includes a reform of the debt brake enshrined in the German Constitution and a special fund of EUR 500 billion for infrastructure and defence. The aim is to bolster Germany's economic resilience and enhance Europe's strategic security capabilities. It is currently unclear whether the additional financial resources can be deployed efficiently and promptly by the German government, indications suggest that the fiscal package it announced has noticeably lifted sentiment both in Germany and internationally.

In response to these developments, the mood on the capital markets brightened considerably. International investors exhibited increasing caution when it came to US assets, partly due to the touted exertion of stronger political influence on the future direction of the US Federal Reserve. Discussions about a potential reorientation of the Federal Reserve following the end of Jerome Powell's term in May 2026 are already causing uncertainty. Combined with an ongoing expansive fiscal policy and rising national debt, the US dollar and US government bonds came under pressure. The US dollar weakened significantly against the euro and other major currencies.

1.1.1 Economy and inflation

In the first half of 2025, the US's confrontational trade policy has so far had more pronounced effects on the US economy than on the countries targeted by the measures. The International Monetary Fund (IMF) lowered its growth forecast for the US in April from 2.8% to 1.8%. In its June projection, the US Federal Reserve is now only forecasting growth of 1.5% for the current year. Recent economic data point to a moderate cooling of the US economy, albeit without any indication of recessionary tendencies.

Signs of a slowdown are also emerging in the US labour market. Economic risks remain elevated and depend significantly on direction of the US government's economic policy going forward. In spite of the introduction of higher base tariffs, no significant impacts on US inflation have been observed to date. In May, headline inflation stood at 2.4%, close to the Federal Reserve's target. Inventories that had been built up before the tariffs entered into force are currently helping to stabilise price developments, though a renewed rise in inflation is expected in the medium term – depending on further tariff policy developments.

The eurozone proved surprisingly resilient in the first half of 2025, both in terms of soft and hard economic indicators, despite pressures from US tariffs. Interest rate cuts by the ECB since June 2024 have provided support. The European labour market remained robust, with the unemployment rate at a historic low of 6.3%. Strong wage growth over the past two years, combined with declining inflation, has led to a noticeable rise in real wages since autumn 2023. Consumer confidence has slightly improved as a result, though cautiousness continues to prevail owing to geopolitical uncertainties.

Announcements of increased defence spending have given an additional boost to the European economy. On 26 June, NATO confirmed that virtually all of its members aim to increase defence spending to up to 5% of GDP in the coming years, with around 1.5% allocated to infrastructure investments. Even if not all states meet this target, a significant surge in investment to the tune of several hundred billion euros is expected over the coming years. This could lift the eurozone's GDP growth to at least 1.3% to 1.5% in the medium term.

The picture as regards inflation in the eurozone remained favourable in the first half of the year. The trade conflict with the US contributed to a decline in commodity prices. Deflationary pressures in China, coupled with a stronger export focus towards Europe, are reinforcing the disinflationary trend. The euro's rising external value is further dampening price pressures.

1.1.2 Monetary policy

The ECB continued its interest rate-cutting course in the first half of 2025, lowering the deposit rate by a total of 200 basis points by June. Given the expected continued decline in inflation, there is currently limited scope for additional rate cuts of 25 to 50 basis points. Forward markets have already largely priced in a further reduction to around 1.75%. In parallel, balance sheet reduction continued, keeping monetary policy conditions restrictive.

Despite ongoing geopolitical uncertainties, capital markets reflected a shift in risk perception. While US assets were increasingly viewed critically, European assets benefited from a positive shift in sentiment. In particular, European equity markets outperformed their US counterparts for the first time in years during the first half of 2025.

The Swiss National Bank continued its rate-cutting trajectory, returning to a policy rate of 0.0% in June with its sixth consecutive rate cut. Inflation in Switzerland stood at -0.1% in May, marking a return to negative territory. The SNB's monetary policy room for manoeuvre is largely exhausted, though a negative key rate has not been entirely ruled out.

1.1.3 Geopolitical situation

The geopolitical situation continued to be characterised by high uncertainty and increasing complexity in the first half of 2025. The unexpected fall of the Assad regime in December 2024 marked a turning point in the Middle East. The capture of Damascus by Islamist rebels led to a rapid power shift, which was initially met with guarded relief in the West. Syria's long-term stability remains uncertain.

At the same time, the situation in the Gaza Strip remained tense. Israel continued its military operations, while Hamas – despite significant losses – remains a dominant force in the Palestinian territories. The situation in Lebanon also deteriorated. Weakened by Israeli airstrikes and increasingly uncertain support from Iran, Hezbollah attempted to reorganise. In early June 2025, Israel conducted a surprise intelligence-led operation involving over 100 fighter jets, targeting Iranian nuclear facilities and eliminating key leadership structures. On 22 June 2025, the situation escalated further still when US forces launched a coordinated airstrike on Iranian nuclear facilities using bunker-busting ordnance with the aim of stopping Iran from developing its own nuclear weapons. A ceasefire was agreed shortly afterwards, but tensions between Israel, Iran, and the US remain high, with significant escalation risks.

Russia intensified its military operations in Ukraine in spring 2025, and there are still no diplomatic solutions in sight. For many observers, the war has become entrenched as a new normal, but the human toll remains staggering, with losses on both sides now numbering in the hundreds of thousands. Europe has expanded its military support and is increasingly rearming, but Ukraine remains heavily reliant on its own resources, alongside international aid. The front lines are shifting, with minor territorial gains being made first by one side, then the other. At the same time, the conflict has increasingly shifted to the digital and intelligence domains, with technologically advanced operations not only targeting the front lines, but aiming specifically at critical infrastructure and command centres deep in the hinterland on both sides. There are still no signs of a strategic breakthrough.

Tensions in the Indo-Pacific have also intensified. After a period of relative calm, relations between Pakistan and India are deteriorating again – a risk factor that could have wider geopolitical implications given both countries' nuclear capabilities.

China has increased its military presence in the South China Sea, demonstrating enhanced maritime capabilities extending into the central Pacific. While the situation around Taiwan remained largely stable in the first half of 2025, the island remains a geopolitical flashpoint where the risk of escalation is high.

1.1.4 Capital market developments

While money market rates in the eurozone steadily declined in the first half of 2025 in the face of ECB rate cuts, the decline in capital market rates was interrupted in March. This was partly due to growing discussions about the sustainability of high public debt levels in countries including the US, the UK, France, and Japan. Alongside rising interest burdens, which are increasingly constraining governments' fiscal space, the growing supply of government bonds is creating pressure, with investors demanding higher risk premiums to finance these debts. Medium- to long-term inflation concerns also contributed to the rise in capital market rates. Yield curves steepened significantly over the course of the reporting period.

The EUR/USD exchange rate initially reacted as expected to the US election in November 2024, reaching a low of 1.0244 on 10 January 2025, its lowest level since 2022. However, the picture quickly reversed as the new US administration's policies led to a substantial depreciation of the US dollar against the euro. The euro reached a high of 1.1788 on 30 June, reaching its peak for the first half of the year.

The Swiss franc remained stable despite the low interest rate environment. Its extended upward trajectory was interrupted, but it continues to benefit as a "safe haven" amid geopolitical tensions and economic uncertainty. Switzerland has also proven this for years with the lowest inflation rate among industrialised nations, which further reinforces the franc's standing as a currency with stable purchasing power.

In the first half of 2025, gold reaffirmed its role as a key store of value. Driven by geopolitical uncertainties, ongoing central bank purchases, and a global trend towards de-dollarisation, the gold price rose significantly, particularly in US dollars. With a gain of 26%, gold recorded its strongest half-year performance since 2007. In euro terms, its performance was more moderate at around 12%. Bitcoin also saw gains but lagged behind gold. The cryptocurrency benefited from broader institutional acceptance, particularly through the expansion of spot Bitcoin ETFs, which added liquidity to the market. Its price had risen by approximately 14% by mid-year.

1.2 Economic trends in the HYPO NOE Group's core markets

1.2.1 Austria and Germany

Following a recession lasting approximately two and a half years that brought with it a cumulative decline in economic output of 3.3%, Austria's economic slump had bottomed out by the end of 2024. In the first quarter of 2025, modest growth of 0.1% was recorded. Germany exhibited slightly stronger momentum with growth of 0.4%. This tentative upward trend continued into the second quarter.

Muted private consumption and persistent industrial weakness remain the primary obstacles to a more robust economic recovery in the HYPO NOE Group's core market. Despite an increase in real disposable household income, consumer restraint remains pronounced, while the savings rate continues to hover at a comparatively high level of around 11%. Industrial weakness in both countries is primarily attributable to restrictive monetary policy, anaemic foreign demand, structural competitive disadvantages, and increasing geopolitical tensions and trade barriers. The US import tariffs introduced in spring led to positive front-loading effects at the start of the year. These effects are gradually dissipating, though, which is contributing to growing uncertainty among economic actors as well as negative growth revisions.

In Austria, the necessary fiscal consolidation is exerting a mildly dampening effect on economic activity. Meanwhile, in Germany, the forthcoming comprehensive fiscal packages are having a stabilising impact on economic sentiment and activity through their adoption alone. Inflation was adversely affected in the first half of 2025 by government relief measures – such as the electricity price cap – coming to an end. As of June 2025, inflation stood at 3.0% in Austria and 2.7% in Germany.

Following declines in property prices in 2023 and 2024, the first half of 2025 saw prices increase again. The property price index in Austria rose by 0.4% quarter-on-quarter in the first quarter. In Germany, the increase was 3.8% year-on-year. Residential construction investments in Austria in 2024 were still 19% below 2022 levels. Recently, however, brightening sentiment among construction companies and increasing construction activity in the Group's core market have been

observed, partly supported by the key interest rate reduction. Unemployment rose moderately to 6.8% in Austria (up 0.6 percentage points year-on-year) and 6.2% in Germany (up 0.4 percentage points) as of June 2025.

Approved in the first half of 2025, the double budget for 2025/26 provides for consolidation measures in Austria amounting to EUR 4.1 billion in 2025 and EUR 6.1 billion in 2026. Of this amount, EUR 2.1 billion in each year relates to the revocation of the Klimabonus climate bonus. Additional proactive measures of EUR 0.6 billion in 2025 and EUR 1.6 billion in 2026 were approved. The aim is to reduce the budget deficit from 4.7% in 2024 to 4.2%. In June 2025, the European Commission recommended that the EU Council of Economic and Finance Ministers initiate an EU deficit procedure for Austria. The Council adopted the recommendation on 7 July 2025.

In Germany, the new coalition agreement includes tax relief measures. These encompass accelerated depreciation and a reduction in VAT for the hospitality sector, as well as cuts in electricity tax and system charges. German fiscal policy foresees moderate stimulus of EUR 10 billion for 2025, with significantly larger measures of EUR 57 billion slated for 2026. In addition, in the first half of 2025, the outgoing Bundestag – in the wake of the federal elections but before the new parliament was constituted – approved a special fund of EUR 500 billion, primarily earmarked for defence and environmental measures, the economic stimulus effects of which will also be felt over the coming years.

1.2.2 Federal states

The economic downturn in 2024 was once again particularly evident in the export- and industry-dominated states, especially Upper Austria, Carinthia, and Vorarlberg. The metal-producing industry, along with plant engineering and vehicle manufacturing, was significantly impacted by the recessionary trend. Construction output continued to decline, particularly in residential construction, recording a 4.4% decrease for 2024. Towards the end of the year, signs of stabilisation in the construction sector emerged at the federal level. Regional disparities remained significant, though: while Lower Austria reported growth in construction output value, the contraction persisted in Vorarlberg.

On the expenditure side, increases in material and personnel costs caused by inflation were the primary factors that placed a strain on states' budgets in 2023 and continued to do so in 2024. According to the currently available state budgets, a sharp increase in the aggregate net financing deficit to EUR 4.9 billion is expected for 2025, which corresponds to an increase of 69% compared to 2023. This results in a 6.9% increase in financial debt, taking the total to EUR 34 billion by the end of the year.

Regional authorities' financial situation remains strained. An analysis by the Centre for Administrative Research (KDZ) indicates that approximately half of municipalities could have reported negative free funding in 2024 without countermeasures. At the same time, the amount of equity available for investments has fallen significantly. Various support measures were implemented to stabilise the situation. The Future Fund continues to provide EUR 1.1 billion annually for states and municipalities. Additionally, the municipal investment programme has been adjusted with a reduced co-financing share of 20%, and further liquidity assistance has been provided by the federal government and states. Resources to ensure sustainable budget management have been increased correspondingly.

1.3 Banking sector trends in the eurozone

In the first half of 2025, the banking sector was directly affected by a number of major challenges facing the global economy. These included ongoing military conflicts, a persistently weak economic environment and stubborn inflation in several countries.

Against this backdrop, the OeNB confirmed that the domestic banking sector still has a robust business model, as reiterated in its June 2025 Financial Stability Report. As of 31 December 2024, the average Common Equity Tier 1 (CET1) ratio was 17.5%, having stabilised at a high level (17.6% as of 31 December 2023). This provides a solid foundation for withstanding potential future stress factors. The non-performing loan (NPL) ratio increased year-on-year from 2.6% to 3.0% as at 31 December 2024.

The ECB's change of direction on interest rates continued to have a positive impact on net interest income for Austrian banks in 2024, while net fee and commission income fell slightly. Overall, Austria's banks have benefited from the restructuring measures of the past few years and were able to improve their operating results year on year. In the course of an extended consolidation process, the number of banks in Austria (main institutions) has decreased by around a quarter since 2012.

The challenges identified by the OeNB apply equally to the rest of Europe. Most European institutions, however, are generally well-positioned. The equity ratios of financial institutions in the EU have recently stabilised at high levels. The ongoing digitalisation of customer offerings remains one of the most significant trends. Multichannel strategies – under which universal banks complement their branch networks with digital services – have established themselves as the dominant model in the European retail customer business.

In some European countries and regions, particularly in Spain, Italy and Scandinavia, the trends towards consolidation in the banking sector continued. In the Austrian banking sector, by contrast, there has recently been a phase of relative stability, regular mergers of local Raiffeisen banks notwithstanding. Cross-border acquisitions by major European banks, such as Erste Group's acquisition of an interest in Santander Bank Polska in the first half of 2025, now appear to be a realistic prospect.

2 COMPANY PROFILE

This report on the HYPO NOE Group 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 banks[1], 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. Wholly owned subsidiary HYPO NOE Leasing, which specialises in real estate leasing to public sector clients and has extensive experience of budget-efficient financing solutions for social infrastructure, 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 ethics guidelines and business principles. 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 an ESG rating from Sustainalytics, and has been awarded the DZ Bank sustainability seal of approval.

[1] In terms of total assets (2024 consolidated financial statements) and date of establishment.

3 FINANCIAL REVIEW

3.1 Highlights

- "Profit before tax" of EUR 25m (H1 2024: EUR 48.2m)
- "Net interest income" at EUR 82.2m (H1 2024: EUR 94.1m)
- "Administrative expenses" of EUR 62.5m (H1 2024: EUR 55.7m)
- "Net fee and commission income" higher year on year, at EUR 11.1m (H1 2024: EUR 10.6m).
- CIR of 55.02% (H1 2024: 47.95%) and NPL ratio of 2.88% (31 Dec. 2024: 2.94%) – both indicators solid in view of current economic conditions
- The Common Equity Tier 1 (CET1) ratio of 18.32% as at 30 June 2025 – if applied, the pro forma ratio, i.e. including the interim result, would be approximately 18.69% (31 Dec. 2024: 20.32%)

3.2 Earnings performance

		Q2 2025	Q4 2024	Q2 2024	Q4 2023
Return on equity before tax	Profit before tax/avg. consolidated equity	5.64%	9.45%	11.28%	10.74%
Return on equity after tax	Profit for the year/avg. consolidated equity	4.52%	7.41%	8.91%	8.04%
Return on assets	Profit for the year/total assets	0.23%	0.39%	0.45%	0.42%
Cost/income ratio	Operating expenses/operating income	55.02%	51.72%	47.95%	52.21%
NPL ratio	Carrying amounts of non-performing financial assets – AC (excl. banks)/financial assets – AC (excl. banks)	2.88%	2.94%	2.79%	2.45%

The HYPO NOE Group reported "Profit before tax" of EUR 25m (H1 2024: EUR 48.2m) and a return on equity (ROE) before tax of 5.64% (H1 2024: 11.28%) in the first six months of 2025. In spite of the challenging economic conditions, this performance made a valuable contribution to the sustained implementation of the Group's strategy during the reporting period, while also preserving its conservative risk and capital profile.

While "Net interest income" was down markedly on the same period a year earlier, at EUR 82.2m (H1 2024: EUR 94.1m), due to the reduction in earnings from interest maturity transformation, "Net fee and commission income" increased to EUR 11.1m (H1 2024: EUR 10.6m), which mainly reflected a rise in fees and commissions in the securities business.

"Administrative expenses" rose to EUR 62.5m (H1 2024: EUR 55.7m) – this was mainly driven by the increase in the current financial stability contribution, as well as the one-off payment towards the financial stability contribution, which were both adopted by the lower house of the Austrian Parliament at the beginning of March.

Adjusted for exceptional and non-recurring earnings components, the cost/income ratio based on operating profit was 55.02% (H1 2024: 47.95%).

3.3 Balance sheet movements

HYPO NOE Landesbank has continued to systematically consolidate its strategic position as the bank for the state of Lower Austria and a strong partner for the public sector, the domestic economy, the real estate sector and retail customers.

The rise in "Financial assets – AC" compared with year-end 2024, to EUR 15.0bn (31 Dec. 2024: EUR 14.7bn), mainly reflected the continuing high level of new business. The HYPO NOE Group extended new loans amounting to around

EUR 812m (H1 2024: EUR 739m) during the first six months of the year, providing key funding primarily for infrastructure projects, housing construction and corporate finance.

Although the economic situation remained challenging, the Group reported a reduction in non-performing loans during the reporting period. The NPL ratio fell to 2.88% as of 30 June 2025 (31 Dec. 2024: 2.94%).

Total risk provisions (Stages 1-3 and purchased or originated credit impaired [POCI]) decreased to EUR 104.5m (31 Dec. 2024: EUR 117.3m) thanks to the systematic approach adopted by Intensive Care Management (Stage 3). The main factor influencing risk provisions in the first half of 2025 was the structured management of non-performing loans and associated provisioning. Above all, the decline in risk provisions for performing loans (Stages 1 and 2) to EUR 22.5m (31 Dec. 2024: EUR 30.1m) was attributable to the reversal of the collective manual stage transfer in connection with the anticipated impact of current macroeconomic developments on selected industries.

The rise in “Financial liabilities – AC” to EUR 15.8bn as at 30 June 2025 (31 Dec. 2024: EUR 14.8bn) mainly reflected two EUR 500m bond issues – a green senior preferred bond in February and a public-sector covered bond in May 2025 – as well as satisfactory growth in customer deposits. This is also a product of the Group’s targeted and effectively managed refinancing strategy.

3.4 Segment performance

The HYPO NOE Group held its own in the face of a highly challenging economic and global political environment in the opening six months of 2025, again reporting a strong “Profit before tax”, of EUR 25m. The operating segments all contributed to this result, as explained below.

3.4.1 Public Sector segment

The Public Sector segment reported a drop in pre-tax profit to EUR 12.4m (H1 2024: EUR 17.3m).

As expected, intense competition in the segment’s current margin situation resulted in a fall in net interest income. The volatile economic and global political environment of recent years has added to the attractiveness of this highly risk-averse business, which has had the effect of sharpening competition.

Designing bespoke financing solutions for state governments, local and regional authorities, and public agencies remains one of the core pillars of the HYPO NOE Group’s business strategy. In 2025, the Group has provided effective support for the sale of subsidised homebuilding loans from the State of Lower Austria, in the form of a bidding platform, which once again strongly underlines the HYPO NOE Group’s expertise when it comes to consultation and execution for complex public-sector transactions.

Part of the Austrian government’s budget consolidation package, the significant increase in the financial stability contribution (bank tax), coupled with the one-off payment towards the contribution for 2025 and 2026, weighed heavily on the segment’s administrative expenses.

A reflection of the risk-averse nature of the segment’s business, impairment gains/losses on financial assets – IFRS 9, ECL remained extremely low.

3.4.2 Real Estate segment

The Real Estate segment recorded a loss before tax of EUR 5.6m (H1 2024: profit before tax of EUR 16.4m), predominantly due to risk provisioning.

Shaped by persistently high construction cost indexes and generally stricter criteria for the approval of housing loans to retail customers, the current economic environment means that commercial property developers and project developers still face challenging conditions. This led to an increase in non-performing loans in this sub-portfolio – reflecting a general trend among domestic banks with real-estate exposures. In response, the HYPO NOE Group has taken action in the form of conservative risk provisioning in line with the business model, benefiting from its rock-solid capitalisation in the process.

There was a significant year-on-year deterioration in the impairment gains/losses on financial assets – IFRS 9, ECL item during the reporting period. The real estate sector is stuck in a phase of stagnation, although there are initial signs of a modest recovery.

Net interest income reflected the positive effect of additional lending and an increase in payments of default and overdraft interest by customers – principally in the real estate development sector – due to the difficult operating environment. Loan repayments related to real estate transactions were seen in a small number of cases in the first half of 2025. This had a positive effect in two ways: on the one hand, the application of early repayment charges led to an increase in segment earnings; on the other, a rise in the number of transactions points to the start of an easing of tensions on the real estate market.

The considerable increase in the financial stability contribution also resulted in higher administrative expenses in this segment.

3.4.3 Retail and Corporate Customers segment

Profit before tax in the Retail and Corporate Customers segment stood at EUR 9.7m. This compared with a loss of EUR 1.8m in the same period a year earlier, which was due to the significant rise in expenses attributable to impairment gains/losses on financial assets – IFRS 9, ECL resulting from defaults by individual corporate customers.

At EUR 8.6m, the segment accounted for the largest proportion of Group “Net fee and commission income” (H1 2024: EUR 8.2m). This slight year-on-year improvement in spite of the difficult operating conditions is testimony to the effective work of the sales unit in generating additional earnings irrespective of the level of interest rates.

Segment operating income remained high – a very satisfactory development in view of the challenging economic environment.

The increase in the financial stability contribution only played a minor role in the evolution of the segment’s administrative expenses. In accordance with the principle of causation-based cost allocation, a significant proportion of this cost component was not attributed to the segment in the comparative period of 2024.

