



# Bank & Land

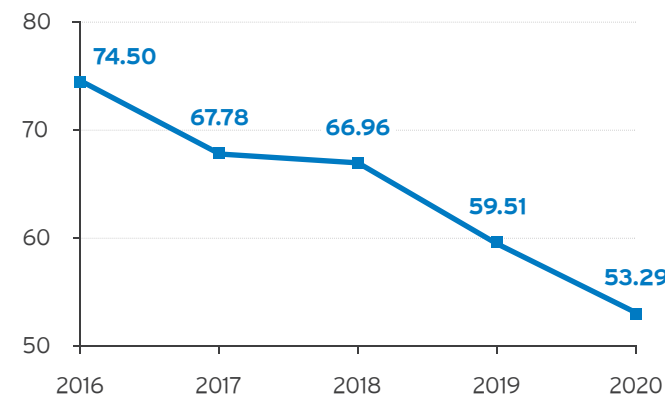
2020 HYPONOE Group Annual Report  
magazine supplement

For more  
information, visit:  
[ir.hyponoe.at/en](https://ir.hyponoe.at/en)

## Group financial highlights

### COST/INCOME RATIO (CIR)

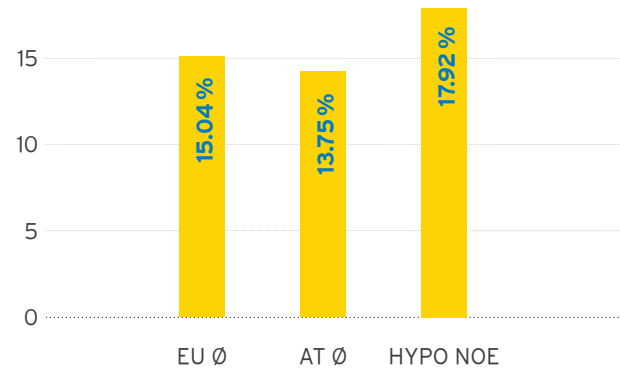
%



### COMMON EQUITY TIER 1 (CET1) RATIO

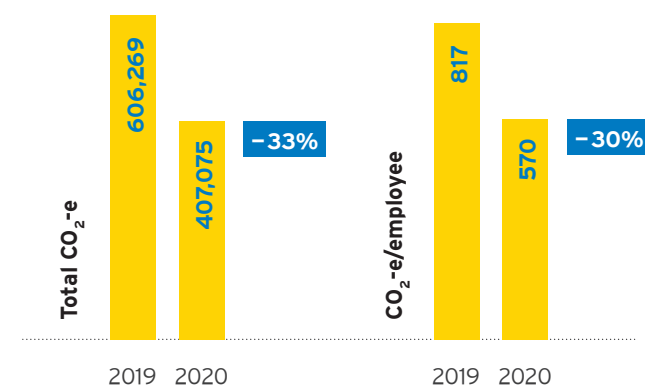
2020, %

AT Ø and EU Ø – source: European Banking Authority (EBA);  
most recent figures: June 2020