Deposits – particularly from retail customers – rose considerably year on year. Diversifying the refinancing base is an important consideration for the HYPO NOE Group in order to safeguard resilience in terms of liquidity.

3.4.4 Treasury & ALM segment

Treasury & ALM posted a lower profit before tax compared with the first six months of 2024, at EUR 7.1m (H1 2024: EUR 19.7m).

Net interest income fell by EUR 13.4m year on year. While interest maturity transformation in previous years was positively influenced by the slightly delayed impact on the deposit market of the change in direction of the European Central Bank’s interest policy, this effect has been reversed by the ECB’s most recent interest rate cuts – coupled with increased refinancing costs owing to the currently volatile economic environment, this also impacted segment net interest income compared with a year earlier.

Net gains or losses on financial assets and liabilities include losses on currency valuations for derivatives totalling EUR 2.1m (H1 2024: gains of EUR 11.2m), which are offset by currency valuations reported in net other operating income. Compared with the first half of 2024, the picture was rather brighter in terms of net gains on hedges, which amounted to EUR 1.6m (H1 2024: net losses of EUR 0.4m).

Yet again, the HYPO NOE Group’s capital market refinancing activities were highly successful during the period under review. HYPO NOE Landesbank reaffirmed its strong market position once more in February 2025 – there was strong demand for the Bank’s EUR 500m, six-year senior preferred benchmark bond. With the order books oversubscribed several times, the widely diversified investor base reflected the capital market’s continued confidence in the Bank’s sustainability focus. HYPO NOE Landesbank sent another strong signal in May 2025 with the successful issue of a seven-year benchmark public sector covered bond. This again underscored the outstanding attractiveness of HYPO NOE Landesbank’s bond issues.

3.5 Equity

Stipulating comprehensive new capital requirements for all banks in the EU, CRR III came into force on 1 January 2025. HYPO NOE Landesbank has taken early action to ensure timely implementation of the regulation and guarantee the long-term stability and competitiveness of its own operations.

As anticipated, implementation of the CRR III regulations will have an impact on the HYPO NOE Group's capital ratios, at consolidated and non-consolidated subsidiaries alike. In particular, there was an increase in the risk-weighted measurement basis for credit risk (credit risk RWA) – mainly in connection with real estate financing that meets the definitions for ADC or IPRE under CRR III, and for which the regulator has raised the capital requirements significantly.

Adaptation to the new regulatory requirements will provide a solid starting point for generating stable earnings and operating sustainably in the future. Thanks to its sound capital base, the HYPO NOE Group has been able to meet these new requirements without strategic restrictions.

The optimisation measures initiated on the basis of clarifications and announcements issued in the meantime by the EBA are already having positive effects, and have contributed to a significant reduction in the impact of initial application of CRR III on capital ratios that had originally been anticipated at the end of 2024. Effective preparation and robust capital management have formed a reliable basis for continued stable performance combined with a forward-looking approach under the new regulatory framework.

Consolidated eligible capital in accordance with the CRR/CRD as amended was EUR 858.0m as at 30 June 2025 (31 Dec. 2024: EUR 867.3m).

Excess equity excluding buffers stood at EUR 483.3m at the end of the reporting period (31 Dec. 2024: EUR 525.9m), compared with a capital requirement of EUR 374.7m (31 Dec. 2024: EUR 341.4m).

The Group's capital ratios stood at 18.32% as at 30 June 2025 (31 Dec. 2024: 20.32%) and are composed entirely of CET1. Adjusted for the intrayear profit including recognition of a pro rata dividend and prorating of non-accruable regulatory expenses (resolution and deposit insurance funds), the Tier 1 capital ratio would be around 18.69%.

4 RISK REPORT

Details of risk management objectives and methods, and explanations of material risks are provided in Note 8 RISK MANAGEMENT of the notes to the consolidated financial statements.

5 EQUITY INVESTMENTS AND BRANCH OFFICES

The HYPO NOE Group holds investments that underpin its strategy. The Group only enters into such investments if they are compatible with its primary business objectives. In line with its role as a shareholder representative, the Group promotes, guides and supports investees' strategic business development. Details of changes in the scope of consolidation can be found under Note 9.1 Scope of consolidation.

HYPO NOE Landesbank has operated a branch office at Wipplingerstrasse 4, 1010 Vienna since 2008.

The Bank had 26 branches in Lower Austria and Vienna as at 30 June 2025 (31 Dec. 2024: 26).

6 GROUP OUTLOOK

6.1 Economic environment

The geopolitical situation remains tense. Coupled the generally difficult-to-predict policies of the United States, it continues to represent one of the greatest potential risks to the global economy. The issue of high and climbing public debt has returned to the capital markets and is influencing investor expectations. By contrast, the interest rate cuts implemented by numerous central banks in recent months can be seen as a positive development. The challenging economic environment over an extended period appears to have prompted a process of adjustment in many companies. Despite these adverse conditions, corporate earnings have proven remarkably resilient.

For Europe, positive impetus from commitments to invest in defence and infrastructure is expected in the coming years, which should translate into a trend of higher growth. Moreover, initial measures to curb the significant growth of European bureaucracy in recent years are discernible. While the short-term growth prospects for the USA have dimmed somewhat compared to previous years, the outlook for the Eurozone economy is gradually improving after two years of only marginal growth.

There are mounting signs that the industrial recession in Europe could be overcome in the course of 2025. The European labour market remains robust: the unemployment rate stands at a historically low 6.3%, and nominal wage growth is outpacing inflation. This is likely to lead to private consumption playing a stronger role in GDP growth in the coming months and years. The ECB's interest rate cuts – totalling 200 basis points by the end of the reporting period – are stimulating both credit demand and private consumption, as well as corporate investment activity. However, only moderate growth is expected in the eurozone in 2025, as temporary pressures from the trade conflict with the USA need to be taken into account, and the announced expansionary fiscal policy in Germany is only likely to fully take effect from 2026.

International monetary policy is not unaffected by these uncertain conditions. In the UK and the USA – where inflation rates remain significantly above central bank targets – only moderate interest rate cuts have been implemented so far. The US Federal Reserve is holding off on further rate adjustments until the effects of US tariff policies become clearer. Despite expectations of a temporary rise in US inflation due to increased tariffs, capital markets anticipate that the Fed will lower the key interest rate by at least 50 basis points by year-end.

The ECB, with its 200 basis point rate cuts by June 2025, is already well into the current interest rate cycle. As several factors suggest that the disinflation process will continue and be further supported by the effects of the trade conflict, additional rate cuts of 25 to 50 basis points cannot be ruled out.

Capital market interest rates for medium and longer maturities are only likely to benefit from further rate reductions to a limited extent. Structural conditions for medium- and long-term inflation trends, as well as rising public debt, suggest that bond investors will demand higher risk premiums in the future. Against this backdrop, it is reasonable to assume that the process of yield curve steepening is not yet complete.

After a roughly two-and-a-half-year recession, the signs of a bottoming-out of the cycle are intensifying in both countries that make up the HYPO NOE Group's core market. As a result, a return to slightly positive economic growth is expected for 2025. Forecasts project real GDP growth of 0.2% in Austria (OeNB) and 0.3% in Germany (ifo Institute). These estimates are, however, subject to significant uncertainties, particularly due to ongoing geopolitical tensions and the already implemented tariff increases on EU imports by the USA.

The expected economic recovery is primarily driven by a revival in private consumption, which is projected to rise by 1% in Austria and 0.7% in Germany compared to the previous year. In Germany, rising public consumption expenditure (2.0% year-on-year) is also contributing to economic momentum. The significantly increased savings rate in recent years is expected to decline from a high level to around 10.1% in Austria and 10.7% in Germany, boosting consumption as a result. By contrast, exports are forecast to decline: a drop of 1.2% is expected in Austria, and an even sharper decline of 2.8% in Germany.

The expansionary fiscal policy of the new German federal government envisages moderate stimulus of around EUR 10 billion for 2025, while significantly larger measures amounting to EUR 57 billion are planned for 2026. Further growth-promoting effects are expected from the approved special fund of EUR 500 billion for defence and infrastructure, which are likely to take effect with a time lag. As a result, an increase in public consumption and investment expenditure, as well

as corporate investment, is anticipated. This should gradually reduce overall economic capacity underutilisation and transition the German economy into a recovery phase, from which Austria – due to the two countries' close trade ties – is likely to benefit with a delay.

The unemployment rate, as defined by the Public Employment Service Austria (AMS), is expected to rise slightly to 7.4% in Austria despite the anticipated economic recovery, and to 6.3% in Germany. The inflation rate in Austria is forecast at 3.0% for 2025 (up from 2.9% in 2024), while a decline to 2.2% is expected in Germany (down 0.3 percentage points compared to the previous year).

Housing construction investments in Austria are expected to decrease by a further 1.5% in 2025, although a moderate increase is anticipated from 2026. Current investment is around 19% below the 2022 level. Despite the expected declines, a revival in demand for residential construction loans has recently been observed. Supported by key interest rate cuts, this could intensify further during the year. In parallel, sentiment is improving in the construction sector in the HYPO NOE Group's core market: assessments of construction activity and order books are less negative than they were a few months ago.

In terms of state budgets, an increase in deficits is expected in both countries and they are likely to remain above the Maastricht ceiling of 3% of GDP for several years. For Austria, the European Commission forecasts a deficit of 4.2% in 2025 (down from 4.7% in 2024) and has recommended the initiation of a deficit procedure to the EU Council of Economic and Finance Ministers. The Council approved this proposal on 7 July 2025 and officially launched the procedure.

Inflation-related expenditure increases – such as for pensions, staff costs and social benefits – as well as higher refinancing costs for existing public debt have further constrained fiscal policy leeway and increased consolidation pressure. In addition to these consolidation measures, additional stimulus measures of EUR 0.6 billion for 2025 and EUR 1.6 billion for 2026 have been approved in Austria. In Germany, corresponding measures amount to EUR 10 billion in 2025 and EUR 57 billion in 2026.

In the Austrian banking sector, a slowdown in the consolidation process has recently been observed. Aside from the regular mergers of local primary banks, no major corporate mergers are expected for the remainder of the current financial year. However, the overarching trend towards structural consolidation remains clearly evident in several European countries and is likely to lead to further local mergers or acquisitions there. Cross-border transactions in the large-bank sector appear increasingly viable – despite the expected regulatory scrutiny and conditions imposed by European supervisory authorities. Recent developments suggest that the European banking market is in a phase of increased strategic realignment, which could lead to stronger consolidation in the medium term.

6.2 Outlook for Group performance

The economic climate has remained challenging so far in 2025. In addition to security-related tensions resulting from the ongoing conflicts in the Middle East and Ukraine, other primary factors weighing heavily on the overall environment were the looming trade crisis due to threatened tariff measures, cautious economic growth forecasts and rising insolvency figures. The HYPO NOE Group has managed to hold its own against this backdrop and once again achieve significant gains – a testament to the resilience of its underlying business model.

Although there are initial signs of a modest recovery, the real estate sector is stuck in a period of stagnation. Following its expiry, the KIM Regulation has effectively been extended in the wake of a recommendation by the Financial Market Authority. Together with continued high construction cost indices, it represents a burdensome framework for commercial developers and real estate project developers. As a result, an increase in non-performing loans in this sub-portfolio has been recorded – a trend that is also reflected among domestic banks with real estate exposures. In response, the HYPO NOE Group has taken action in the form of conservative risk provisioning in line with the business model, benefiting from its rock-solid capitalisation in the process. The HYPO NOE Group has been able to ride out these negative developments thanks to its diversified business model, with its focus on financing solutions for public sector and government-linked clients, as well as for non-profit housing associations which are generally very defensively positioned and well capitalised. New business of EUR 812m in the first half of 2025 million was nearly 10% above the previous year's figure – a positive signal in a still challenging market environment. Responsible interest rate and liquidity management have also had a significant part to play in the HYPO NOE Group's sustained success.

The HYPO NOE Group is subject to the Austrian Nachhaltigkeits- und Diversitätsverbesserungsgesetz (Sustainability and Diversity Improvement Act) in accordance with sections 243b and section 267a of the Austrian Commercial Code (UGB).

As a result, it is required to publish a non-financial statement either in the management report or in a separate non-financial report. For the 2024 financial year, sustainability information was disclosed for the first time in accordance with the European Sustainability Reporting Standards (ESRS) in the management report. This integrated the previously separately published ESG reporting into regular reporting. In February 2025, the EU Commission published Omnibus Packages I and II, which include, among other things, proposals to simplify sustainability reporting. A key aspect of these proposals is the planned adjustment of the application scope of the Corporate Sustainability Reporting Directive (CSRD), in particular an increase in the threshold to organisations with more than 1,000 employees. Whether the HYPO NOE Group will fall under the scope of the CSRD in the future cannot yet be definitively assessed. As a regional bank, HYPO NOE Landesbank has been committed to upholding ESG principles, in terms of a lived sense of responsibility for its region and the promotion of local economic development, ever since its formation in 1888. Out of an awareness of its responsibility towards the current and especially future generations, as part of its wider CSR efforts HYPO NOE Landesbank began establishing a formal sustainability programme in 2013, setting a clear signal for sustainable business practices early on.

HYPO NOE Landesbank consistently aligns its business model with social and environmental principles – an approach that is clearly reflected in its capital market strategy. Capital market participants directly benefit from this responsible orientation through successful refinancing activities. Since 2020, the Bank has demonstrated its expertise when it comes to sustainable financial products as a regular issuer of euro- and Swiss-franc-denominated green senior preferred benchmark bonds. This has established the Bank as a reliable issuer of sustainable bonds on the international capital markets. HYPO NOE Landesbank reaffirmed its strong market position once more in February 2025 – demand for the Bank's EUR 500m, six-year senior preferred benchmark bond was high. With the order books oversubscribed several times, the widely diversified investor base reflected the capital market's continued confidence in the Bank's sustainability focus. HYPO NOE Landesbank sent another strong signal in May 2025 with the successful issue of a seven-year benchmark public sector covered bond. The successful placement underscores the high attractiveness of HYPO NOE Landesbank's issues and significantly contributed to implementing a large part of the refinancing programme for the year in the first half of 2025.

The Kapitalpuffer-Verordnung (Capital Buffer Regulation 2025) will enter into force in Austria on 1 July 2025. This legislation introduces an additional systemic risk buffer of 1% of the risk-weighted exposures for commercial real estate risks. It also defines exemptions, particularly for non-profit housing development.

With the entry into force of the Austrian Barrierefreiheitsgesetz (Accessibility Act) on 27 June 2025, the HYPO NOE Group, as a financial service provider, faced the task of making all of its digital services accessible. The aim is to open up unrestricted, self-determined access to the Bank's offerings for all users, especially those with disabilities. HYPO NOE Landesbank began analysing the legal requirements at an early stage and, building on existing standards of user-friendliness and inclusion, developed a phased implementation plan. Accessibility issues were taken into consideration during the latest website redesign. As a result, key documents and digital services were adapted and further developed, with additional optimisations currently being implemented. The accessible design of digital services is not only a legal obligation but also an expression of a comprehensive commitment to customer-centricity and social responsibility – and an integral part of the HYPO NOE Group's digital development.

The budget consolidation measures initiated by the Austrian federal government led to a noticeable increase in administrative expenses for the HYPO NOE Group in the first half of 2025 – particularly due to the significant increase in the financial stability contribution (bank tax) and the one-off payment for 2025 and 2026. Additionally, inflation-related cost increases from recent years continue to weigh on the cost base. In response to these additional external burdens, HYPO NOE Landesbank is implementing targeted process optimisations and ongoing efficiency improvements to sustainably secure and further strengthen its competitiveness within the framework of its risk-conscious growth strategy. HYPO NOE Landesbank's highly committed employees and its exceptionally sound capital base will be the main pillars of its continued success in a volatile and, in part, challenging business environment.

St. Pölten, 21 August 2025

The Management Board

DI Wolfgang Viehauser, MSc
Management Board Member Markets and
Speaker of the Board

MMag. Dr. Udo Birkner, MBA (LBS)
Management Board Member Finance,
Risk & Operations

CONSOLIDATED FINANCIAL STATEMENTS

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1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Gains/losses

EUR '000	Notes	H1 2025	H1 2024
Interest and similar income measured using the effective interest method		254,036	301,429
Interest and similar income not measured using the effective interest method		37,057	59,283
Interest and similar expense		-208,950	-266,623
Dividend income		99	53
Net interest income	**4.1.1**	**82,242**	**94,141**
Fee and commission income		12,193	11,668
Fee and commission expense		-1,068	-1,094
Net fee and commission income	**5.1**	**11,125**	**10,575**
Net measurement gains		1,447	11,547
Net gains on derecognition of financial assets		434	130
Net gains on financial assets and liabilities	**4.1.2**	**1,881**	**11,677**
Other operating income	5.2	13,241	4,401
Other operating expense	5.2	-1,352	-9,255
Administrative expenses	5.3	-62,531	-55,694
Impairment losses on financial assets – IFRS 9 ECL	4.4.4	-23,142	-11,781
Net gains on investments accounted for using the equity method	9.2	3,549	4,108
Profit before tax		**25,014**	**48,172**
Income tax expense	7.1	-4,937	-10,135
Profit for the period		**20,077**	**38,037**
Non-controlling interests	3.2	-250	-366
Profit attributable to owners of the parent		**19,827**	**37,672**

Other comprehensive income

EUR '000	Notes	H1 2025	H1 2024
Profit for the period		**20,077**	**38,037**
Changes in valuation that will not be reclassified to profit or loss		**84**	**92**
Equity instruments – FVOCI		84	92
Changes in valuation that will be reclassified subsequently to profit or loss		**236**	**-721**
Debt instruments – FVOCI		388	-422
Hedges (hedge accounting)	4.5.2	-152	-298
Other comprehensive income		**320**	**-629**
Total comprehensive income		**20,397**	**37,409**
Non-controlling interests	3.2	-250	-366
Comprehensive income attributable to owners of the parent		**20,147**	**37,043**

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR '000	Notes	30 Jun. 2025	31 Dec. 2024
Cash and balances at central banks	4.2	1,608,555	753,541
Financial assets – HFT	4.2	146,853	157,922
Financial assets – mandatorily FVTPL	4.2	66,337	68,141
Financial assets – FVOCI	4.2	173,422	207,911
Financial assets – AC	4.2	14,963,177	14,708,988
Positive fair value of hedges (hedge accounting)	4.5.2	241,060	280,356
Investments accounted for using the equity method	9.2	37,661	35,401
Investment property		23,517	23,188
Intangible assets		933	847
Property, plant and equipment		61,615	61,058
Current tax assets	7.2	11,248	29,239
Deferred tax assets	7.2	528	384
Other assets	6.2	32,496	30,587
Total assets		**17,367,402**	**16,357,561**

Liabilities

EUR '000	Notes	30 Jun. 2025	31 Dec. 2024
Financial liabilities – HFT	4.3	134,698	142,001
Financial liabilities – FVO	4.3	6,025	5,839
Financial liabilities – AC	4.3	15,791,073	14,762,832
Negative fair value of hedges (hedge accounting)	4.5.2	313,632	366,872
Provisions	6.1	26,527	31,030
Current tax liabilities	7.3	70	70
Deferred tax liabilities	7.3	32,146	26,650
Other liabilities	6.2	162,943	132,375
Equity	**3.1**	**900,289**	**889,892**
Equity attributable to owners of the parent	3.1	892,737	882,589
Non-controlling interests	3.2	7,552	7,302
Total equity and liabilities		**17,367,402**	**16,357,561**

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	1 Jan. 2025	Profit for the period	Dividends paid	Changes in scope of consolidation	Other comprehen-sive income	30 Jun. 2025
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	639,707	19,827	-10,000	-	-	649,534
Other reserves composed of:	**-922**	**-**	**-**	**-**	**320**	**-602**
Actuarial losses	-1,306	-	-	-	-	-1,306
Debt instruments – FVOCI	-152	-	-	-	388	237
Equity instruments – FVOCI	668	-	-	-	84	752
Hedges (hedge accounting)	-132	-	-	-	-152	-285
Equity attributable to owners of the parent	**882,589**	**19,827**	**-10,000**	**-**	**320**	**892,737**
Non-controlling interests	7,302	250	-	-	-	7,552
Equity	**889,892**	**20,077**	**-10,000**	**-**	**320**	**900,289**

EUR '000	1 Jan. 2024	Profit for the period	Dividends paid	Changes in scope of consolidation	Other comprehen-sive income	30 Jun. 2024
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	594,701	37,672	-20,000	14	-	612,386
Other reserves composed of:	**2,691**	**-**	**-**	**-**	**-629**	**2,063**
Actuarial gains	150	-	-	-	-	150
Debt instruments – FVOCI	2,101	-	-	-	-422	1,679
Equity instruments – FVOCI	441	-	-	-	92	533
Hedges (hedge accounting)	-	-	-	-	-298	-298
Equity attributable to owners of the parent	**841,196**	**37,672**	**-20,000**	**14**	**-629**	**858,253**
Non-controlling interests	8,781	366	-	10	-	9,157
Equity	**849,977**	**38,037**	**-20,000**	**24**	**-629**	**867,410**

4 CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Notes	30 Jun. 2025	30 Jun. 2024
Cash and cash equivalents at end of previous period	**4.2**	**753,541**	**397,981**
Profit for the period		**20,077**	**38,037**
Adjustments for interest income and expense	4.1.1	-82,242	-94,141
Non-cash items from operating activities		**16,512**	**17,658**
Depreciation, amortisation, impairment and write-ups on investment property, intangible assets and property, plant and equipment		2,534	2,555
Allocations to and reversals of provisions and risk provisions	4.4.4	18,964	11,463
Net measurement losses on financial assets and liabilities	4.1.2	-1,348	-11,333
Other adjustments		-3,639	14,974
Changes in assets and liabilities arising from operating activities		**855,480**	**977,550**
Financial assets – AC		-332,961	-267,965
Financial assets – mandatorily FVTPL		3,349	2,961
Financial assets – FVOCI		30,800	-1,347
Other operating assets		96,395	18,475
Financial liabilities – AC		1,027,542	1,161,211
Other operating liabilities		30,354	64,215
Payments for taxes, interest and dividends		**58,710**	**114,512**
Income tax paid		-6,463	-4,291
Interest received		332,127	374,523
Interest paid		-269,331	-256,539
Dividends on FVOCI investments received	4.1.1	99	53
Dividends on investments accounted for using the equity method received		2,278	717
Dividends from non-consolidated subsidiaries and associates received		-	50
Cash flows from operating activities		**868,537**	**1,053,616**
Proceeds from sale of/redemption of:		**4**	**112**
Equity investments (accounted for using the equity method/FVOCI/non-consolidated subsidiaries and associates included in other assets)		4	-
Property, plant and equipment, intangible assets and investment property		-	112
Purchase of:		**-3,188**	**-688**
Property, plant and equipment, intangible assets and investment property		-3,188	-688
Cash flows from investing activities		**-3,184**	**-577**
Dividends paid		**-10,000**	**-20,000**
Repayment of lease liabilities		**-340**	**-225**
Cash flows from financing activities		**-10,340**	**-20,225**
Effects of exchange rate changes		2	-
Net increase in cash and cash equivalents		**855,014**	**1,032,814**
Cash and cash equivalents at end of period		**1,608,555**	**1,430,795**

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1 GENERAL INFORMATION

1.1 Accounting policies

The condensed consolidated financial statements of HYPO NOE Landesbank für Niederösterreich und Wien AG (hereinafter "the HYPO NOE Group") as at 30 June 2025 were drawn up in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), as well as the interpretations thereof issued by the Standing Interpretations Committee (SIC) and the IFRS Interpretations Committee (IFRS IC).

These consolidated financial statements have been prepared in accordance with the IFRS/IAS standards and interpretations thereof adopted and published by the European Union, and applicable to the business activities of the HYPO NOE Group.

The condensed consolidated financial statements are subject to IAS 34 Interim Financial Reporting. Essentially the same accounting policies were applied as those applied as at 31 December 2024 while taking account of new standards which are mandatory for financial years beginning on or after 1 January 2025.

The consolidated financial statements do not contain all of the information required for full annual financial statements, and should therefore be read in conjunction with the annual financial statements as at 31 December 2024. The interim consolidated financial statements were neither subjected to a full audit nor were they reviewed by independent auditors.

1.2 Accounting adjustments

Changes in accounting estimates for the measurement of equity investments

In order to avoid distortions as a result of temporary market fluctuations that are not caused by a company's operating performance, the core input factors for the discount rate (WACC) over historic periods were smoothed in the course of the company valuation process. This change in estimate is intended to ensure that the fair value is based on long-term market expectations and is not distorted by temporary volatility. This refinement of the valuation constitutes a change in estimate in accordance with IAS 8.34 ff and is accounted for prospectively.

Details of estimation uncertainties and judgements in relation to the equity instruments reported under "Financial assets – FVOCI" can be found in Note 4.6 Fair value disclosures. Information on investments accounted for using the equity method is presented in Note 9.2.

1.3 Estimation uncertainty and judgements

Estimation uncertainties and judgements are denoted by the symbol .

All the estimates and judgements required when preparing the financial statements in accordance with IFRS are best estimates made in accordance with the relevant standards. The estimates are reviewed on an ongoing basis, and are drawn from experience and other factors, including expectations regarding future events that appear reasonable under the circumstances. Estimates and assumptions were primarily applied to the following:

- Measurement of property, plant and equipment, financial instruments, associates and joint ventures
- Evaluation of the transfer of financial instruments in accordance with paragraph 3.2.4 IFRS 9
- Determining impairment losses and gains on financial assets
- Defining default
- Establishment of the principles governing the transfer of financial instruments (stage transfers)
- Assessment of inclusion in the scope of consolidation
- Recognition of deferred tax assets attributable to tax loss carryforwards
- Determination of fair value
- Determination of the useful lives of intangible assets, right-of-use assets, and property, plant and equipment
- Assessment of the effect of first-time application of new IFRSs

- Recognition and measurement of provisions
- Determination of the credit-adjusted effective interest rate for POCI assets
- Classification related to leases

Where estimates and judgements were necessary, the assumptions made are explained in the notes to the corresponding items.

1.4 New and amended regulations

New and amended standards	Applicable from	Effect
Lack of Exchangeability – Amendments to IAS 21	1 Jan. 2025	None

New and amended standards adopted but not yet applied		
Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 Jan. 2026	Immaterial
Contracts for Renewable Energy – Amendments to IFRS 9 and IFRS 7	1 Jan. 2026	Immaterial
Annual Improvements to IFRS Accounting Standards – Volume 11	1 Jan. 2026 *	None
New standard: IFRS 18 Presentation and Disclosure in Financial Statements	1 Jan. 2027 *	Material
New standard: IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 Jan. 2027 *	None

*Mandatory application not yet endorsed by the EU

IFRS 18 Presentation and Disclosure in Financial Statements

This standard replaces IAS 1 Presentation of Financial Statements. The new standard is intended primarily as a means of improving the comparability of information about companies' financial performance. To this end, subtotals must be introduced as compulsory elements in the statement of profit or loss. IFRS 18 also includes regulations on the aggregation and disaggregation of material items. The IASB will also set out guidelines regarding the disclosure and explanation of performance measures. The options available for classifying certain cash flows in the statement of cash flows will be limited.

The publication of IFRS 18 will have material effects on the HYPO NOE Group. A working group has been set up to identify the modifications to be carried out in the financial statements and draw up the steps to be taken.

2 SEGMENT INFORMATION

Accounting policies

The Bank's segment reporting is in accordance with IFRS 8. In its capacity as the HYPO NOE Group's most senior managing body, the Management Board regularly monitors the evolution of profit or loss before tax across the various business segments and takes decisions on the management of the Group in light of the segment reports.

The HYPO NOE Group's organisational and management structure is based on areas of activity and customer groups.

Segment reporting is derived from the profit centre accounting of HYPO NOE Landesbank and consolidated subsidiaries' IFRS consolidation packages. The same accounting policies as those set out in Note 1.1 Accounting policies are applied to the preparation of these statements.

The allocation of income in the profit centre accounting is based on Schierenbeck's market interest method. Interest income and expense are divided into a contribution to margin and a structural contribution (i.e. interest maturity transformation), and imputed refinancing costs (liquidity costs) are directly allocated to assets and liabilities. The resulting costs and income from liquidity maturity and interest maturity transformation are allocated to the Treasury & ALM segment. Due to the decomposition of net interest income for individual transactions and allocation of the individual components under this standard industry approach, interest income and expense for each segment are not included in the management view. Management of the company's profitability is based on the individual net interest income components, and as a result the segment reporting does not include gross figures for this item.

Individual items under administrative expenses are allocated directly where possible. Components that cannot be directly allocated are attributed to the various segments in a cost-reflective allocation procedure appropriate to the management of a bank.

The reported segment assets and liabilities relate to the volume of business in the operating segment concerned. Equity is reported in full under the segment liabilities of the Corporate Center segment.

Analysis by geographical area in accordance with paragraph 33 IFRS 8 is based on the domiciles of reporting entities, and accordingly all interest income is attributed to Austria.

A breakdown by products and services in accordance with paragraph 32 IFRS 8 is not performed, as the necessary information is not available in full on a regular basis and the expense of compiling it would be out of proportion to any benefits.

Disclosures on profit or loss and the carrying amounts of investments accounted for using the equity method in each segment, in accordance with paragraphs 23 and 24 IFRS 8, can be found in Note 9.1 Scope of consolidation.

The four reporting segments, which are derived from the HYPO NOE Group's organisational structure, and the reconciliation with consolidated profit or loss are as follows:

Segmental analysis as at 30 June 2025, EUR '000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Group
Net interest income/expense	20,187	27,064	25,416	10,569	-993	82,242
Net fee and commission income/expense	1,885	682	8,601	-58	15	11,125
Net gains or losses on financial assets and liabilities	-335	1,505	404	-419	726	1,881
Net other operating income	2,149	616	441	5,081	3,602	11,890
Net gains on investments accounted for using the equity method	706	2,132	47	664	-	3,549
Administrative expenses	-12,273	-12,371	-27,201	-8,719	-1,967	-62,531
Impairment losses on financial assets – IFRS 9 ECL	42	-25,204	2,034	-13	-2	-23,142
Profit before tax	**12,361**	**-5,576**	**9,742**	**7,106**	**1,381**	**25,014**
Income tax expense						-4,937
Profit for the period						**20,077**
Segment assets	**6,777,484**	**3,907,605**	**2,430,879**	**4,096,876**	**154,557**	**17,367,402**
Segment liabilities	**2,334,253**	**447,184**	**2,928,970**	**10,615,557**	**1,041,439**	**17,367,402**

Segmental analysis as at 30 Jun. 2024, EUR '000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Group
Net interest income/expense	22,422	24,032	25,006	23,981	-1,300	94,141
Net fee and commission income/expense	1,866	604	8,175	-96	25	10,575
Net gains or losses on financial assets and liabilities	163	529	882	10,625	-522	11,677
Net other operating income/expense	2,568	234	451	-8,087	-20	-4,854
Net gains on investments accounted for using the equity method	1,060	2,323	45	681	-	4,108
Administrative expenses	-10,683	-10,846	-25,089	-7,433	-1,643	-55,694
Impairment losses on financial assets – IFRS 9 ECL	-96	-433	-11,255	-4	7	-11,781
Profit before tax	**17,300**	**16,442**	**-1,784**	**19,667**	**-3,453**	**48,172**
Income tax expense						-10,135
Profit for the period						**38,037**
Segment assets	**6,671,776**	**3,814,862**	**2,247,163**	**3,947,756**	**141,294**	**16,822,850**
Segment liabilities	**2,406,666**	**393,345**	**2,753,518**	**10,261,743**	**1,007,578**	**16,822,850**

2.1 Public Sector

This segment includes financing and deposit-taking business with public sector and government-linked customers (state governments, local and regional authorities, public agencies and infrastructure businesses, as well as religious communities and interest groups). The regional focus is on Lower Austria and Vienna, where the HYPO NOE Group is the market leader. In other states in Austria, business expansion and growth takes place under the overarching HYPO Österreich strategy. Customers are offered conventional loans, and there is an emphasis on bespoke financing models in the segment's home market. In addition, income generated by the administration of subsidised homebuilding loans, a service provided for the public sector by HYPO NOE Landesbank, is reported under this segment.

All of the leasing subsidiaries' earnings, which are almost entirely derived from leasing transactions with the public sector and public agencies, are also attributed to the Public Sector segment. The products provided by the leasing subsidiaries include complex project-based real estate lease agreements, support services for real estate project management, and business management services.

Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H, which is accounted for using the equity method, is also allocated to this segment.

The Public Sector segment has a major business relationship with a customer in the meaning of paragraph 34 IFRS 8. The customer in question is a public authority, and the services provided primarily take the form of leases, as well as lending and deposit taking. Dealings with the authority and its allocable group entities, in accordance with the definition of major investments and without recourse to the exemption for sub-groups, resulted in net interest income of EUR 13.3m

during the first half of 2025. Of this amount, EUR 6.7m was generated from direct business relationships with the customer, EUR 1.7m from direct business relationships with allocable group members, and EUR 4.9m from indirect business relationships in the form of lease refinancing.

2.2 Real Estate segment

The Group's business with property sector companies is attributed to this segment. Earnings from lending to non-profit and commercial housing developers, as well as the office, shopping centre, retail park, housing and city hotel asset classes, and mixed-use portfolios are reported under this segment. Real estate finance and real estate leases for the public sector and public agencies, retail customers and SMEs are exceptions, as these are allocated to the relevant segments.

The HYPO NOE Group has a long tradition of providing finance for cooperative and non-profit housing developers, with an emphasis on the construction and renovation of large housing projects including land purchases in Austria, mainly in Lower Austria and Vienna. This business is a stable source of long-term earnings due to the high collateral coverage ratio, the long duration of contracts and resulting low probability of default. In addition, HYPO NOE Landesbank has recently won several contracts put out to tender by the State of Lower Austria for state-guaranteed homebuilding loans. These loans are earmarked primarily for affordable housing and homes for young people.

In addition, the segment provides finance for commercial housing construction projects, other real estate developments devoted predominantly to residential use, as well as existing properties (rental apartment buildings). In the case of new builds, the apartments constructed are either held in the portfolio and let to private individuals, or sold off individually as owner-occupier properties. For the most part, financing is provided to satisfy housing demand and is limited to the Group's home market of Austria.

Activities in this segment also include large-scale commercial real estate transactions in Austria and in selected foreign markets, with financing provided for real estate earmarked for residential and commercial use. In Austria, the segment focuses on flagship and other large-scale projects valued at between EUR 20m and EUR 40m. The segment plans to extend its operations in selected areas – in its foreign business, the emphasis will be on leveraging the potential to generate additional earnings compared with the domestic market, as well as ensuring a balanced risk-return ratio. Equity ratios are higher and guarantee mechanisms are more highly developed in the foreign business. Outside Austria, the costs for entering collaterals in property registers are negligible, meaning that the barriers to entry are low. The segment will concentrate on cover-pool-eligible financing in EU markets with good or very good ratings.

The Real Estate segment's product portfolio is supplemented by subsidiary HYPO Niederösterreichische Liegenschaft GmbH, as well as the Group's interests in NOE Immobilien Development GmbH (NID), a property developer, EWU Wohnbau Unternehmensbeteiligungs-GmbH, and VIVITliving GmbH, all three of which are accounted for using the equity method.

On 27 June 2024, the supervisory board of EWU Wohnbau Unternehmensbeteiligungs-GmbH (EWU) adopted a resolution to initiate the liquidation of the company after disposal of the non-profit investments, which took place on 18 December 2024. Liquidation of EWU will take place in 2025.

2.3 Retail and Corporate Customers segment

This segment's core competences include banking transactions with retail, self-employed and corporate customers. The product portfolio consists of 'finance and housing', 'saving and investment', and 'accounts and cards' lines, and covers the full range of traditional banking business, from lending – with an emphasis on housing construction – to investment in savings products and securities, as well as current accounts and credit cards. The advantage of close cooperation with the State of Lower Austria is that it enables the Group to offer one-stop consultation on loans and subsidies, which ensures sound advice as well as rapid processing.

In the retail business, the strategic focus is on the core product, home construction finance. Regarding add-on products, the segment proactively enters into partnerships with the goal of further increasing net fee and commission income. These efforts are centred on digitalisation and achieving efficiency gains by implementing numerous proprietary innovations.

The comprehensive range of services provided to corporate customers is geared towards ensuring healthy and sustained expansion of the Bank's business in its core market of Lower Austria and Vienna, as well as in its home market of Austria

and Germany. Alongside a team that concentrates on small and medium-sized enterprises (SMEs) nationwide – with a particular focus on Lower Austria and Vienna – the segment also comprises units specialising in large corporates in Lower Austria, as well as large companies in the rest of Austria and abroad. Another specialist team in the segment is responsible for structured finance and product solutions, and concentrates on consultation on subsidies, export and foreign trade finance, as well as advice on payment transactions.

The insurance brokerage business of HYPO NOE Versicherungsservice GmbH (HVS), an entity accounted for using the equity method, also forms part of this segment.

2.4 Treasury & ALM segment

Treasury & ALM is in charge of the HYPO NOE Group's capital market operations and interbank business. This ranges from money market and capital market refinancing to interest rate and liquidity management activities, as well as liquidity buffering and management of foreign exchange risk.

The Nostro Management Department's activities are centred on providing liquid assets for liquidity maintenance and compliance with regulatory requirements. Nostro Management's targeted exploitation of capital market opportunities enables it to generate interest contributions for the segment and diversify the portfolio.

The objective of Asset Liability Management (ALM) is to centrally manage the Bank's interest position, in line with its interest rate expectations and risk appetite, in order to safeguard profitability and achieve positive structural contributions.

Close cooperation with institutional customers plays a central role in the HYPO NOE Group's business model. As part of its investor relations activities, the Bank nurtures these long-standing, trust-based partnerships on an ongoing basis by actively servicing its direct relationships with other banks, insurance companies, pension funds, utilities and investment companies. The resulting focus is on relations within Europe, although in recent years there has been growing interest from certain countries outside the continent.

For regulatory reasons, the segment's trading activities are limited to a small trading book aimed at generating additional income and designed for short holding periods. Consequently, these trading activities do not have a material impact on segment earnings.

Niederösterreichische Vorsorgekasse AG, an entity accounted for using the equity method, is also allocated to the Treasury & ALM segment

2.5 Corporate Center

The Corporate Center segment serves to reconcile the operating segments' results with the consolidated totals. It is used for elimination of intra-Group income and expenses, as well as activities and ancillary banking services that are not attributable to any other segment, and do not constitute separate reportable segments on materiality grounds.

The ancillary services include companies that manage properties predominantly used by the Group and any related assets. These are Benkerwiese Verwaltungs- und Verwertungsgesellschaft m.b.H., and Unternehmens-, Verwaltungs- und Verwertungsgesellschaft m.b.H. The rental expenses and operating costs charged on by these firms are allocated to the operating segments' administrative expenses on a causation basis. HYPO Officium GmbH is also allocated to the Corporate Center, as are earnings and expenses related to interests managed by the investment management unit that are not directly apportioned to any operating segment.

Specific material earnings from prior periods, and non-recurring earnings and expenses relating to the Bank as a whole are allocated to the Corporate Center segment so as to avoid sending distorted signals to management at the segment reporting level wherever possible. This approach is not applied to impairments or restructuring gains or losses, which are allocated directly to the segments in the same way as the corresponding assets.

The following asymmetrical allocations are also reported under Corporate Center, pursuant to paragraph 27f IFRS 8:

- Cost of cash collaterals for customer derivatives contracts in the absence of collateral agreements, provided that this was not considered in pricing.
- Changes in a legal-risk provision for potentially contentious negative interest collected on corporate loans.

In the first half of 2025, net interest income in the Corporate Center segment included a charge of EUR 0.6m (H1 2024: charge of EUR 1.1m) in asymmetrical allocations arising from collateral expenses.

The cost of refinancing ancillary companies (Group properties) is also reported under Corporate Center's net interest income.

Net gains on financial assets and liabilities in the reporting period were EUR 0.7m (H1 2024: net losses of EUR 0.5m). These were attributable to measurement of the HETA contingent additional purchase price. Details can be found in Note 4.6 Fair value disclosures.

Net other operating income and administrative expenses in the Corporate Center include specific material earnings from prior periods and non-recurring income and expenses. This is to avoid sending distorted signals to management at the segment reporting level.

In the reporting period and in the comparative period in 2024, net other operating income in the Corporate Center segment included reversal of a provision for negative interest on corporate loans. See Note 6.1 Provisions for further information. The same item includes compensation for the services of the Retail and Corporate Customers segment in connection with internal customers, recognised as an expense of EUR 0.4m (H1 2024: expense of EUR 0.4m).

Administrative expenses attributed to the Corporate Center include intra-year accruals in respect of the contribution to the deposit insurance fund, recognised as an expense of EUR 0.3m, while the comparative period of 2024 includes an expense of EUR 0.1m attributable to the deposit insurance fund contribution. This represents 50% of the total annual contribution; the remaining 50% is allocated to the operating segments.

Additional disclosures on the performance of the various segments are provided in section 3 of the Group operational and financial review.

3 EQUITY AND CONSOLIDATED OWN FUNDS

3.1 Equity

EUR '000	30 Jun. 2025	31 Dec. 2024
Share capital	51,981	51,981
Capital reserves	**191,824**	**191,824**
Appropriated reserve	94,624	94,624
Unappropriated reserve	97,200	97,200
Other reserves	-602	-922
Retained earnings	649,534	639,707
Equity attributable to owners of the parent	**892,737**	**882,589**
Non-controlling interests	7,552	7,302
Equity	**900,289**	**889,892**

3.2 Non-controlling interests

The table below provides an overview of the share of earnings attributable to non-controlling interests.

EUR '000	Profit and loss attributable to non-controlling interests H1 2025	Non-controlling interests – net assets H1 2025
FORIS Grundstückvermietungs Gesellschaft m.b.H.	2	907
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	184	2,628
LITUS Grundstückvermietungs Gesellschaft m.b.H.	4	1,379
PINUS Grundstückvermietungs Gesellschaft m.b.H.	-	-
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	24	1,096
Adoria Grundstückvermietungs Gesellschaft m.b.H.	-1	100
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	-1	-204
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	-13	1,400
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	51	247
HYPO Niederösterreich-Immobilienleasinggesellschaft m.b.H.	-	-
Non-controlling interests	**250**	**7,552**

EUR '000	Profit and loss attributable to non-controlling interests H1 2024	Non-controlling interests – net assets H1 2024
FORIS Grundstückvermietungs Gesellschaft m.b.H.	4	902
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	217	2,475
LITUS Grundstückvermietungs Gesellschaft m.b.H.	10	1,363
PINUS Grundstückvermietungs Gesellschaft m.b.H.	74	509
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	28	1,048
Adoria Grundstückvermietungs Gesellschaft m.b.H.	7	453
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	-2	346
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	18	1,391
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	5	212
HYPO Niederösterreich-Immobilienleasinggesellschaft m.b.H.	6	418
Non-controlling interests	**366**	**9,157**

3.3 Reconciliation of equity

EUR '000	30 Jun. 2025	31 Dec. 2024
Equity according to IFRS financial statements	**900,289**	**889,892**
Divergence in scope of consolidation (accounting vs. regulatory treatment)	2,105	3,049
Equity according to FINREP template 51	**902,394**	**892,941**
Deferred taxes on untaxed reserves	-3,591	-3,591
Adjustments to CET1 capital (prudential filters)	-423	-514
Intangible assets	-933	-847
Insufficient coverage of non-performing exposures	-11,833	-3,379
Ineligible minority interests	-7,552	-7,302
Intra-year change in revaluation surplus, profit and dividend	-20,050	-10,000
Eligible capital	**858,011**	**867,308**

3.4 Consolidated own funds and regulatory own funds requirement

Under Regulation (EU) No. 575/2013 (Capital Requirements Regulation [CRR]), related EBA delegated regulations, as well as Directive 2013/36/EU (Capital Requirements Directive [CRD]), which is currently being transposed into Austrian law, banks' consolidated own funds and regulatory own funds requirements must be determined in accordance with IFRS, but in accordance with 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 III/CRD VI 30 Jun. 2025	CRR II/CRD V 31 Dec. 2024
Total eligible capital	**858,011**	**867,308**
Tier 1 capital	**858,011**	**867,308**
Common Equity Tier 1 (CET1) capital	**858,011**	**867,308**
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	738,245	739,092
Retained earnings	622,408	622,408
Other reserves	107,258	107,258
Accumulated comprehensive income	8,579	9,427
Adjustments to CET1 capital	-16,780	-8,331
Adjustments to CET1 capital (prudential filters)	-423	-514
Intangible assets	-933	-847
Insufficient coverage of non-performing exposures	-11,833	-3,379
Other foreseeable tax liabilities	-3,591	-3,591
Additional Tier 1 (AT1) capital	**-**	**-**
Supplementary capital (Tier II)	**-**	**-**
Minimum capital requirements	**374,666**	**341,446**
Excess capital	**483,345**	**525,862**

Equity ratios	30 Jun. 2025	31 Dec. 2024
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	18.32%	20.32%
Total capital ratio in accordance with Art. 92(2)(c) CRR	18.32%	20.32%
Own funds requirement incl. all buffer requirements	12.93%	13.04%
Minimum requirement in accordance with CRR	8.00%	8.00%
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	0.23%	0.24%
Systemic risk buffer	0.50%	0.50%
SREP capital requirement	1.70%	1.80%

Leverage ratio	30 Jun. 2025	31 Dec. 2024
Total leverage ratio exposure	17,342,451	16,353,780
Leverage ratio in accordance with Art. 92(2)(d) CRR	**4.95%**	**5.30%**
Leverage ratio requirement (Pillar 1)	3.00%	3.00%

Taking account of the profit for the year to date, as well as prorating of the contributions to the resolution and deposit insurance funds – which have already been taken in full to profit or loss – and by applying a pro rata dividend, the pro forma Tier 1 capital ratio would be approximately 18.69%.

The changes in the risk-weighted exposures for credit risk and for other types of risk were as follows:

EUR '000	CRR III/CRD VI 30 Jun. 2025	CRR II/CRD V 31 Dec. 2024
Risk weighted exposure amounts – credit risk	4,350,997	3,873,167
Risk exposure amount -- foreign exchange risk	-	-
Risk exposure amount – operational risk	311,121	369,567
Credit valuation adjustment (CVA) risk exposure	21,208	25,343
Total risk exposure amount	**4,683,327**	**4,268,077**

4 FINANCIAL INSTRUMENTS AND CREDIT RISK

4.1 Influence of financial instruments on the statement of profit or loss

4.1.1 Net interest income

EUR '000	H1 2025	H1 2024
Interest and similar income measured using the effective interest method	**254,036**	**301,429**
Financial assets – FVOCI	2,651	3,546
Financial assets and liabilities – AC	210,629	244,139
Current finance lease income	40,756	53,744
Interest and similar income not measured using the effective interest method	**37,057**	**59,283**
Financial assets and liabilities – HFT	9,477	10,935
Financial assets – mandatorily FVTPL	662	1,352
Hedges	26,050	46,109
Other interest and similar income	869	887
Interest and similar expense	**-208,950**	**-266,623**
Financial assets and liabilities – HFT	-8,489	-9,187
Financial liabilities – AC	-148,033	-157,581
Hedges	-52,399	-99,838
Lease liabilities in accordance with IFRS 16	-28	-16
Dividend income	**99**	**53**
Net interest income	**82,242**	**94,141**

4.1.2 Net gains or losses on financial assets and liabilities

EUR '000	H1 2025	H1 2024
Net gains or losses on:	**1,447**	**11,547**
Disposal	**604**	**858**
Financial assets – AC	604	858
Measurement	**-787**	**11,055**
Financial assets and liabilities – AC	421	220
Net losses due to non-substantial modification	-72	-1
Direct write-offs/receipts from written-off assets	397	249
Net gains or losses on derecognition of assets	95	-28
Financial assets – mandatorily FVTPL	1,544	231
Financial assets and liabilities – HFT	-2,566	10,470
Financial assets and liabilities – FVO	-186	133
Hedging relationships	**1,630**	**-366**
Net losses on hedged transactions (fair value hedges)	-57,641	-1,874
Net gains on hedges (fair value hedges)	59,272	1,508
Net gains on derecognition of financial assets	**434**	**130**
Financial assets – AC	434	130
Net gains on financial assets and liabilities	**1,881**	**11,677**

The **net measurement gain on "Financial assets – mandatorily FVTPL"** includes the change in the HETA contingent additional purchase price. Details are provided in Note 4.6 Fair value disclosures.

The contractual outstanding amount of written-off financial assets subject to **execution measures** as at 30 June 2025 was EUR 63,947thsd (31 Dec. 2024: EUR 39,701thsd).

Detailed disclosures: non-substantial modifications

	H1 2025				H1 2024			
EUR '000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Net gains or losses due to non-substantial modification of financial assets	-73	1	-	-72	-35	35	-	-1

	30 Jun. 2025				30 Jun. 2024			
EUR '000	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost before non-substantial modification of financial assets	60,515	4,514	113	65,142	24,825	43,110	950	68,886

The gross carrying amount of financial assets measured at amortised cost affected by non-substantial modifications that were transferred to Stage 1 during the period was EUR 453thsd as at 30 June 2025 (30 Jun. 2024: EUR 226thsd).

4.2 Financial assets

The following table shows the HYPO NOE Group's financial assets classified according to paragraph 6 IFRS 7:

EUR '000	30 Jun. 2025	31 Dec. 2024
Cash and balances at central banks	**1,608,555**	**753,541**
Cash on hand incl. demand deposits	19,507	13,900
Balances at central banks	1,589,048	739,641
Financial assets – HFT	**146,853**	**157,922**
Positive fair value of interest rate derivatives	59,753	66,670
Positive fair value of foreign exchange derivatives	87,100	91,251
Financial assets – mandatorily FVTPL	**66,337**	**68,141**
Loans	58,934	60,518
General governments	30,044	29,208
Other financial corporations	627	613
Non-financial corporations	20,777	21,913
Households	7,485	8,782
Bonds	7,403	7,624
General governments	7,403	7,624
Financial assets – FVOCI	**173,422**	**207,911**
Bonds	170,969	205,566
General governments	97,982	119,376
Banks	66,905	75,948
Other financial corporations	6,082	10,243
Equity instruments	2,453	2,344
Other financial corporations	1,587	1,510
Non-financial corporations	823	786
Financial assets – AC	**14,963,177**	**14,708,988**
Loans	13,081,528	12,999,360
General governments	4,181,789	4,120,738
Banks	231,563	259,952
Other financial corporations	144,635	130,165
Non-financial corporations	5,995,203	5,994,099
Households	2,528,339	2,494,407
Bonds	1,881,649	1,709,628
General governments	667,102	568,186
Banks	1,014,706	873,527
Other financial corporations	159,648	227,915
Non-financial corporations	40,194	40,000
Total	**16,958,344**	**15,896,503**

Transfer of financial assets

The HYPO NOE Group engages in transactions that result in the transfer of assets. Assets transferred within the Group either remain on the statement of financial position or are derecognised in accordance with paragraph B3.2.1 IFRS 9. Transferred assets are derecognised if substantially all risks and rewards incidental to ownership of the assets are also transferred.

At the HYPO NOE Group, transferred financial assets that are not derecognised mainly relate to loans, as well as pension and securities-lending transactions.

The following table shows the carrying amounts of financial assets that were transferred.

	30 Jun. 2025		31 Dec. 2024	
EUR '000	Transferred assets	Related liabilities	Transferred assets	Related liabilities
Financial assets – AC	**80,529**	**80,529**	**80,238**	**80,238**
Loans	80,529	80,529	80,238	80,238
Total	**80,529**	**80,529**	**80,238**	**80,238**

As at the end of the reporting period there were no pension or securities-lending transactions. Transferred assets in accordance with paragraph 3.2.4 IFRS 9 in conjunction with paragraph 42A IFRS 7 consisted solely of loans. The entitlement to regular cash flows from a project loan was divested in order to repay liabilities arising from refinancing; however, the Group retained substantially all of the associated risks and rewards (valid lease agreement).

4.3 Financial liabilities

4.3.1 Financial liabilities by financial instrument class

The HYPO NOE Group's financial liabilities, broken down into financial instrument classes, in accordance with paragraph 6 IFRS 7, are presented in the table below:

EUR '000	30 Jun. 2025	31 Dec. 2024
Financial liabilities – HFT	**134,698**	**142,001**
Negative fair value of interest rate derivatives	48,677	53,950
Negative fair value of foreign exchange derivatives	86,020	88,051
Financial liabilities – FVO	**6,025**	**5,839**
Other financial liabilities	6,025	5,839
Financial liabilities – AC	**15,791,073**	**14,762,832**
Savings and savings-equivalent deposits	1,628,935	1,609,926
Deposits	4,625,407	4,049,048
Banks	1,445,990	1,502,227
General governments	1,490,965	878,849
Other financial corporations	193,785	198,957
Non-financial corporations	859,067	881,631
Households	635,600	587,383
Bonds in issue	9,536,730	9,103,858
Covered bonds	2,512,713	2,523,283
Municipal bonds	4,394,583	3,923,347
Other bonds	2,629,434	2,657,228
Total	**15,931,796**	**14,910,672**

"Financial liabilities – FVO" comprises a liability related to the HETA contingent additional purchase price. Details can be found in Note 4.6.2 Fair value hierarchy: Level 3 disclosures.

4.3.2 Off-balance-sheet transactions

EUR '000	30 Jun. 2025	31 Dec. 2024
Guarantees and financial guarantee contracts	66,568	62,776
Contingent liabilities	**66,568**	**62,776**
Unutilised facilities	**883,777**	**878,822**
Off-balance-sheet transactions	**950,346**	**941,598**

Unutilised facilities

"Unutilised facilities" includes both unused loan facilities and revolving borrowing facilities (e.g. overdraft facilities) where there is a very high probability that the unused credit facilities will be used within a contractually specified period. By contrast, credit lines can be used at any time, implying a higher degree of uncertainty with regard to utilisation and the maturity date. The amounts disclosed for unutilised credit facilities include amounts listed in Note 9.3 Disclosures on related-party relationships.

Obligation to become a member of a deposit protection scheme

Since 1 January 2019, HYPO NOE Landesbank has been a member of the Einlagensicherung AUSTRIA Ges.m.b.H. (ESA) deposit protection scheme, in accordance with its obligations under sections 93 and 93a Austrian Banking Act as well as the Austrian Einlagensicherungs- und Anlegerentschädigungsgesetz (Deposit Guarantee Schemes and Investor Compensation Act).

Interbank exemption

At the beginning of May 2025, the European Court of Justice (ECJ) rejected the June 2024 referral by the Austrian Federal Finance Court (BFG) for a preliminary ruling regarding the matter of potentially illegal state aid in relation to the VAT exemption for interbank services ("interbank exemption"), which was applicable until 31 December 2024, was rejected by the ECJ in early May 2025 on the grounds that the referral was manifestly inadmissible. Detailed information on the general implications of a potential ruling that the exemption represents state aid was provided in the 2024 Annual Report. The Federal Finance Court submitted a new referral for a preliminary ruling at the end of May 2025, in a renewed attempt to have the ECJ examine this question.

As justification for the relevance of the submitted matter to the ECJ's ruling, the second referral states that while there is no dispute between the complainant bank and the Austrian tax authorities for large corporations regarding the tax exemption pursuant to the previous version of section 6(1)(28) final sentence of the Austrian Umsatzsteuergesetz (Value Added Tax Act), the BFG is obliged under section 279(1) of the Bundesabgabenordnung (Federal Tax Code) to initiate official proceedings to determine whether the tax exemption violates Union law. It remains to be seen whether this justification will be sufficient for the ECJ to consider the Federal Finance Court's referral.

If the ECJ does agree to carry out a substantive assessment of the matter, the statement issued in autumn 2024 by the Austrian federal government as well as the opinions of expert authors (e.g. Haunold, Steuer- und WirtschaftsKartei [SWK] issue 20/21 of 20 July 2025) cast justified doubts on the BFG's view that the tax exemption constituted illegal aid in the meaning of Article 107(1) Treaty on the Functioning of the European Union (TFEU).

The Group's internal calculations – based on the assumption that, contrary to the view above, state aid proceedings are initiated – suggest potential impending losses of between EUR 1.5m and EUR 2.5m. This range of potential losses reflects uncertainty regarding the exact period of any retroactive effect, and whether only VAT from appealable periods – which at present would extend back to 2018 – or non-appealable years (2017 and earlier) would be recovered under state aid proceedings. Furthermore, it is not possible to accurately predict when the European Commission would initiate such proceedings.

Application fees

The Group has carried out an internal analysis of the potential financial effects of multiple Austrian Supreme Court decisions that would oblige banks to repay one-off loan application and other fees. The analysis determined that a potential obligation to repay such fees could apply for the relevant limitation period, even though there is currently no legal obligation to make repayments and the analysis suggests that there is a very strong probability of a cash outflow. As a result of this assessment, there is no need for provisions as of the current reporting date. The potential financial impacts were estimated using a band-based model. The estimate took into account various factors including uncertainty regarding the length of the limitation period, the types of product affected, and any agreements reached. The potential repayment obligation was between approximately EUR 4m and round EUR 42m as at the end of the reporting period.

4.4 Credit risk and risk provisions

4.4.1 Credit risk

The credit risk strategy maps out the framework for managing individual, Bank-specific credit risks. These include:

- Counterparty risk
- Replacement risk
- Issuer risk
- Investment risk
- Customer foreign exchange risk (foreign-currency-induced credit risk)
- Customer fixed interest risk
- Repayment vehicle risk
- Lease residual value risk
- Country risk/transfer risk and conversion risk
- Residual risk arising from credit risk mitigation techniques
- Settlement risk (prepayment and clearing risk)
- Securitisation risk
- Dilution risk
- Central counterparty (CCP) risk
- Concentration risk present in credit risk incl. the banking book
- Migration risk
- Sustainability risk

The main credit risks to which the HYPO NOE Group is exposed are counterparty risk (loans), replacement risk (derivatives), issuer risk (securities) and the concentration risk present in credit risk.

The Group is also susceptible to investment risk, customer foreign currency credit risk, repayment vehicle risk and country risk, all of which are accordingly limited and monitored.

The importance of sustainability risks has grown significantly, and they have therefore been recognised as a separate key risk sub-category. Due to the HYPO NOE Group's high standards with regard to socially responsible and sustainable business practices, material aspects of sustainability risk are already taken into account in its lending processes, and these will continue to be refined. In addition, aspects of sustainability relevant to credit risk are being evaluated and reconsidered on an ongoing basis.

Principles derived from the objectives outlined in the Group's risk management strategy provide the framework for exposure to and management of individual credit risks. These principles are implemented by the Operating Credit Risk Management and Strategic Risk Management departments, using an appropriate reporting system, coordinated limits, suitable measurement techniques and transparent processes.

The HYPO NOE Group's credit risk strategy is based on the following risk management principles:

- Identifying and regularly appraising credit risks
- Determining models and processes for measuring identified credit risks, and regularly reviewing their suitability
- Quantifying credit risk, using the methods established for this purpose
- Identifying and complying with legislative and regulatory frameworks
- Determining Management's risk appetite/tolerance
- Appropriate limiting and monitoring of credit risk on the basis of the predetermined risk tolerance
- Regular, goal-driven reporting
- Use of methods and processes tailored to the risk-weighted calculation of credit risk costs

Credit risk in the narrow sense (counterparty risk, replacement risk and issuer risk)

Credit risk should be seen as the risk of a change in creditworthiness. In other words, monitoring it involves keeping a watch on the risk of a deterioration in creditworthiness and, in the worst case, the default of the counterparty or guarantor.

Credit risk is classified according to the product groups concerned, as follows:

In the lending business, counterparty risk is the risk of complete or partial loss due to a default or a deterioration in the counterparty's creditworthiness. In this case, from the Bank's perspective, credit risk exists over the entire lifetime of a transaction, from the time of its conclusion through to its termination.

Replacement risk exists in the case of derivatives (including forwards and futures, and credit derivatives) that are subject to fixed price agreements, the market prices of which could change during their lifetimes. If a counterparty drops out during the lifetime of the derivative, the Bank must conclude a new contract for the remaining maturity, at the market price ruling at that time. If the current price is unfavourable for the Bank, the replacement transaction results in costs or losses. The Bank is exposed to counterparty risk throughout the lifetime of a transaction.

Similarly, issuer risk means the risk of complete or partial loss due to a default of the counterparty where the latter is an issuer of securities. From the Bank's perspective, issuer risk exists from the time of conclusion of a transaction until its termination, i.e. over its entire lifetime.

Risk concentrations

At the HYPO NOE Group, risk concentrations are identified and monitored using country and industry limits, and by means of internal capital charges for name concentrations, as well as securities, derivatives and money market activities, and a limit for related-party transactions.

Name concentration risk

The concentration in the Public Sector segment reflects the HYPO NOE Group's strategic focus on Austria, and Lower Austria in particular. The portfolio in question is essentially granular, and partly comprises loans to sovereigns, state governments and local authorities where the emphasis is on finance for social and public infrastructure, and for subsidised secured home loans.

Country risk

Country risks are operational banking risks that arise in the international lending business due to a foreign country's insolvency (business risk) or unwillingness to pay (political risk). As a result, this is an overarching category of risk, which may affect both creditors and borrowers but cannot be influenced or managed by either. Other elements of country risk are transfer and conversion risk, which represent limitations on foreign currency dealings caused by the above risks.

Country risk is managed by setting country limits for the target countries, and by limiting the entire outstanding foreign exposures to 20% of total Group assets, as well as confining foreign lending operations (in the Public Finance, Real Estate Project Finance and Corporate Customers control units) to 8% of total Group assets (early warning level).

Operating Credit Risk Management oversees utilisation of the individual country limits, while monitoring of the portfolio country limits takes place at the quarterly RICO meetings.

Current credit risk situation

The Group's loan and investment portfolio is largely made up of risk-conscious loans to public sector borrowers such as sovereigns, the Austrian federal government, state governments and local authorities (and their associated enterprises) – mainly in Lower Austria – as well as loans to banks with good external ratings (predominantly own investments, derivatives and money market investments), and generally well-collateralised loans to housing construction companies (both large housing associations and commercial developers).

The HYPO NOE Group also finances real estate projects with good to excellent ratings, as well as infrastructure companies, corporate and retail customers, and small and medium-sized enterprises.

A key performance measure for banks, alongside financial assets in default, is the non-performing loan (NPL) ratio. The Group's NPL ratio stood at 2.88% at 30 June 2025 (31 Dec. 2024: 2.94%). NPL coverage for the Group – defined as total Stage 3 risk provisions, taking account of collaterals, divided by the sum of the gross carrying amounts of NPLs – was 91.23% at 30 June 2025 (31 Dec. 2024: 89.13%).

Effects of ongoing crises

In view of persistently weak economic performance, the HYPO NOE Group provided support in the form of further forbearance measures in the first half of 2025. However, compared to the trend in the previous year, the rise in the volume of loans subject to forbearance slowed significantly.

Thanks to the continued systematic management of non-performing loans by Intensive Care Management, the legacy NPL portfolio was reduced in the first half. Although new additions again had a major influence on the NPL portfolio, the NPL ratio remained stable at below 3%. This underlines the effectiveness of the measures taken.

The real estate crisis in Austria and Germany has resulted in considerable price falls, mainly in financing for commercial housing construction – the scale of these decreases was not expected and has made the realisation of mortgage collaterals considerably more difficult. The revaluation of real estate collaterals that became necessary as a result was reflected in allocations to risk provisions for non-performing real estate loans during the first half.

Investment risk

Investment risk is the risk of a partial or total loss of the value of investments (ceding of equity to third parties). Such risks only materialise when it becomes necessary to write down (or, in extreme cases, totally write off) the carrying amounts of investments and any remargining.

Investment risk is managed by acquiring equity holdings which serve the Group's primary business objectives and support its strategic alignment. Other control levers include measuring investments against internal models, and acting on the results of the analysis, as well as constantly monitoring existing holdings at portfolio and customer level.

Customer foreign exchange risk (foreign-currency-induced credit risk)

Customer foreign exchange risk (foreign-currency-induced credit risk) arises where a loan has been extended to a customer in a currency that differs from the one in which they generate most of the cash flow required to service the debt. In this case, there is a risk that the borrower may be unable to continue to service the loan due to unfavourable movements in the exchange rate.

Customer foreign exchange risk is managed by offering conversion products at preferential prices, by limiting the exposure, and by constantly monitoring existing positions that are vulnerable to foreign exchange risk, both at portfolio and individual customer level. New lending that is subject to foreign exchange risk is only offered to specific customer segments and in accordance with the borrower's creditworthiness.

Other subtypes of credit risk

Repayment vehicle risk refers to the risk of the emergence of a hedging gap due to adverse market developments affecting factors on which the repayment vehicle is based. This type of risk is quantified when calculating risk-bearing capacity, and is hedged using equity (including limits).

Customer fixed interest risk consists of the risk that hedging will lead to losses on structured and fixed-interest loans. It is regularly monitored by the Asset Liability Management (ALM) group. This form of risk is limited and managed by monitoring counterparties' parameter ratings (in order to assess the probability of default) and the present value of hedging transactions.

Lease residual value risk is the risk that it will not be possible to realise the calculated residual value of a leased asset. Operating Credit Risk Management regularly monitors residual value risk exposures and, above all, the definition under which lessees or types of real estate where residual value without purchase options may arise, as well as the possibility of disposal of assets to third parties, the strategic significance of a property for the lessee in question, and the time to maturity of the residual value.

Migration risk refers to the risk of a deterioration in a debtor's creditworthiness resulting in an increase in the probability of default and a consequent downgrading of the customer's credit rating. It is countered by providing additional equity cover, using the buffer, as part of the risk-bearing capacity calculation. In addition, potential effects of migration on profit or loss and on capital requirements are regularly recognised, using scenario assumptions and sensitivities, as part of Bank-wide and reverse stress tests. A migration matrix is used for the ongoing monitoring of rating changes in the finance portfolio in the course of the regular reporting.

Settlement risk comprises prepayment risk and clearing risk. Prepayment risk denotes the risk that consideration will not be received at the agreed time. Clearing risk is the risk of changes in fair value where a transaction is not completed on the due date. Settlement risk is limited and managed by setting and regularly monitoring volume limits for risk exposures. Settlement limits are reduced accordingly when they are no longer necessary.

Sustainability risks relate to events or circumstances affecting sustainability (i.e. in connection with environmental, social and employee-related matters, and respect for human rights, as well as anti-corruption and anti-bribery measures) where their occurrence has or could potentially have material negative impacts on asset values, or on the assets, finances, earnings or reputation of a business. See Note 8.8 for further information on sustainability risks.

4.4.2 Risk provisions

In principle, when recognising risk provisions essentially the same accounting policies, and approaches to estimation uncertainty and judgements were applied as described in the notes to the 2024 annual financial statements. Updates and refinements are described below.

Estimation uncertainties and judgements

Financial instruments for which there has been a significant increase in credit risk (Stage 2)

The HYPO NOE Group uses quantitative and qualitative indicators to determine whether there has been a significant increase in credit risk (SICR). Individual and collective analyses and information are taken into account.

In the case of the quantitative indicator, the staging factor threshold determined by the customer group, lifetime and residual maturity is compared with the current staging factor (the rate of change in the PD) for each transaction. A stage transfer takes place if the threshold is exceeded. The threshold bands resulting from the model are shown in the following table.

	30 Jun. 2025			31 Dec. 2024		
	Min.	Max.	Median	Min.	Max.	Median
All	131%	375%	176%	131%	375%	174%
Retail	144%	225%	163%	144%	225%	162%
Corporate	141%	228%	191%	141%	225%	187%
Institutions	131%	225%	165%	131%	225%	165%
Sovereign	157%	375%	262%	157%	375%	262%

The qualitative SICR indicators comprise: forbearance measures; whether payment is 30 days past due; whether the customer is subject to intensive care measures; customers unrated at the reporting date; and early warning indicators, to the extent that these are not already adequately reflected in the rating.

Overall shifts in the macroeconomic conditions affecting a sector or segment are also considered when assessing whether a stage transfer is required. As at the end of the first half of 2025, the key macroeconomic developments were related to the consequences of the war in Ukraine and the Middle East conflict. Above all, persistently weak growth as well as economic uncertainty are seen as the main risk factors. These risks are primarily considered in the standard parameters for the ECL model, with supplementary measures in the form of qualitative stage transfers implemented as required; these measures are regularly reviewed and updated. Made in the past in connection with interest rate increases, qualitative stage transfers were no longer applied in the financial statements for the period under review due to the downward trend in interest rates.

Collective qualitative staging measures as at 30 Jun. 2025, EUR '000	Exposure	Cumulative impairment losses before measures	Cumulative impairment losses after measures
Measures related to			
Macroeconomic risk drivers – industries	36,801	137	309
CHF-denominated loans and loans with repayment vehicles	40,299	459	473
Increases in interest rates for non-profit housing development	-	-	-
Total	**77,100**	**596**	**782**

Collective qualitative staging measures as at 31 Dec. 2024, EUR '000	Exposure	Cumulative impairment losses before measures	Cumulative impairment losses after measures
Measures related to			
Macroeconomic risk drivers – industries	1,891,261	13,253	19,496
Increases in interest rates for non-profit housing development	198,856	26	603
CHF-denominated loans and loans with repayment vehicles	47,590	504	549
Total	**2,137,707**	**13,783**	**20,648**

Purchased or originated credit-impaired (POCI) financial assets

POCI assets are financial assets for which there is objective evidence of impairment on initial recognition. The HYPO NOE Group has laid down the following circumstances that help establish whether there is actually objective evidence of the impairment of a financial asset:

- Purchase of a financial asset at a price that represents a significant rating discount.
- Additions to assets (fresh money or bridging loans) leading to a significant increase in exposure from the uncollateralised portion, where intensive care is still in the initial stages, meaning that there is a high degree of uncertainty regarding a cure.
- In special cases, substantial modification of a Stage 3 financial asset, when this is due to a material rating discount and recognition of a modified, impaired financial instrument (originated credit-impaired).

In the course of initial measurement of a POCI asset, the expected cash flows are discounted using a credit-adjusted effective interest rate (Ca-EIR). This present value represents the IFRS carrying amount of the POCI asset on initial recognition. No risk provisions are recognised at the time of initial recognition. However, risk provisions are recognised on subsequent measurement, for both positive and negative deviations from the present value.

Measurement parameters

Point in time (PiT) PD curves

The modelling approach chosen and assumptions made as at 31 December 2024 have largely been retained. In addition to the baseline scenario, an upside and downside alternative scenario were taken into account when estimating the final PiT PD as at 30 June 2025. The three PD scenarios are weighted to produce the overall PiT PD curves for the retail and corporate customer groups. The weighted PiT PD curves provide the basis for evaluation of the quantitative stage transfer. In principle, both the upside and the downside scenario are given a 10% weighting, in accordance with the selected quantiles. However, if available information is not adequately reflected in the forecasts, the weighting is reviewed to determine whether an adjustment is necessary, and this may be performed. As at the end of the reporting period, the forecasts were subject to a high degree of uncertainty due to various negative factors. These mainly included continued weak economic growth as well as economic policy uncertainty. In order to reflect these factors appropriately, as at 30 June 2025 the HYPO NOE Group retained the weighting of the three PD scenarios as applied in the 2024 financial statements, as follows: baseline scenario 30%, upside scenario 10%, downside scenario 60%.

The tables below provide a comparison of the forecasting sources selected and the macroeconomic indicators applied by the HYPO NOE Group as at 30 June 2025 and 31 December 2024.

30 Jun. 2025	Forecasts		
	Years	OeNB	Fitch
GDP	2025	0.2	-0.2
	2026	0.9	1.1
	2027	1.1	1.7
Private consumption	2025	1.0	1.3
	2026	1.1	1.5
	2027	1.2	2.0
Exports	2025	-1.2	-0.5
	2026	1.3	1.4
	2027	2.3	2.0

30 Jun. 2025	HYPO NOE inputs		
	Years	OeNB	Fitch
GDP	2025	0.2	-0.2
	2026	0.9	1.1
	2027	1.1	1.7
Private consumption	2025	1.0	1.3
	2026	1.1	1.5
	2027	1.2	2.0
Exports	2025	-1.2	-0.5
	2026	1.3	1.4
	2027	2.3	2.0

31 Dec. 2024	Forecasts		
	Years	OeNB	Fitch
GDP	2025	0.8	1.0
	2026	1.6	1.6
	2027	1.3	1.7
Private consumption	2025	0.7	1.5
	2026	1.6	1.5
	2027	1.4	2.0
Exports	2025	1.3	2.3
	2026	2.5	2.0
	2027	2.4	2.0

31 Dec. 2024	HYPO NOE inputs		
	Years	OeNB	Fitch
GDP	2025	0.8	1.0
	2026	1.6	1.6
	2027	1.3	1.7
Private consumption	2025	0.7	1.5
	2026	1.6	1.5
	2027	1.4	2.0
Exports	2025	1.3	2.3
	2026	2.5	2.0
	2027	2.4	2.0

The table below shows the one-year default probabilities generated by the PiT PD model, and a comparison with the one-year probability of default according to the long-term average PD based on the HYPO NOE master scale, broken down by rating grades. The comparison between the master scale and the PiT PDs reveals an increase in expectations of default in the lower rating classes in the corporates PD segment, and across the board in the retail PD segment, as compared with the long-term average.

Rating	1Y PD – master scale	1Y PiT PD – corporate	1Y PiT PD – retail
1A	0.01%	0.02%	The assessment of retail customers' creditworthiness begins at a rating of 2C, meaning that these categories do not apply
1B	0.02%	0.02%	
1C	0.03%	0.03%	
1D	0.04%	0.03%	
1E	0.05%	0.03%	
2A	0.07%	0.04%	
2B	0.11%	0.06%	
2C	0.16%	0.10%	0.19%
2D	0.24%	0.15%	0.28%
2E	0.35%	0.24%	0.42%
3A	0.53%	0.41%	0.63%
3B	0.80%	0.69%	0.93%
3C	1.20%	1.06%	1.38%
3D	1.79%	1.63%	2.06%
3E	2.69%	2.52%	3.06%
4A	4.04%	3.89%	4.55%
4B	6.05%	6.49%	6.76%
4C	9.08%	10.84%	10.04%
4D	13.62%	18.11%	14.89%
4E	20.44%	30.25%	22.06%

4.4.3 Detailed information on risk provisions

Gross carrying amount/nominal amount by rating class

	30 Jun. 2025					31 Dec. 2024				
EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and balances at central banks	**1,608,562**	**-**	**-**	**-**	**1,608,562**	**753,543**	**-**	**-**	**-**	**753,543**
Financial assets – AC	**13,521,651**	**1,145,711**	**395,437**	**2,841**	**15,065,640**	**11,815,190**	**2,603,943**	**401,867**	**2,950**	**14,823,950**
Loans	11,677,857	1,103,842	395,437	2,841	13,179,977	10,143,399	2,562,072	401,867	2,950	13,110,288
Rating class 1	5,538,567	9,517	-	-	5,548,084	5,522,451	14,372	-	-	5,536,823
Rating class 2	4,453,745	183,141	-	-	4,636,886	3,553,579	1,055,057	-	-	4,608,636
Rating class 3	1,661,347	670,389	-	-	2,331,736	1,059,403	1,207,353	-	2,950	2,269,706
Rating class 4	24,198	240,795	-	-	264,993	7,967	285,290	-	-	293,257
Rating class 5	-	-	395,437	2,841	398,278	-	-	401,867	-	401,867
Bonds	1,843,794	41,869	-	-	1,885,663	1,671,791	41,871	-	-	1,713,662
Rating class 1	1,291,878	-	-	-	1,291,878	1,147,031	-	-	-	1,147,031
Rating class 2	544,857	6,367	-	-	551,224	524,760	-	-	-	524,760
Rating class 3	7,060	34,025	-	-	41,085	-	40,387	-	-	40,387
Rating class 4	-	1,477	-	-	1,477	-	1,483	-	-	1,483
Financial assets – FVOCI	**167,680**	**2,997**	**-**	**-**	**170,677**	**205,778**	**-**	**-**	**-**	**205,778**
Bonds	167,680	2,997	-	-	170,677	205,778	-	-	-	205,778
Rating class 1	146,832	2,997	-	-	149,829	178,620	-	-	-	178,620
Rating class 2	20,848	-	-	-	20,848	27,158	-	-	-	27,158
Off-balance-sheet transactions	**872,053**	**74,923**	**3,370**	**-**	**950,346**	**719,766**	**218,868**	**2,964**	**-**	**941,598**
Rating class 1	405,859	-	-	-	405,859	486,437	300	-	-	486,737
Rating class 2	190,125	39,636	-	-	229,761	116,628	78,853	-	-	195,481
Rating class 3	275,012	22,836	-	-	297,848	114,991	129,523	-	-	244,514
Rating class 4	1,056	12,451	-	-	13,507	1,710	10,192	-	-	11,902
Rating class 5	-	-	3,370	-	3,370	-	-	2,964	-	2,964
Trade receivables	**-**	**565**	**-**	**-**	**565**	**-**	**691**	**-**	**-**	**691**
Total	**16,169,946**	**1,224,196**	**398,807**	**2,841**	**17,795,790**	**13,494,278**	**2,823,502**	**404,830**	**2,950**	**16,725,560**

Risk provisions by rating class

	30 Jun. 2025					31 Dec. 2024				
EUR '000	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and balances at central banks	**-7**	**-**	**-**	**-**	**-7**	**-3**	**-**	**-**	**-**	**-3**
Financial assets – AC	**-4,048**	**-17,735**	**-80,766**	**86**	**-102,463**	**-2,256**	**-26,658**	**-86,114**	**67**	**-114,961**
Loans	-3,847	-13,922	-80,766	86	-98,449	-2,065	-22,816	-86,114	67	-110,928
Rating class 1	-111	-	-	-	-112	-220	-1	-	-	-222
Rating class 2	-582	-382	-	-	-964	-342	-2,279	-	-	-2,621
Rating class 3	-2,882	-5,647	-	-	-8,529	-1,419	-10,925	-	67	-12,277
Rating class 4	-271	-7,893	-	-	-8,164	-84	-9,611	-	-	-9,695
Rating class 5	-	-	-80,766	86	-80,680	-	-	-86,114	-	-86,114
Bonds	-201	-3,813	-	-	-4,014	-191	-3,843	-	-	-4,034
Rating class 1	-74	-	-	-	-74	-67	-	-	-	-67
Rating class 2	-119	-5	-	-	-124	-124	-	-	-	-124
Rating class 3	-8	-3,751	-	-	-3,759	-	-3,705	-	-	-3,705
Rating class 4	-	-57	-	-	-57	-	-138	-	-	-138
Financial assets – FVOCI	**-13**	**-3**	**-**	**-**	**-16**	**-14**	**-**	**-**	**-**	**-14**
Bonds	-13	-3	-	-	-16	-14	-	-	-	-14
Rating class 1	-4	-3	-	-	-7	-4	-	-	-	-4
Rating class 2	-9	-	-	-	-9	-10	-	-	-	-10
Off-balance-sheet transactions	**-338**	**-302**	**-1,414**	**-**	**-2,055**	**-150**	**-1,038**	**-1,174**	**-**	**-2,361**
Rating class 1	-	-	-	-	-	-	-	-	-	-
Rating class 2	-41	-56	-	-	-97	-23	-374	-	-	-397
Rating class 3	-288	-129	-	-	-417	-114	-514	-	-	-628
Rating class 4	-9	-116	-	-	-125	-13	-149	-	-	-162
Rating class 5	-	-	-1,414	-	-1,414	-	-	-1,174	-	-1,174
Trade receivables	**-**	**-4**	**-**	**-**	**-4**	**-**	**-1**	**-**	**-**	**-1**
Total	**-4,406**	**-18,043**	**-82,181**	**86**	**-104,544**	**-2,423**	**-27,698**	**-87,287**	**67**	**-117,341**

Scenarios and sensitivities

The HYPO NOE Group analyses and takes account of a range of scenarios in order to reduce uncertainty arising from the use of forecasts and statistical models when estimating PD, and to portray this uncertainty in a transparent manner. The results yielded by the various scenarios as at 30 June 2025 and 31 December 2024 are shown below. The scenarios are described in the 'Measurement parameters' section of Note 4.4.2 Risk provisions, above.

30 Jun. 2025, EUR '000	Upside	Baseline	Downside
Risk provisions generated by the fully automated process (Stage 1 and Stage 2)	19,272	21,419	23,642

31 Dec. 2024, EUR '000	Upside	Baseline	Downside
Risk provisions generated by the fully automated process (Stage 1 and Stage 2)	26,006	28,659	31,522

The current crises have increased the uncertainty associated with estimating anticipated credit losses. In order to address this heightened uncertainty, sensitivity analyses were also performed to determine the effects of an increase of 25% in all unsecured losses given default (LGDs; 31 Dec. 2024: 25%), coupled with an 85% increase in LGDs on collateralised loan receivables secured by residential and commercial real estate, excluding IPRE (31 Dec. 2024: 85%), as well as a 37% increase in IPRE lending (31 Dec. 2024: 37%). The effects of the measures outlined above on risk provisions as at 30 June 2025 are shown in the table below.

30 Jun. 2025, EUR '000	Increase in unsecured LGDs	Increase in LGDs on real estate collaterals
Change in risk provisions generated by the fully automated process (Stage 1 and Stage 2)	1,943	9,308

31 Dec. 2024, EUR '000	Increase in unsecured LGDs	Increase in LGDs on real estate collaterals
Change in risk provisions generated by the fully automated process (Stage 1 and Stage 2)	2,183	11,926

4.4.4 Detailed information on impairment losses/gains – IFRS 9, ECL

The following table shows the changes in risk provisions in 2025 and the breakdown of the changes by statement of profit or loss items.

EUR '000	Changes in risk provisions, 2025	Impairment gains/losses on financial assets – IFRS 9 ECL	Interest and similar expense	Not recognised through profit or loss	Changes in risk provisions, 2024
Risk provisions at start of reporting period	**-117,341**				**-114,825**
Increase due to origination and purchase	-2,860	-2,860	-	-	-10,281
Reduction due to derecognition and substantial modification	2,045	2,045	-	-	5,693
Utilisation of risk provisions	34,625	-	-	34,625	22,731
Allocations and reversals due to changes in credit risk	-21,007	-22,321	1,314	-	-20,673
Cash and balances at central banks, and trade receivables	-7	-7	-	-	14
Risk provisions at end of reporting period	**-104,544**	**-23,142**	**1,314**	**34,625**	**-117,341**

Stage 1 impairment losses/gains

EUR '000	1 Jan. 2025	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2025
Cash and balances at central banks	**-3**	**-**	**1**	**-5**	**-**	**-7**
Financial assets – AC	**-2,256**	**-733**	**260**	**-1,319**	**-**	**-4,048**
Loans	-2,065	-715	258	-1,325	-	-3,847
Banks	-	-	-	-	-	-
General governments	-8	-1	1	-	-	-8
Other financial corporations	-2	-4	-	-15	-5	-25
Non-financial corporations	-738	-523	218	-1,286	5	-2,324
Households	-1,318	-188	39	-24	-	-1,490
Bonds	-191	-18	2	6	-	-201
Banks	-148	-14	2	-	-1	-162
General governments	-3	-	-	-	-	-3
Other financial corporations	-32	-2	-	13	-	-21
Non-financial corporations	-9	-2	-	-7	2	-16
Financial assets – FVOCI	**-14**	**-1**	**1**	**1**	**-**	**-13**
Bonds	-14	-1	1	1	-	-13
Banks	-14	-1	1	-	-	-13
General governments	-	-	-	-	-	-
Other financial corporations	-1	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-
Off-balance-sheet transactions	**-150**	**-282**	**35**	**59**	**-**	**-338**
Loan commitments and financial guarantee contracts	-150	-282	35	59	-	-338
Total	**-2,423**	**-1,016**	**297**	**-1,265**	**-**	**-4,406**

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Cash and balances at central banks	**-4**	**-**	**-**	**-2**	**-**	**-5**
Financial assets – AC	**-2,363**	**-997**	**97**	**923**	**-1**	**-2,340**
Loans	-2,182	-984	96	917	-1	-2,153
Banks	-	-	-	-	-	-
General governments	-8	-1	1	1	-	-8
Other financial corporations	-	-2	-	-4	-1	-7
Non-financial corporations	-1,043	-780	52	932	1	-837
Households	-1,131	-202	43	-12	-	-1,301
Bonds	-181	-13	1	6	-	-187
Banks	-144	-11	1	6	3	-145
General governments	-3	-	-	1	-	-3
Other financial corporations	-28	-	-	4	-6	-31
Non-financial corporations	-6	-1	-	-4	3	-9
Financial assets – FVOCI	**-12**	**-8**	**-**	**1**	**-**	**-18**
Bonds	-12	-8	-	1	-	-18
Banks	-11	-8	-	-	-	-17
General governments	-	-	-	-	-	-
Other financial corporations	-1	-	-	-	-	-1
Non-financial corporations	-	-	-	-	-	-
Off-balance-sheet transactions	**-220**	**-166**	**52**	**186**	**-**	**-148**
Loan commitments and financial guarantee contracts	-220	-166	52	186	-	-148
Total	**-2,599**	**-1,170**	**150**	**1,108**	**-1**	**-2,512**

Stage 2 impairment losses/gains

EUR '000	1 Jan. 2025	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2025
Financial assets – AC	**-26,658**	**-1,717**	**1,554**	**9,086**	**-**	**-17,735**
Loans	-22,816	-1,632	1,554	8,972	-	-13,922
General governments	-23	-	-	-42	-	-65
Other financial corporations	-125	-	10	84	4	-26
Non-financial corporations	-14,892	-1,569	1,341	8,920	-4	-6,204
Households	-7,776	-64	203	10	-	-7,627
Bonds	-3,843	-84	-	114	-	-3,813
Banks	-	-84	-	80	-	-5
Other financial corporations	-3,687	-	-	-64	-	-3,751
Non-financial corporations	-156	-	-	99	-	-57
Financial assets – FVOCI	**-**	**-**	**-**	**-3**	**-**	**-3**
Bonds	-	-	-	-3	-	-3
Other financial corporations	-	-	-	-	-3	-3
Trade receivables	**-1**	**-4**	**1**	**-**	**-**	**-4**
Off-balance-sheet transactions	**-1,038**	**-127**	**29**	**834**	**-**	**-302**
Loan commitments and financial guarantee contracts	-1,038	-127	29	834	-	-302
Total	**-27,698**	**-1,848**	**1,584**	**9,917**	**-**	**-18,043**

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Financial assets – AC	**-31,682**	**-5,454**	**2,816**	**3,481**	**-1**	**-30,840**
Loans	-25,405	-5,454	2,816	3,572	-1	-24,472
General governments	-206	-	-	24	-	-182
Other financial corporations	-526	-5	4	388	9	-129
Non-financial corporations	-15,680	-5,385	2,451	2,500	-9	-16,123
Households	-8,994	-64	360	660	-1	-8,038
Bonds	-6,277	-	-	-91	-	-6,368
Banks	-26	-	-	-	7	-19
Other financial corporations	-6,175	-	-	-133	-7	-6,314
Non-financial corporations	-76	-	-	41	-	-34
Financial assets – FVOCI	**-**	**-18**	**-**	**18**	**-**	**-**
Bonds	-	-18	-	18	-	-
Other financial corporations	-	-18	-	18	-	-
Trade receivables	**-14**	**-5**	**14**	**-**	**-**	**-5**
Off-balance-sheet transactions	**-733**	**-88**	**54**	**-203**	**-**	**-969**
Loan commitments and financial guarantee contracts	-733	-88	54	-203	-	-969
Total	**-32,430**	**-5,564**	**2,885**	**3,296**	**-1**	**-31,814**

Stage 3 impairment losses/gains

EUR '000	1 Jan. 2025	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2025
Financial assets – AC	**-86,114**	**-**	**34,784**	**-29,437**	**-**	**-80,766**
Loans	-86,114	-	34,784	-29,437	-	-80,766
General governments	-	-	-	-	-	-
Other financial corporations	-9,961	-	8,994	-10,729	-	-11,696
Non-financial corporations	-70,172	-	25,576	-19,034	-	-63,630
Households	-5,980	-	214	326	-	-5,440
Off-balance-sheet transactions	**-1,174**	**-**	**7**	**-248**	**-**	**-1,414**
Loan commitments and financial guarantee contracts	-1,174	-	7	-248	-	-1,414
Total	**-87,287**	**-**	**34,791**	**-29,685**	**-**	**-82,181**

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Financial assets – AC	**-78,081**	**-**	**10,317**	**-13,247**	**-**	**-81,011**
Loans	-78,081	-	10,317	-13,247	-	-81,011
General governments	-	-	-	-	-	-
Other financial corporations	-10,628	-	-	1,482	-	-9,146
Non-financial corporations	-61,346	-	10,016	-14,270	-	-65,600
Households	-6,107	-	301	-459	-	-6,265
Off-balance-sheet transactions	**-1,768**	**-**	**5**	**-613**	**-**	**-2,376**
Loan commitments and financial guarantee contracts	-1,768	-	5	-613	-	-2,376
Total	**-79,850**	**-**	**10,323**	**-13,860**	**-**	**-83,387**

POCI impairment losses/gains

The following table shows the evolution of the loss allowances for expected losses on financial assets. These loss allowances are measured at amounts equal to the lifetime expected credit losses.

EUR '000	1 Jan. 2025	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2025
Financial assets – AC	**67**	**-**	**-**	**20**	**-**	**86**
Loans	67	-	-	20	-	86
Other financial corporations	6	-	-	-	-	6
Non-financial corporations	61	-	-	19	-	80
Total	**67**	**-**	**-**	**20**	**-**	**86**

EUR '000	1 Jan. 2024	Origination and purchase	Derecognition/ utilisation	Change in credit risk	Foreign exchange and other changes	30 Jun. 2024
Financial assets – AC	**54**	**-**	**-**	**7**	**-**	**61**
Loans	54	-	-	7	-	61
Other financial corporations	-	-	-	-	5	6
Non-financial corporations	54	-	-	7	-5	55
Total	**54**	**-**	**-**	**7**	**-**	**61**

4.5 Derivatives and hedge accounting

4.5.1 Carrying amounts and nominal values of derivatives

The HYPO NOE Group only held unlisted OTC derivatives as at the end of the reporting period.

The following table shows the nominal values and carrying amounts of derivatives recognised as at 30 June 2025.

	30 Jun. 2025			31 Dec. 2024		
	Carrying amount		Nominal value	Carrying amount		Nominal value
EUR '000	Assets	Liabilities		Assets	Liabilities	
Financial assets and liabilities – HFT	**146,853**	**134,698**	**2,666,982**	**157,922**	**142,001**	**2,936,172**
Interest rate derivatives	59,753	48,677	1,878,551	66,670	53,950	2,139,568
Foreign exchange derivatives	87,100	86,020	788,431	91,251	88,051	796,604
Positive and negative fair value of hedges (hedge accounting)	**241,060**	**313,632**	**12,042,797**	**280,356**	**366,872**	**11,662,512**
Interest rate derivatives	237,879	305,299	11,918,911	276,808	358,505	11,539,309
Foreign exchange derivatives	3,181	8,333	123,886	3,548	8,367	123,204

The Group has not netted off derivatives for accounting purposes, as the current master agreements that provide for netting (the ISDA Master Agreements, as well as other Austrian and German master agreements for financial forward transactions) do not meet the relevant criteria in this regard. Under these agreements, the right to offset all transactions by a single net amount would only be enforceable if certain future events occurred which would result in termination of the agreements (e.g. default or insolvency of the counterparty).

30 Jun. 2025	Financial assets/liabilities (gross)	Reported amounts offset (gross) (-)	Reported financial assets (net)	Effect of master netting agreements (-)	Collateral in the form of financial instruments (-)	Net amount
				Not offset		
EUR '000	(a)	(b)	(c)=(a)+(b)	(d)(i)	(d)(ii)	(e)=(c)+(d)
Assets						
Financial assets – HFT	146,853	-	146,853	-2,525	-305	144,023
Positive fair value of hedges (hedge accounting)	241,060	-	241,060	-169,776	-35,221	36,063
Total	**387,913**	**-**	**387,913**	**-172,301**	**-35,525**	**180,087**
Liabilities						
Financial liabilities – HFT	134,698	-	134,698	-2,525	-113,176	18,997
Financial liabilities – FVO	6,025	-	6,025	-	-	6,025
Negative fair value of hedges (hedge accounting)	313,632	-	313,632	-169,776	-118,393	25,463
Total	**454,355**	**-**	**454,355**	**-172,301**	**-231,569**	**50,485**

31 Dec. 2024	Financial assets/liabilities (gross)	Reported amounts offset (gross) (-)	Reported financial assets (net)	Effect of master netting agreements (-)	Collateral in the form of financial instruments (-)	Net amount
				Not offset		
EUR '000	(a)	(b)	(c)=(a)+(b)	(d)(i)	(d)(ii)	(e)=(c)+(d)
Assets						
Financial assets – HFT	157,922	-	157,922	-2,305	-74	155,543
Positive fair value of hedges (hedge accounting)	280,356	-	280,356	-196,874	-13,664	69,818
Total	**438,278**	**-**	**438,278**	**-199,179**	**-13,738**	**225,361**
Liabilities						
Financial liabilities – HFT	142,001	-	142,001	-2,305	-127,522	12,174
Financial liabilities – FVO	5,839	-	5,839	-	-	5,839
Negative fair value of hedges (hedge accounting)	366,872	-	366,872	-196,874	-124,325	45,673
Total	**514,712**	**-**	**514,712**	**-199,179**	**-251,847**	**63,686**

4.5.2 Detailed information on hedge accounting

	H1 2025			H1 2024		
EUR '000	Net gains or losses on hedged items	Net gains or losses on hedges	Net gains or losses on hedging relationships	Net gains or losses on hedged items	Net gains or losses on hedges	Net gains or losses on hedging relationships
Assets						
Financial assets – FVOCI	**-1,575**	**1,532**	**-43**	**-2,994**	**3,093**	**99**
Bonds	-1,575	1,532	-43	-2,994	3,093	99
Financial assets – AC	**-44,915**	**45,310**	**395**	**-68,246**	**69,015**	**768**
Loans	-42,538	42,703	165	-54,005	54,488	483
Bonds	-2,377	2,608	231	-14,241	14,527	285
Liabilities						
Financial liabilities – AC	**-11,151**	**12,429**	**1,278**	**69,366**	**-70,600**	**-1,233**
Deposits	646	-667	-21	400	-368	32
Bonds in issue	-11,797	13,097	1,299	68,966	-70,231	-1,265
Total	**-57,641**	**59,272**	**1,630**	**-1,874**	**1,508**	**-366**

Positive fair value of hedges (hedge accounting)

The table below provides an analysis of the positive fair value of hedges (hedge accounting) according to the entries in the statement of financial position under which the hedged items are reported.

EUR '000	30 Jun. 2025	31 Dec. 2024
Assets	**189,431**	**183,621**
Financial assets – FVOCI	304	936
Financial assets – AC	189,128	182,684
Liabilities	**51,628**	**96,736**
Financial liabilities – AC	51,628	96,736
Total	**241,060**	**280,356**

Negative fair value of hedges (hedge accounting)

The table below shows a breakdown of the negative fair value of hedges (hedge accounting) according to the entries in the statement of financial position under which the hedged items are reported.

EUR '000	30 Jun. 2025	31 Dec. 2024
Assets	**115,900**	**150,845**
Financial assets – FVOCI	6,836	10,637
Financial assets – AC	109,064	140,208
Liabilities	**197,732**	**216,027**
Financial liabilities – AC	197,732	216,027
Total	**313,632**	**366,872**

4.6 Fair value disclosures

Information on the nature and extent of the risks that arise from financial instruments, as well as sensitivity analyses and other additional disclosures, can be found in Note 8 RISK MANAGEMENT.

Accounting policies

On 31 December 2021 HETA exited the resolution regime implemented under the Federal Act on the Recovery and Resolution of Banks. The company has been under resolution in accordance with the Aktiengesetz (Austrian Companies Act) since 1 January 2022. The HYPO NOE Group has no direct exposures to HETA, but holds receivables under a Kärntner Ausgleichszahlungsfonds (Carinthian Compensation Payment Fund, KAF) debtor warrant, which is regularly remeasured.

The main pillars of the valuation have remained largely identical to those applied as at 31 December 2024. The market parameters for the valuation (interest and liquidity costs) were updated as at 30 June 2025.

4.6.1 Fair value hierarchy

The table below summarises the fair value hierarchies of all the financial instruments held by the HYPO NOE Group.

30 Jun. 2025 EUR '000	Carrying amount	Fair value	Fair value measurement		
			Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks	1,608,555	1,608,555	1,589,046	19,509	-
Financial assets – HFT	146,853	146,853	-	92,401	54,453
Financial assets – mandatorily FVTPL	66,337	66,337	-	7,403	58,934
Financial assets – FVOCI	173,422	173,422	165,945	5,024	2,453
Financial assets – AC	14,963,177	14,800,345	1,700,925	80,319	13,019,100
Positive fair value of hedges (hedge accounting)	241,060	241,060	-	241,060	-
Total	**17,199,404**	**17,036,571**	**3,455,916**	**445,715**	**13,134,940**
Liabilities					
Financial liabilities – HFT	134,698	134,698	-	134,598	100
Financial liabilities – FVO	6,025	6,025	-	-	6,025
Financial liabilities – AC	15,791,073	15,556,001	1,009,549	8,175,338	6,371,114
Negative fair value of hedges (hedge accounting)	313,632	313,632	-	313,632	-
Total	**16,245,428**	**16,010,355**	**1,009,549**	**8,623,567**	**6,377,239**

30 Jun. 2024 EUR '000	Carrying amount	Fair value	Fair value measurement		
			Level 1	Level 2	Level 3
Assets					
Cash and balances at central banks	1,430,795	1,430,795	1,408,509	22,287	-
Financial assets – HFT	137,875	137,875	-	90,833	47,041
Financial assets – mandatorily FVTPL	105,463	105,463	-	43,036	62,427
Financial assets – FVOCI	226,500	226,500	224,329	5	2,165
Financial assets – AC	14,472,981	14,263,149	1,477,976	85,852	12,699,321
Positive fair value of hedges (hedge accounting)	293,671	293,671	-	293,671	-
Total	**16,667,284**	**16,457,453**	**3,110,814**	**535,684**	**12,810,955**
Liabilities					
Financial liabilities – HFT	120,154	120,154	-	118,056	2,098
Financial liabilities – FVO	5,517	5,517	-	-	5,517
Financial liabilities – AC	15,057,549	14,736,201	1,065,440	7,568,887	6,101,875
Negative fair value of hedges (hedge accounting)	512,966	512,966	-	512,966	-
Total	**15,696,186**	**15,374,839**	**1,065,440**	**8,199,910**	**6,109,489**

There were no transfers of financial instruments between the different levels of the fair value hierarchy in the first half of 2025.

4.6.2 Fair value hierarchy: Level 3 disclosures

EUR '000	1 Jan. 2025	Gains/losses		Pur-chases	Sales	Transfers to/from Level 3	30 Jun. 2025	Unrealised gains recognised in profit or loss as at 30 Jun. 2025
		Recog-nised in profit or loss	Not recog-nised in profit or loss					
Assets								
Financial assets – HFT	60,823	-6,371	-	-	-	-	54,453	-7,048
Financial assets – mandatorily FVTPL	60,518	1,502	-	-	-3,085	-	58,934	1,492
Financial assets – FVOCI	2,344	4	-6	-	-4	-	2,453	-
Total	**123,685**	**-4,865**	**-6**	**-**	**-3,090**	**-**	**115,840**	**-5,556**
Liabilities								
Financial liabilities – HFT	571	-471	-	-	-	-	100	117
Financial liabilities – FVO	5,839	186	-	-	-	-	6,025	186
Total	**6,410**	**-285**	**-**	**-**	**-**	**-**	**6,125**	**303**

The main gains or losses on current Level 3 assets are recognised in the statement of profit or loss under "Net gains or losses on financial assets and liabilities".

EUR '000	1 Jan. 2024	Gains/losses		Pur-chases	Sales	Transfers to/from Level 3	30 Jun. 2024	Unrealised losses recognised in profit or loss at 30 Jun. 2024
		Recog-nised in profit or loss	Not recog-nised in profit or loss					
Assets								
Financial assets – HFT	64,970	-17,929	-	-	-	-	47,041	-17,994
Financial assets – mandatorily FVTPL	65,101	-102	-	-	-2,571	-	62,427	-126
Financial assets – FVOCI	2,051	-	120	-	-	-5	2,165	-
Total	**132,121**	**-18,031**	**120**	**-**	**-2,571**	**-5**	**111,633**	**-18,120**
Liabilities								
Financial liabilities – HFT	2,245	-147	-	-	-	-	2,098	-50
Financial liabilities – FVO	5,650	-133	-	-	-	-	5,517	-133
Total	**7,895**	**-280**	**-**	**-**	**-**	**-**	**7,615**	**-183**

Estimation uncertainties and judgements

The results of the sensitivity analysis for the "Financial assets – HFT", "Financial assets – mandatorily FVTPL" and "Financial assets – FVOCI" (equity instruments) items at Level 3 are discussed below.

All sensitivities are presented using a historical value-at-risk (VaR) approach (95% confidence level, one-year holding period) in line with internal risk management policies. The disclosures in the table below show the impact of changes in significant unobservable input parameters on Level 3 fair value. The figures are not a forecast or indication of future changes in fair value, but represent potential losses, where gains of a similar amount are also possible. In the case of "Financial assets – HFT" and "Financial liabilities – HFT", the significant inputs are global CDS spreads. For the "Financial assets – mandatorily FVTPL" item, credit and liquidity risk premiums are the unobservable inputs that drive prices. An increase in premiums results in lower fair values. In the case of "Financial assets – FVOCI", conventional company valuation methods such as discounted cash flow (DCF) or adjusted net asset value are used to determine fair value. The item is entirely made up of equity instruments assigned to Level 3.

30 Jun. 2025, EUR '000	Fair value	Fluctuation (VaR)	Measurement method	Inputs
Financial assets – HFT	54,453	163	Hybrid Hull-White model; DCF model	Global CDS spreads
Financial assets – mandatorily FVTPL (excl. HETA)	28,527	731	DCF model	Premiums for credit and liquidity risk
Financial assets – mandatorily FVTPL, Stage 3 (excl. HETA)	866	5	DCF model	Premiums for credit and liquidity risk
Financial assets – FVOCI	2,453	n/a	Adjusted net asset value (NAV) model; DCF model	Adjusted equity (for adjusted NAV model); WACC (for DCF model); cost of equity (for both models)*
Total	**86,299**	**899**		
Financial liabilities – HFT	100	-	Hybrid Hull-White model; DCF model	Global CDS spreads
Total	**100**	**-**		

31 Dec. 2024, EUR '000	Fair value	Fluctuation (VaR)	Measurement method	Inputs
Financial assets – HFT	60,823	212	Hybrid Hull-White model; DCF model	Global CDS spreads
Financial assets – mandatorily FVTPL (excl. HETA)	30,880	823	DCF model	Premiums for credit and liquidity risk
Financial assets – mandatorily FVTPL, Stage 3 (excl. HETA)	1,009	16	DCF model	Premiums for credit and liquidity risk
Financial assets – FVOCI	2,344	n/a	Adjusted net asset value (NAV) model; DCF model	Adjusted equity (for adjusted NAV model); WACC (for DCF model); cost of equity (for both models)
Total	**95,056**	**1,051**		
Financial liabilities – HFT	571	-	Hybrid Hull-White model; DCF model	Global CDS spreads
Total	**571**	**-**		

Financial assets – FVOCI (equity instruments)

*In order to avoid distortions as a result of temporary market fluctuations that are not caused by a company's operating performance, the core input factors for the discount rate (WACC) over historic periods were smoothed in the course of the company valuation process. This change in estimate is intended to ensure that the fair value is based on long-term market expectations and is not distorted by temporary volatility. This refinement of the valuation constitutes a change in estimate in accordance with IAS 8.34 ff and is accounted for prospectively.

The ranges for the unobservable inputs to the "Financial assets – FVOCI (equity instruments)" item classed as Level 3 are shown below.

Change in fair value, EUR '000	30 Jun. 2025 After change in estimate	30 Jun. 2025 Before change in estimate	31 Dec. 2024
10% increase in adjusted equity	241	243	230
10% decrease in adjusted equity	-241	-243	-230
50 bp increase in cost of equity	-17	-20	-16
50 bp decrease in cost of equity	20	22	19

5 ADDITIONAL NOTES TO THE STATEMENT OF PROFIT OR LOSS

5.1 Net fee and commission income

H1 2025, EUR '000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Total
Fee and commission income	**1,951**	**707**	**9,187**	**332**	**15**	**12,193**
Securities and custody account business	14	-	3,137	268	-	3,419
Payment transactions	360	346	3,113	23	19	3,860
Foreign exchange, foreign notes and coins, and precious metals	17	7	109	11	-	143
Other services	1,587	-	2,080	30	3	3,701
Other fee and commission income	-27	354	749	1	-7	1,070
Fee and commission expense	**-66**	**-25**	**-586**	**-391**	**1**	**-1,068**
Securities and custody account business	-1	-	-5	-171	-	-177
Payment transactions	-33	-15	-565	-219	-1	-833
Other services	-	-	-5	-	-	-5
Other fee and commission expense	-32	-10	-11	-	1	-52
Total	**1,885**	**682**	**8,601**	**-58**	**15**	**11,125**

H1 2024, EUR '000	Public Sector	Real Estate	Retail and Corporate Customers	Treasury & ALM	Corporate Center	Total
Fee and commission income	**1,910**	**630**	**8,738**	**373**	**16**	**11,668**
Securities and custody account business	23	-	2,781	294	-	3,098
Payment transactions	393	363	2,979	44	-12	3,767
Foreign exchange, foreign notes and coins, and precious metals	41	5	106	11	-2	161
Other services	1,497	-	2,029	23	8	3,558
Other fee and commission income	-44	262	844	-	22	1,085
Fee and commission expense	**-44**	**-26**	**-564**	**-469**	**9**	**-1,094**
Securities and custody account business	-1	-	-20	-196	-	-218
Payment transactions	-24	-8	-520	-272	-1	-826
Other services	-	-	-12	-	-	-12
Other fee and commission expense	-19	-18	-11	-	9	-38
Total	**1,866**	**604**	**8,175**	**-96**	**25**	**10,575**

5.2 Net other operating income

EUR '000	H1 2025	H1 2024
Other income	**13,241**	**4,401**
Gains on foreign currency translation	5,036	-
Gains on the reversal of provisions	4,171	326
Gains on investment property	1,306	1,178
Income from real estate services and property development	1,302	1,422
Sundry other income	968	908
Income from early repayments	244	248
Other rental income	214	265
Losses on the disposal of intangible assets, property, plant and equipment, and other non-financial assets	-	54
Other expenses	**-1,352**	**-9,255**
Losses on investment property	-905	-735
Sundry other expenses	-266	-387
Other taxes	-181	-218
Gains on foreign currency translation	-	-7,874
Losses on deconsolidation	-	-24
Losses on the disposal of intangible assets, property, plant and equipment, and other non-financial assets	-	-16
Total	**11,890**	**-4,854**

The change in "Gains on the reversal of provisions", reported under "Other income", was mainly accounted for by the reversal of the provision for legal risks related to negative interest. Information on provisions can be found in Note 6.1.

5.3 Administrative expenses

Analysis of administrative expenses

EUR '000	H1 2025	H1 2024
Staff costs	**-35,677**	**-33,524**
Wages and salaries	-27,787	-26,181
Pensions and other employee benefit expenses	-7,891	-7,343
Other administrative expenses	**-24,913**	**-20,230**
Premises	-2,133	-2,260
Office and communication expenses	-645	-570
IT expenses	-9,178	-8,786
Legal and consultancy costs	-1,667	-1,467
Advertising and entertainment expenses	-2,215	-2,274
Other administrative expenses	-9,076	-4,873
Financial stability contribution	-5,357	-1,296
Allocation to deposit insurance fund	-500	-150
Depreciation, amortisation and impairment	**-1,940**	**-1,940**
Depreciation and amortisation	-1,940	-1,940
Intangible assets	-155	-107
Buildings used by Group companies	-733	-722
Equipment, fixtures and furnishings (incl. low value assets)	-792	-904
Right-of-use assets (IFRS 16)	-261	-208
Administrative expenses	**-62,531**	**-55,694**

The main factor behind the rise in "Administrative expenses" was the increase in the current financial stability contribution, as well as the one-off payment towards the financial stability contribution, which were both adopted by the lower house of the Austrian Parliament at the beginning of March.

	H1 2025	H1 2024
Average number of employees (excl. on statutory leave)	628	611

6 ADDITIONAL NOTES TO THE STATEMENT OF FINANCIAL POSITION

6.1 Provisions

Estimation uncertainties and judgements

Other provisions

The provision for negative interest rates in connection with corporate loan agreements, carried under “Other provisions”, was fully reversed with effect from 30 June 2025 (31 Dec. 2024: EUR 4,142thsd). The provision had initially been recognised in 2017 in light of an Austrian Supreme Court ruling on the legal treatment of consumer loan agreements against the backdrop of negative money-market interest rates. As this provision related to a legal risk, allocations to it were recognised in “Other operating expense”, while any reversals were reported under “Other operating income”.

In the HYPO NOE Group’s opinion, the likelihood of future claims for repayment in connection with the underlying legal risk is low. No related legal proceedings are pending, and in line with previous experience, neither specific claims nor economic indicators exist, that suggest the occurrence of new claims. In addition, the legal uncertainty is no longer associated with a specific financial liability for the Company. Consequently, as the criteria for recognition under paragraph 14 IAS 37 are no longer met, the provision was fully reversed.

EUR ’000	1 Jan. 2025	Allocations	Utilisation	Reversals	Discount unwinding effect	Remeasure-ment	30 Jun. 2025
Other provisions	**4,402**	**-**	**-21**	**-4,171**	**-**	**-**	**210**

6.2 Other assets and liabilities

Other assets

EUR '000	30 Jun. 2025	31 Dec. 2024
Offset receivables (public loan management)	16,243	14,844
Accruals and deferrals, and contract assets in accordance with IFRS 15	10,318	6,463
Other offset receivables	2,843	5,183
VAT and other tax credits (other than income tax)	1,388	2,091
Trade receivables	561	690
Non-consolidated subsidiaries and associates	435	434
Properties taken into possession	331	331
Sundry other receivables	378	551
Other assets	**32,496**	**30,587**

Other liabilities

EUR '000	30 Jun. 2025	31 Dec. 2024
Trade payables	57,960	79,892
SEPA clearing offset liabilities	36,423	8,782
Other offset liabilities	29,050	3,219
Firm commitments arising from future lending business	13,501	9,483
VAT and other tax liabilities (other than income tax)	11,388	16,170
Employee liabilities	8,376	8,253
Accruals and deferrals, and contract liabilities in accordance with IFRS 15	3,129	2,927
Lease liabilities in accordance with IFRS 16	2,132	2,212
Offset liabilities (public loan management)	406	850
Sundry other liabilities	577	588
Other liabilities	**162,943**	**132,375**

7 TAXES

7.1 Income tax

EUR '000	H1 2025	H1 2024
Current income tax	319	-2,889
Current income tax on previous years	-727	-226
Deferred income tax	-5,256	-7,245
Total	**-4,937**	**-10,135**

7.2 Tax assets

EUR '000	30 Jun. 2025	31 Dec. 2024
Current tax assets	11,248	29,239
Deferred tax assets	528	384
Total	**11,776**	**29,623**

7.3 Tax liabilities

EUR '000	30 Jun. 2025	31 Dec. 2024
Current tax liabilities	70	70
Deferred tax liabilities	32,146	26,650
Total	**32,215**	**26,720**

8 RISK MANAGEMENT

The HYPO NOE Group defines risk as the possibility of unexpected, unfavourable future developments that could have an adverse impact on the assets, earnings or liquidity of the Group or of individual subsidiaries.

Derived from the Group's strategic objectives, development of all significant business activities takes strategic risk factors into account, with a strong focus on risk-bearing capacity. The Bank attaches particular importance to the assessment of risks in the light of the risk-reward ratio. Risks are not ends in themselves but are assumed in the interests of value creation and, in turn, improved risk-bearing capacity, as well as adequate returns on risk capital. The refinement of instruments and processes aimed at maintaining an adequate risk-reward ratio is seen as an integral element of the Group's long-term strategy.

The Group's risk-bearing capacity is safeguarded by a balanced relationship between risks and coverage capital. To this end, eligible risk coverage capital is carefully defined, and the confidence level for risk quantification (i.e. the probability of loss) is set at a conservative level.

The disclosure of risks is based on the Group's internal risk management and risk reporting systems.

8.1 Risk management system

Achieving business success necessarily involves taking risks. The HYPO NOE Group practises active risk transformation and risks are consciously incurred in connection with it. The Group's risk management objectives are to identify, measure, actively manage and monitor all risks arising from banking operations (credit, market, liquidity, operational, reputational and other risks).

The HYPO NOE Group's organisational structure provides for a clear separation of front and back office functions (four-eye principle) at every level up to and including the Management Board. The front office functions originate business and give initial clearance to transactions, while the back office functions cast an additional, independent vote that confers final approval. In line with the internal division of responsibilities, the unanimous approval of the front and back office functions is required for all business decisions that would alter the risk profile. There are also rules for the ultimate approval of exposures requiring resolutions of the Group's Supervisory Board.

All risks that the HYPO NOE Group is in a position to manage are subject to a Group-wide, uniform limit system, which is monitored continuously. A Group-wide risk reporting system ensures timely, regular and comprehensive risk reporting. In addition to the quarterly risk management report, which provides an aggregated summary of all identified material capital risks and the available capital coverage, and analyses the Group's insolvency risk, the Management and Supervisory Boards receive separate regular risk reports for each risk category. These provide detailed information on current risk-related developments.

The disclosures required by Part 8 of the CRR are made on a consolidated basis for the HYPO NOE Group, and can be found in a separate document posted on the Group's website (en.hyponoe.at).

The rules for introducing new lines of business or new products, and for entering new markets, call for an appropriate prior analysis of the relevant business risks. Without exception, transactions that entail risks are only permitted if they are explicitly regulated and authorised by the Group's risk documentation. In principle, the Group restricts its exposures to areas where it has the necessary expertise to judge and manage the specific risks involved. If the risk situation is unclear, or there are methodological uncertainties, the principle of prudence is given precedence.

The HYPO NOE Group identifies, quantifies, monitors and manages risks in accordance with the applicable statutory and commercial requirements. In spite of the risk management methods and internal control processes in place, the Group may still be exposed to unknown and unexpected risks. Furthermore, the risk management techniques and strategies applied cannot completely rule out the future occurrence of risks.

8.2 Aggregate risk management and risk-bearing capacity (ICAAP)

The identification, quantification and oversight of total Bank risk at portfolio level is the responsibility of the Strategic Risk Management Department, and involves the identification, measurement, aggregation and analysis of all the risks assumed,

assessment of the adequacy of economic capital in relation to the risk profile, as well as the use and ongoing refinement of appropriate risk management systems.

Maintenance of adequate risk-bearing capacity is monitored by two control loops:

- The economic gone concern control loop protects creditors against exposure to customer liquidation. Risks are measured at a high confidence level (99.9% with a one-year holding period) and compared with the risk coverage capital available in the event of liquidation.
- The going concern management control loop is designed to ensure that the Bank survives as a going concern. Here, risks are measured at a lower confidence level of 95% with a one-year holding period, and compared with the coverage capital realisable without endangering survival.

As at 30 June 2025, the Group was utilising 51.5% of its risk-bearing capacity, which was virtually unchanged compared with 31 December 2024 (51.5%). ICT risk as part of operational risk has been reported and quantified separately in the risk-bearing capacity calculation since March. The effect of this is offset by a decrease in interest rate risk.

8.2.1 Recovery plan

Under the Bundesgesetz über die Sanierung und Abwicklung von Banken (Federal Act on the Recovery and Resolution of Banks), which came into force on 1 January 2015, the HYPO NOE Group is required to draw up a recovery plan. Embedding of the plan in day-to-day operations pursuant to the Act is integral to the Group's risk and capital management framework.

At the core of the expanded risk management and overall control processes implemented under the recovery plan, specific indicators and restructuring and communication measures will be established, as well as robust escalation and decision-making processes within the recovery governance structure that supplement the existing control measures in the event of an impending or unfolding crisis.

Early warning and recovery indicators are an integral part of the reporting within the relevant management bodies.

The regular review of the Group's recovery plan for 2024, as required by the Act on the Recovery and Resolution of Banks, is currently in progress. It involves assessing selected indicators (including defined threshold values) and the defined escalation process, as well as updating recovery measures including overall restructuring capacity and the modelled scenarios.

8.2.2 Bank-wide stress test

Derived from an economic analysis, scenarios relevant to the HYPO NOE Group's business model are generated as part of the Bank-wide internal stress testing. The impact of the scenarios on credit, investment and liquidity risk, net interest income and credit spreads, as well as on the recognition of additional risk provisions pursuant to IFRS 9 and expected defaults, are simulated at Group level to determine both regulatory and economic risk-bearing capacity. The results of the stress test are reported to the Management Board together with proposed countermeasures, and presented to the Risk Management Committee (RICO) and Risk Committee.

In addition, reverse stress tests are carried out annually, and stress tests may also be held on a case-by-case basis.

8.2.3 Basel III/IV

Stipulating comprehensive new capital requirements for all banks in the EU, CRR III came into force on 1 January 2025. HYPO NOE Landesbank took early measures to ensure timely implementation of the regulation and guarantee the long-term stability and competitiveness of its own operations.

As expected, implementation of the CRR III regulations will have effects on HYPO NOE Landesbank's capital ratios at the level of consolidated and non-consolidated companies alike, particularly in connection with an increase in the risk-weighted measurement basis for credit risk (credit risk RWA). These effects are chiefly attributable to real estate financing, which fulfils the definitions for acquisition, development and construction (ADC) or IPRE in accordance with CRR III and for which the regulator has significantly tightened capital requirements under CRR III.

Thanks to the HYPO NOE Group's solid capital base, these new requirements can be met without strategic restrictions. That said, optimisation measures initiated on the basis of clarifications and announcements issued in the meantime by the

EBA are already having positive effects, and have contributed to a significant reduction in the impact of initial application of CRR III on capital ratios that had originally been anticipated at the end of 2024.

8.2.4 Minimum requirement for own funds and eligible liabilities (MREL)

As at 30 June 2025, the HYPO NOE Group was obliged to comply with the following mandatory minimum requirements for MREL:

- 5.91% of leverage ratio exposure, or
- 22.18% of total risk exposure

The Bank's own funds and eligible liabilities are well above the minimum requirements established by the regulator.

8.3 Credit risk

Information on credit risk can be found in Note 4 FINANCIAL INSTRUMENTS AND CREDIT RISK.

8.4 Market risk

8.4.1 General information

Market risks are potential losses resulting from adverse changes in the net asset value of exposures due to changes in market prices.

Market risks specific to banking include:

- Interest rate risk in the banking book
- Credit spread risk
- Foreign exchange risk
- Options risk (volatility risk)
- Trading book risk
- Basis risk
- Credit valuation adjustment (CVA) risk
- Concentration risk inherent in market risk
- Commodity price risk
- Share price risk
- Fund price risk
- Sustainability risk

The HYPO NOE Group's market risk management strategy sets out the strategic guidelines for managing market risks specific to banking.

The main market risks facing the HYPO NOE Group are interest rate risk in the banking book, and credit spread risk (in particular in the nostro portfolio) arising in part from ordinary banking activities such as fixed-interest lending and management of liquidity reserves. The HYPO NOE Group has implemented limits, as well as detailed oversight and control processes to address these risks. In the course of its business operations, the HYPO NOE Group is exposed to foreign exchange and option risks (e.g. embedded upper and lower interest rate limits) which are monitored and managed. The use of derivatives to hedge interest rate risk can give rise to basis risk, which is likewise monitored in the risk management systems. Risk management procedures and methods are also in place to deal with the CVA risk associated with derivatives. The concentration risk inherent in market risk chiefly arises from own investments made to control the liquidity reserve, and is managed and limited together with the latter. The Bank also uses the small trading book to trade on its own account. Appropriate and transparent limits that reflect risk appetite and monitoring processes have been introduced in order to maintain compliance with legal requirements and internal risk management policies.

The HYPO NOE Group has not earmarked any internal risk capital for commodity, share price or fund risk, and, as a result, no material risks may be incurred in these market risk categories. Sustainability risk is limited and managed by applying inclusion and exclusion criteria, among other measures.

The HYPO NOE Group's market risk strategy is based on the principles set out below, which are enshrined in the Group's risk strategy. These principles ensure capital coverage of the market risks incurred at all times, and underpin the related monitoring, control and transparency of the individual market risk positions by:

- Identifying and regularly evaluating market risks
- Specifying and regularly reviewing the suitability of models and processes for measuring market risks
- Quantifying market risk on the basis of the processes established
- Determining management's risk appetite and tolerance with respect to the various individual market risk categories, taking account of risk and reward expectations
- Identifying and complying with legislative and regulatory frameworks
- Appropriately limiting and monitoring market risk on the basis of the specified risk tolerance
- Goal-driven reporting

8.4.2 Interest rate risk in the banking book

When measuring, managing and restricting interest rate risk, the HYPO NOE Group distinguishes between period net interest income risk – which mainly tracks the risk of net interest income fluctuations in a given period – and present value risk, which measures decreases in the asset value of a particular portfolio due to interest-rate-induced changes in present value.

The HYPO NOE Group monitors and manages interest rate risk arising from aggregate net interest income at Bank level and from sub-portfolios relevant to IFRS earnings and equity, which are reported in the statement of profit or loss. Additionally, the present value of interest rate risk across the entire banking book is managed to ensure conformity with the Bank's total risk-bearing capacity and supervisory requirements (identifier for an outlier bank).

Monitoring and quantifying interest rate risk is the responsibility of an independent back office department, Strategic Risk Management. This involves scrutinising interest rate gaps, calculating present values and performing sensitivity analyses. Positions with interest rates fixed for indefinite periods, fixed-interest loan commitments and associated assumptions on prepayments are modelled and regularly assessed on the basis of statistical models and/or expertise-based estimates. Analyses are also carried out for the entire banking book and for sub-portfolios.

The ALM team is responsible for managing interest rate risk positions and implementing the Bank's interest rate risk management strategy. The primary objective is to achieve stable, long-term contributions to net interest income, while also managing the present value of interest rate risk in terms of its impact on earnings.

The Bank's interest rate risk policy is planned as part of the annual budget and medium-term planning, and calibrated to the Bank's risk appetite. Adherence to the strategic interest rate risk position is reported to the ALM Committee and, if necessary, adjusted in consultation with the Management Board. The ALM Team is responsible for operational implementation of the interest rate risk management strategy within the preordained interest rate risk limits and authorities,

and coordinates regularly with Strategic Risk Management on decisions that have a bearing on interest rate risk. Interest rate risk management measures are ultimately executed by the Treasury/Capital Market/FI/IR Department.

The HYPO NOE Group makes use of fair value hedges that qualify for hedge accounting in order to guard against interest rate risk arising from structured positions and significant fixed-interest positions. Low-value transactions are combined and hedged by means of layered hedges. Interest rate swaps are normally used as risk management instruments. Alternatively, the Bank uses new investment and refinancing business as a means of managing structured fixed-interest risk positions.

Current interest risk situation: total banking book

The following table shows the results of the six risk scenarios modelled in accordance with the regulatory requirements and the performance indicator identifying an outlier bank as at 30 June 2025 and 31 December 2024.

Regulatory interest rate risk, total banking book, change in present value, EUR '000	30 Jun. 2025	31 Dec. 2024
Scenario I: EBA parallel up	-28,126	-58,271
Scenario II: EBA parallel down	-11,544	16,369
Scenario III: EBA steepener	-24,802	-8,031
Scenario IV: EBA flattener	-1,268	-9,756
Scenario V: EBA short rate up	-10,931	-30,305
Scenario VI: EBA short rate down	-10,677	10,384
Worst-case scenario	**-28,126**	**-58,271**
Worst case as percentage of equity	**3.28%**	**6.72%**

The interest rate risk by period for both parallel interest rate shocks is as follows:

Interest income risk for the period, EUR '000	30 Jun. 2025	31 Dec. 2024
Scenario I: EBA parallel up	18,529	-5,036
Scenario II: EBA parallel down	-27,711	-6,112

8.4.3 Credit spread risk

Credit spread risk is the impact of adverse changes in risk premiums on instruments for which prices are determined by the markets. As with the measurement of interest rate risk, a present-value and a period-based approach are applied. Credit spread risk mainly arises due to own investments of liquidity reserves. The IFRS fair value of loans is included in the measurement of credit spread risk.

Credit spread risk management focuses primarily on the present value of risk, as this reflects the loss in net asset value resulting from adverse changes in risk premiums. The resulting risks are monitored and quantified, with limits set, and reflected in the risk-bearing capacity calculation. The capital requirements resulting from credit spread risk are determined for the entire nostro portfolio in the banking book and for loans measured at fair value using a historical value-at-risk (VaR) model.

Credit spread, VaR (holding period of one year, confidence level of 99.9%), EUR '000	30 Jun. 2025	31 Dec. 2024
Total credit spread risk	-35,742	-31,781

Under the period-based approach, the effect of changes in risk premiums on net interest income is calculated for a 12-month period, assuming a constant balance sheet structure. In order to quantify risk, a scenario with falling risk premiums and one with rising risk premiums are compared with a baseline scenario in which funds from a maturing transaction are reinvested, applying current risk premiums. Quantiles that reflect the changes in credit spreads with a holding period of one year are taken from the history and applied in order to calculate the credit spread risk under both of these risk scenarios. For the scenario in which falling spreads are assumed, quantiles of 0.1% and 5% of the annual change in credit spreads were calculated; in the scenario with rising spreads, quantiles of 95% and 99.9% were calculated. The results of this period-based approach are shown below:

Credit spread risk by period (horizon of one year, confidence level of 99.9%), EUR '000	30 Jun. 2025	31 Dec. 2024
Total credit spread risk	-611	-735

8.4.4 Other market risks

Refinancing in the same currency and the use of FX derivatives serves to effectively eliminate foreign exchange risks for the Group. Consequently, under the Capital Requirements Regulation, as at 30 June 2025 the Group was not subject to the minimum capital requirement for foreign exchange positions, as the total position for the Group as a whole was less than 2% of eligible capital.

The residual foreign exchange risk for all open currency positions is regularly measured and monitored, using a VaR approach based on exchange rate fluctuations over time.

The HYPO NOE Group does not engage in any business that requires it to maintain a large trading book as defined by the CRR. It maintains a small trading book as defined by Article 94 CRR, and the volume of business is limited accordingly. Daily observation is performed by the Strategic Risk Management Department. Nominal holdings are also monitored and limited, as are foreign currency, interest rate and credit spread risks. During the first half of 2025 there were no instances of positioning in the small trading book.

Volatility risks in the HYPO NOE Group chiefly arise from embedded upper and lower interest rate limits on loans and deposits. The management and oversight of these exposures forms part of the management of interest rate risk in the banking book.

Basis risks arise from different discount curves for hedged items and hedges, as well as from the requirement to recognise the foreign currency basis when measuring the hedging instrument, but not the underlying transaction. Basis risks arising from differing discount curves are in principle purely valuation risks, resulting from current market practice with regard to valuation in hedge accounting. Cash-collateralised derivatives are discounted using the risk-free interest curve, while hedged transactions are discounted using the Interbank Offered Rate (IBOR) interest curve, which includes the interbank liquidity spread as well as the risk-free rate. Risk over the term of the instrument is determined for all transactions subject to hedge accounting, and for stand-alone derivatives, using a VaR approach based on historic variations in the OIS spread.

FX basis risks arise when the FX basis components in the hedged transaction do not qualify for hedge accounting although they are included in the valuation of the hedge instrument. In economic terms, no risk arises over the entire term of such FX hedges as the periodic effects on earnings completely cancel each other out. The risk is limited and regularly monitored.

When calculating the fair value of derivative instruments, the CVA for counterparty risk and the debt valuation adjustment (DVA) for the Bank's own credit risk must be taken into account. The CVA is calculated using customary methods (expected exposure arrived at by means of a Monte Carlo simulation, and probability of default according to CDS curves). Global CDS curves are applied according to rating and sector. The effects of the CVA and DVA are recognised in consolidated profit or loss. These effects are regularly analysed.

8.5 Liquidity risk

Liquidity risk is defined as the danger that the HYPO NOE Group will be unable to meet its present and future payment obligations in full and on time, or may only be able to do so at prohibitive cost.

The HYPO NOE Group distinguishes between intraday liquidity risk management, operational liquidity management (up to one year), and planning and implementation of the medium-to-long-term refinancing strategy (structural liquidity risk).

8.5.1 Strategic liquidity risk management targets

The liquidity risk management function identifies, analyses and manages the HYPO NOE Group's liquidity risk position, with a view to maintaining sufficient, cost-effective liquidity coverage at all times.

This gives rise to the following fundamental liquidity risk management objectives:

- Maintenance of a sufficient liquidity buffer, based on suitable stress tests and limit systems, to maintain solvency at all times
- Optimisation of the refinancing structure with respect to risk tolerance, maturity transformation and costs
- Comprehensive planning of the medium-to-long-term refinancing strategy
- Coordination of issuance activity on the money and capital markets
- Risk- and cost-reflective pricing

- Compliance with statutory regulations and legal frameworks

These objectives define the central aspects of liquidity risk management at the HYPO NOE Group:

- Identification and regular assessment of liquidity risks
- Selection of models and processes for measuring identified liquidity risks, and regular review of their suitability
- Quantification of liquidity risk on the basis of the defined processes
- Identifying and complying with legislative and regulatory frameworks
- Determining Management's risk appetite/tolerance
- Maintenance of an appropriate liquidity buffer at all times
- Reasonable limitation and monitoring of liquidity risk on the basis of the specified risk tolerance
- Goal-driven reporting
- Emergency plans and processes, and regular reviews to ensure that these are up to date and appropriate
- Efficient and timely management of operational liquidity
- Approval and monitoring of the implementation of the medium-to-long-term refinancing strategy
- Employment of processes and procedures aimed at the risk-reflective allocation of liquidity costs

8.5.2 Implementation of liquidity risk management

Day-to-day liquidity requirements are monitored and managed on the basis of daily reports prepared by the Strategic Risk Management Department.

The department compiles extensive monthly liquidity risk reports to assist in the analysis and control of operational and structural liquidity, and monitoring of compliance with the liquidity risk limits. These reports describe and analyse operational liquidity risk over a period of 12 months according to a normal scenario (volatility scenario), as well as three stress scenarios (name crisis, market crisis and combined crisis) and the structural liquidity risk inherent in the normal scenario. In addition, the Management Board receives comprehensive monthly progress reports on the liquidity position, incorporating planning assumptions and key liquidity risk indicators, as well as information on the current liquidity situation. The Board also receives reports on the liquidity position and limit utilisation, primarily in the course of its regular meetings and from RICO.

The HYPO NOE Group's operational liquidity capacity is evaluated and monitored on a monthly basis, in terms of the length of time that the Bank would be able to survive ("time to wall"). The net cash outflows in the normal scenario and the three stress scenarios are compared with the relevant available liquidity reserve, and the point in time when the liquidity reserve would no longer be sufficient to cover the net cash outflows is calculated.

With a limit of eight weeks (or 12 weeks in the case of an early warning), the HYPO NOE Group's time to wall as at 30 June 2025 was over 52 weeks (31 Dec. 2024: 43 weeks). The need for high-quality liquid assets (HQLA) in order to comply with the regulatory requirement for a 180-day liquidity buffer is taken into account in the calculation, in accordance with the Austrian Pfandbriefgesetz (Covered Bond Act). Alongside time to wall, the regulatory liquidity coverage ratio (LCR) is likewise an important operational liquidity control metric. The LCR is reported on a monthly basis and is integral to the Group's operational liquidity management and the planning processes. The LCR reported to the regulator was 354.12% as at 30 June 2025 (31 Dec. 2024: 229.23%). The liquidity position (LP) key indicator is employed to monitor the Bank's liquidity reserve. Additionally, movements in deposits are monitored on a daily basis, with negative deviations from the budget limited by means of an indicator.

Besides economic capital, a maximum annual gap determined by the Group's risk appetite, as well as the regulatory structural liquidity ratio (net stable funding ratio [NSFR]) are measured and managed in order to monitor structural liquidity risk. The Group's NSFR stood at 123.55% at 30 June 2025 (31 Dec. 2024: 118.55%).

Besides various internal limits, early warning indicators are in place to identify impending critical liquidity situations as early as possible, so that the Bank can initiate timely countermeasures.

Current liquidity risk situation

The HYPO NOE Group is well placed as regards its refinancing position. It continues to draw its liquidity from conventional capital market transactions and from deposits, as well as standard repo transactions. Transactions with development banks are another source of refinancing.

HYPO NOE Landesbank continued its successful and long-running capital issuance programme in the first half of 2025, with the issue of a EUR 500m green senior preferred bond and a EUR 500m public-sector covered bond.

The Group's liquidity position is solid. The refinancing mix adopted, comprising current account and savings account deposits, fixed-term deposits from institutional customers, repo transactions and capital issues, ensures that this will remain the case over the long term. This broad-based refinancing portfolio is supplemented by sufficient marketable securities.

Throughout the period under review, the regulatory indicators designed to limit liquidity risk – the Basel III indicators, LCR, NSFR and additional liquidity monitoring metrics (AMM) – were tracked on the basis of the published standards and reported to the Austrian regulator. Where applicable, the minimum regulatory requirements were observed. Compliance with the statutory regulations in day-to-day operations is assured going forward by their integration into the Group's internal liquidity risk management arrangements and planning processes, as well as strict internal standards and operational control processes.

The primary instruments used by the HYPO NOE Group to manage and cover short-to-medium-term maturities are its available liquidity reserve, cash reserves and overnight investments. The Group draws a distinction between HQLA and other ECB or GC Pooling repoable collateral.

8.6 Operational risk

Operational risk is the danger of losses arising directly or indirectly from the inadequacy or failure of internal processes or systems, human error or external events. In each of these categories of operational risk, legal risks can result in losses. This is because in every category the HYPO NOE Group can be exposed to claims or legal proceedings arising from alleged breaches of contractual, statutory or regulatory requirements. Information and communication technology (ICT) risk and reputational risk are closely related to operational risk. However, business risks do not form part of it.

The management of operational risks in the HYPO NOE Group is subject to a consistent Group-wide system of controls. The following methods are used to identify, evaluate and mitigate operational risks:

- Continuous recording of operational risk events, including the development of countermeasures designed to recognise such events at an early stage or avert similar events in future, as well as regular reporting to the Management Board
- Ongoing monitoring of the implementation of such measures up to completion, and submission of quarterly status reports to the Management Board
- Forward-looking monitoring of the operational risk profile using key risk indicators
- Evaluation of factors that could alter the risk profile, such as the introduction of new products or outsourcing activities
- Ongoing adaptation of and improvements to internal guidelines
- Management of business interruption risks by means of emergency plans embedded in the business continuity management (BCM) system
- Strict adherence to the four-eye management principle so as to reduce the likelihood of risk events occurring
- In-service training as part of staff development
- Insurance against various risks

There is also an emphasis on continuously improving the effectiveness and efficiency of operational risk management processes. The operation and continuous improvement of an effective internal control system (ICS) is aimed at reducing the likelihood of operational risk events and minimising their impact. Risks are systematically identified and assessed, controls agreed and developed, and where necessary key processes adapted.

Current operational risk situation

During the reporting period, all operational risk events were recorded in a central database. Improvements are seen as crucial to controlling operational risk – these have been consistently formulated and implemented when operational risk events and near-miss incidents have occurred.

The early-warning and key risk indicators did not give any indications of increased risk. The Group has responded to the continued increase in the number of cases of payment fraud in connection with debit cards, but also via other channels

(notably using social engineering techniques), through an ongoing awareness-raising campaign aimed at customers and staff.

Risks in connection with new products and new outsourcing are routinely surveyed using a standard evaluation tool, which is built into the product launch and outsourcing processes.

Due to the HYPO NOE Group's ongoing digitalisation drive as well as the applicable regulatory requirements (in particular, the Digital Operational Resilience Act or DORA), ICT risk has become a major issue. It is addressed by the Operations Department and the ICT Compliance, Project & Process Management Department in cooperation with Strategic Risk Management. ICT risks are identified, assessed, mitigated and documented using a specialised risk management tool. This focuses on the following three sources of risk: Accenture TiGital GmbH in its capacity as the developer and operator of the in-house core banking system; the HYPO NOE Group, its employees and processes, and the IT systems and applications it develops and operates itself; and third parties to which ICT services are outsourced.

8.7 Reputational risk

Reputational risk is the danger of direct or indirect damage to the HYPO NOE Group's good name, and the opportunity costs that this would entail. Such damage can compromise the Group's all-important standing and the trust of its stakeholders, including customers, investors, employees, business partners and local communities. It may arise from a failure to live up to these stakeholders' expectations.

As the HYPO NOE Group attaches great importance to limiting and managing reputational risk, it is treated as a separate risk category. The utmost care is taken to avoid potential harm to the Group's reputation when taking business decisions, and a process for evaluating reputational risk is in place.

Effective business processes, coupled with sound risk monitoring and management, are seen as laying the groundwork for meeting those expectations. The HYPO NOE Group's Code of Conduct outlines the common values and principles shared by its employees. The Group also avoids business policy measures and transactions associated with particularly acute legal or tax risks, or with substantial environmental risks. The Group's lending is subject to clear ethics guidelines and business principles, which permit strict implementation of a holistic environmental and social sustainability approach in its lending policies. By doing so, the Group ensures that it only extends loans for purposes that are compatible with its philosophy and its focus on sustainability. The ethics guidelines and business principles comprise exclusion criteria, coupled with the exercise of particular care in financing for environmentally and socially sensitive sectors. They are fundamental to the approach to initiating new business across the Group. These criteria are also explicitly referred to in the ESG and reputational risk questionnaire that forms part of loan applications.

The independent ombudsman deals quickly and efficiently with customers' concerns (such as complaints and misunderstandings), and seeks to find satisfactory solutions in consultation with them. Besides meeting the statutory requirements, the goal is to improve customer relationships and mitigate reputational risk.

8.8 Sustainability risks

In accordance with the recommendations of the FMA Guide for Managing Sustainability Risks, the HYPO NOE Group integrated sustainability risks into the current main risk categories in its risk map as separate sub-categories (i.e. reporting the effect on existing types of risk) when drawing up its risk inventory. The risk manuals and strategies reflect this.

Sustainability risks are limited and managed when approving new lending, in the course of regular reviews using inclusion and exclusion criteria, and by defining environmentally and socially sensitive sectors for which greater due diligence is necessary. In addition, the Group uses an ESG questionnaire for real estate and corporate customers, records compliance with ESG criteria in company rating, retail customer loan application and asset-based rating models by means of the soft facts questionnaire, and takes ESG metrics into account (corruption index and rule of law indicators) when assessing country ratings.

Compliance with ethics guidelines, in particular the Group's exclusion criteria, is examined before an official loan approval is prepared. If any obstacles are identified, implementation of the financing project concerned is discontinued. This ensures that all loan applications forwarded to Operating Credit Risk Management for assessment meet the defined criteria. No financing plans that breached the Group's ethics guidelines were identified during the first six months of 2025.

Other steps taken to monitor sustainability risks include assessment of potential impacts of climate-related risks in specific regions and countries in the decision-making process for lending, and the integration of climate risks into stress tests; evaluation of the lending portfolio with regard to allocation of loans to industries with poor ESG scores by means of an internal sector benchmarking model; and regular assessment of ethics guidelines and business principles.

ESG-related topics are integrated into the HYPO NOE Group's operations as routine activities in the various departments. The Sustainability Committee has overall responsibility for managing these topics. In addition, there is an interdepartmental sustainability working group which handles internal and external communication regarding action taken by the HYPO NOE Group to enhance sustainability and reduce sustainability risks, and performs cross-departmental analysis of business opportunities and product developments with a view to addressing sustainability risks.

Following an evaluation of the regulatory expectations regarding ESG in risk management processes, in accordance with the EBA Guidelines as well as the FMA and ECB guides, a schedule for the implementation of the regulatory requirements is currently being drawn up. The first step towards preparing a database for the assessment of climate risks involved collecting energy certificate data for real estate financing and recording them in the core banking system. Taking this master data as the starting point, calculation of the CO_2 emissions in the lending portfolio using the Partnership for Carbon Accounting Financials (PCAF) method is planned for the second half of 2025. The results will subsequently feed into preparation of the climate transition plan.

8.9 Other risks

The following types of risk are classified as "other risks":

- Business risk (the risk of loss resulting from a deterioration in the economic environment or in the HYPO NOE Group's business relationships)
- Strategic risk (the risk of losses arising from decisions on the Group's basic focus and business development)
- Macroeconomic risk (potential losses resulting from exposure to macroeconomic risk factors)
- Concentration risk – encompassing various types of risk (potential adverse consequences of the concentration of, or interplay between similar or differing risk factors or types of risk)
- Leverage risk (any threat to the Bank's stability arising from its actual or potential indebtedness)
- Real estate price risk (potential losses due to downturns in property prices and the resultant adverse effect on the fair value of a property)
- Model risk (potential losses arising from the consequences of decisions that stem from internal approaches, and which are attributable to errors in the development, implementation and application of such approaches)
- Outsourcing/insourcing risk (risks connected with outsourcing banking operations, reintegrating previously outsourced operations, or insourcing banking operations)
- Data protection risk (risks arising from data processing that could lead to physical, tangible or intangible damage)
- Securities risk arising in connection with the Austrian Wertpapieraufsichtsgesetz (Securities Supervision Act), i.e. risks arising from the provision of securities-related services

The Group identifies and monitors such potential risks, and uses equity to hedge them, responding to negative developments at an early stage.

8.10 Risk buffer

To address unquantified risks which the risk inventory has determined should be given equity cover when the risk-bearing capacity is computed, the Group maintains a risk buffer which is calculated on the basis of the quantified risks. The risk buffer is treated as an exposure class forming part of the Bank's aggregate risk in the total risk-bearing capacity calculation, and is broken down into model risk, reputational risk and other non-quantified risks. The more advanced and accurate risk measurement processes are, and the smaller the proportion of non-quantified risks, the smaller the capital buffer can be.

8.11 Latent legal risks

It is standard practice to recognise provisions for litigation in which the outcome or any potential losses can be reliably predicted. In such cases, provisions are recognised at a level deemed appropriate in the circumstances, and in accordance with the applicable accounting principles.

9 GROUP STRUCTURE AND RELATED-PARTY RELATIONSHIPS

9.1 Scope of consolidation

All subsidiaries that are directly or indirectly controlled by the parent and are material to presentation of the Group's assets, finances and earnings are included in the scope of consolidation of the HYPO NOE Group. The scope of consolidation is regularly reviewed. Besides the parent, HYPO NOE Landesbank für Niederösterreich und Wien AG, the Group comprises 50 Austrian subsidiaries (31 Dec. 2024: 50) in which the parent meets the criteria for control as specified by IFRS 10. A total of 17 companies are accounted for using the equity method (31 Dec. 2024: 17).

30 Jun. 2025, EUR '000	Domicile	Interest	of which indirect	Carrying amount as at 30 Jun. 2025	Profit or loss from continuing operations, H1 2025	Segment/ Corporatie Center	Reporting date
Joint ventures				**11,734**	**1,018**		
Palatin Grundstückverwaltungs Gesellschaft m.b.H. in Liqu.	St. Pölten	50.00%	50.00%	35	-3	Public Sector	30 Jun. 2025
EH Solar Contracting Solutions GmbH	St. Pölten	50.00%	50.00%	262	-3	Public Sector	30 Jun. 2025
Niederösterreichische Vorsorgekasse AG	St. Pölten	49.00%	-	8,932	664	Treasury & ALM	30 Jun. 2025
PPP Campus AM + SEEA GmbH	St. Pölten	50.00%	50.00%	18	1	Public Sector	30 Jun. 2025
PPP Campus AM + SEEA GmbH & Co KG	St. Pölten	50.00%	50.00%	1,717	215	Public Sector	30 Jun. 2025
PPP Campus RAP + LGG GmbH	St. Pölten	45.00%	45.00%	17	-	Public Sector	30 Jun. 2025
PPP Campus RAP + LGG GmbH & Co KG	St. Pölten	45.00%	45.00%	753	143	Public Sector	30 Jun. 2025
Associates				**25,928**	**2,531**		
EWU Wohnbau Unternehmensbeteiligungs-GmbH in Liqu.	St. Pölten	48.00%	-	1,777	254	Real Estate	30 Jun. 2025
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	47.56%	47.56%	795	-	Real Estate	30 Jun. 2025
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	47.96%	47.96%	3,485	-	Real Estate	30 Jun. 2025
Gebau-Niobau Gemeinnützige Baugesellschaft m.b.H.	Mödling	45.67%	45.67%	542	-	Real Estate	30 Jun. 2025
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Korneuburg	32.50%	-	2,903	327	Public Sector	30 Jun. 2025
Hotel- und Sportstätten- Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	45.41%	45.41%	669	11	Public Sector	30 Jun. 2025
NÖ. Landeshauptstadt - Planungsgesellschaft m.b.H.	St. Pölten	39.00%	39.00%	320	14	Public Sector	30 Jun. 2025
NOE Immobilien Development GmbH*	St. Pölten	48.00%	48.00%	13,684	1,960	Real Estate	31 Mar. 2025
VIVITliving GmbH*	St. Pölten	24.50%	24.50%	1,432	-82	Real Estate	31 Mar. 2025
HYPO NOE Versicherungsmakler GmbH*	St. Pölten	48.00%	-	320	47	Retail and Corporate Customers	31 Mar. 2025
Total				**37,661**	**3,549**		

*Due to the complexity of the processes involved in preparing the financial statements, combined with the need for timely financial reporting, simultaneous preparation with the same reporting date as the consolidated financial statements is unfeasible in practice. In accordance with paragraph 34 IAS 28, adjustments were made for the effects of significant transactions or other events that occurred between the reporting date of an investment and that of the consolidated statements.

31 Dec. 2024, EUR '000	Domicile	Interest	of which indirect	Carrying amount as at 31 Dec. 2024	Profit or loss from continuing operations, H1 2024	Segment/ Corporate Center	Reporting date
Joint ventures				**11,213**	**1,126**		
Palatin Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	50.00%	50.00%	38	-36	Public Sector	31 Dec. 2024
EH Solar Contracting Solutions GmbH	St. Pölten	50.00%	50.00%	265	-	Public Sector	31 Dec. 2024
Niederösterreichische Vorsorgekasse AG	St. Pölten	49.00%	-	8,765	681	Treasury & ALM	31 Dec. 2024
PPP Campus AM + SEEA GmbH	St. Pölten	50.00%	50.00%	17	-	Public Sector	31 Dec. 2024
PPP Campus AM + SEEA GmbH & Co KG	St. Pölten	50.00%	50.00%	1,502	220	Public Sector	31 Dec. 2024
PPP Campus RAP + LGG GmbH	St. Pölten	45.00%	45.00%	16	-	Public Sector	31 Dec. 2024
PPP Campus RAP + LGG GmbH & Co KG	St. Pölten	45.00%	45.00%	609	259	Public Sector	31 Dec. 2024
Associates				**24,188**	**2,983**		
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	48.00%	-	2,511	2,192	Real Estate	31 Dec. 2024
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	47.56%	47.56%	795	-	Real Estate	31 Dec. 2024
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	47.96%	47.96%	3,485	-	Real Estate	31 Dec. 2024
Gebau-Niobau Gemeinnützige Baugesellschaft m.b.H.	Mödling	45.67%	45.67%	542	-	Real Estate	31 Dec. 2024
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Korneuburg	32.50%	-	3,370	586	Public Sector	31 Dec. 2024
Hotel- und Sportstätten- Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	45.41%	45.41%	657	6	Public Sector	31 Dec. 2024
NÖ. Landeshauptstadt - Planungsgesellschaft m.b.H.	St. Pölten	39.00%	39.00%	307	23	Public Sector	31 Dec. 2024
NOE Immobilien Development GmbH*	St. Pölten	48.00%	48.00%	10,734	125	Real Estate	30 Sep. 2024
VIVITliving GmbH*	St. Pölten	24.50%	24.50%	1,514	6	Real Estate	30 Sep. 2024
HYPO NOE Versicherungsmakler GmbH*	St. Pölten	48.00%	-	273	45	Retail and Corporate Customers	30 Sep. 2024
Total				**35,401**	**4,108**		

*Due to the complexity of the processes involved in preparing the financial statements, combined with the need for timely financial reporting, simultaneous preparation with the same reporting date as the consolidated financial statements is unfeasible in practice. In accordance with paragraph 34 IAS 28, adjustments were made for the effects of significant transactions or other events that occurred between the reporting date of an investment and that of the consolidated statements.

9.2 Investments accounted for using the equity method

Estimation uncertainties and judgements

NOE Immobilien Development GmbH (NID) specialises in property development, housing construction and neighbourhood development, with a focus on Lower Austria and Vienna. The recoverable amount of the investment in NID was calculated for the purpose of impairment testing in accordance with IAS 36. The recoverable amount was measured using the discounted cash flow (DCF) approach, in line with the gross method (WACC).

In order to avoid distortions as a result of temporary market fluctuations that are not caused by a company's operating performance, the core input factors for the discount rate (WACC) over historic periods were smoothed in the course of the company valuation process. This change in estimate is intended to ensure that the fair value is based on long-term market expectations and is not distorted by temporary volatility. This refinement of the valuation constitutes a change in estimate in accordance with IAS 8.34 ff and is accounted for prospectively.

NID: key assumptions (%)	30 Jun. 2025 After change in estimate	30 Jun. 2025 Before change in estimate	31 Dec. 2024
Pre-tax discount rate (WACC)	8.53%	9.97%	7.98%
CAGR in the budgeting phase	4.92%	4.92%	3.68%
Long-term growth rate in the pension phase	0.00%	0.00%	0.00%

Applying the equity method, the valuation of NID was negative by EUR 1,276thsd as at 30 June 2025. Based on the impairment test, it was necessary to recognise an impairment gain of EUR 3,236thsd in the equity-method valuation of NID. This was primarily due to the change in the estimate, as well as the negative free cash flow in 2024, which was not fully reflected in an increase in net debt as at 31 December 2024. Value in use includes a contribution of EUR 989thsd from the ultimate parent – HYPO NOE Landesbank – for a new real-estate project.

Change in value in use, EUR '000 Sensitivity analysis	30 Jun. 2025 After change in estimate	30 Jun. 2025 Before change in estimate	31 Dec. 2024
25 bp increase in pre-tax discount rate	-1,155	-893	-1,294
25 bp decrease in pre-tax discount rate	1,214	931	1,355

9.3 Disclosures on related-party relationships

Estimation uncertainties and judgements

The transfer prices between the HYPO NOE Group and related parties are arm's length prices. The State of Lower Austria's guarantees of loans and advances extended to third parties by HYPO NOE Landesbank, listed in the table below, are likewise all concluded on market terms.

30 Jun. 2025 EUR '000	Parent companies	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties	Identified staff
Open balances						
Selected financial assets	**2,543,348**	**124,860**	**487,434**	**18,012**	**1,657**	**2,735**
Equity instruments	-	84	17,271	9,284	178	-
Bonds	37,462	-	-	-	-	-
Loans	2,505,886	124,776	470,164	8,728	1,479	2,735
Selected financial liabilities	**660,714**	**1,186**	**98,927**	**2,034**	**9,101**	**5,837**
Deposits	660,714	1,186	98,927	2,034	8,578	5,215
Bonds in issue	-	-	-	-	523	622
Nominal value of loan commitments, financial guarantees and other commitments	**178,141**	**23,587**	**19,084**	**-**	**482**	**187**
Loan commitments, financial guarantees and other commitments received	**2,817,001**	**-**	**-**	**-**	**-**	**-**
Nominal value of derivatives	**693,859**	**-**	**-**	**-**	**-**	**-**
Current period						
Interest income	44,356	1,881	6,871	300	23	33
Interest expense	-3,177	-345	-899	-3	-52	-83
Dividend income	-	-	1,781	497	-	-
Fee and commission income	1,302	1	190	1	11	-
Profit or loss from the derecognition of financial assets and liabilities not measured as at fair value through profit or loss	-	-	-	-	-	-

31 Dec. 2024 EUR '000	Parent companies	Non-consolidated subsidiaries	Associates	Joint ventures	Other related parties	Identified staff
Open balances						
Selected financial assets	**2,495,516**	**121,271**	**475,466**	**17,820**	**1,863**	**2,676**
Equity instruments	-	81	18,424	9,117	178	-
Bonds	37,903	-	-	-	-	-
Loans	2,457,613	121,190	457,042	8,702	1,685	2,676
Selected financial liabilities	**160,575**	**679**	**96,476**	**1,987**	**19,632**	**5,304**
Deposits	160,575	679	96,476	1,987	19,118	4,694
Bonds in issue	-	-	-	-	514	610
Nominal value of loan commitments, financial guarantees and other commitments	**229,965**	**27,558**	**33,613**	**-**	**672**	**259**
Loan commitments, financial guarantees and other commitments received	**2,852,633**	**-**	**-**	**-**	**-**	**-**
Nominal value of derivatives	**692,992**	**85,000**	**-**	**-**	**-**	**-**
Current period						
Interest income	108,039	5,536	15,835	349	74	75
Interest expense	-8,857	-1,732	-1,549	-2	-269	-196
Dividend income	-	-	2,893	-	-	-
Fee and commission income	2,443	2	375	4	20	1
Profit or loss from the derecognition of financial assets and liabilities not measured as at fair value through profit or loss	-	-	1	-	-	-

10 EVENTS AFTER THE REPORTING PERIOD

HYPO NOE Landesbank provided support for the sale of subsidised homebuilding loans issued by the State of Lower Austria, in the form of a bidding platform. Under a purchase and trust agreement with the State, subsidised homebuilding loans with a nominal value of EUR 300 million were acquired on 9 July 2025. These loans were refinanced through deposits raised from institutional investors by way of a tender process.

DECLARATION BY THE COMPANY'S LEGAL REPRESENTATIVES

We hereby confirm that, to the best of our knowledge, the condensed 2025 interim consolidated financial statements of the HYPO NOE Group give a true and fair view of the Group's assets, finances and earnings as required by the applicable accounting standards, and that the Group interim operational and financial review gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim consolidated financial statements, and of the principal risks and uncertainties to which the Group will be exposed during the remaining six months of the financial year.

IAS 34 was applied in the preparation of the condensed 2025 interim consolidated financial statements. Essentially the same accounting policies were applied as to the financial statements for the year ended 31 December 2024.

St. Pölten, 21 August 2025

The Management Board

DI Wolfgang Viehauser, MSc
Management Board Member Markets and Speaker of the Board

responsible for

Sales Strategy, Digitalisation & Retail Banking
Marketing & Communication
Public Sector
Corporate Customers
Real Estate Customers
Treasury & ALM
Press Spokesperson

MMag. Dr. Udo Birkner, MBA (LBS)
Management Board Member Finance, Risk & Operations

responsible for

Group General Secretariat HR & Law
Compliance, AML & Regulatory
Finance
Risk
Operations/Organisation & IT
Internal Audit

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Important information

The greatest possible care has been taken in preparing this semi-annual financial report. 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 interim report 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 report is definitive. The English version is a translation of the German report.

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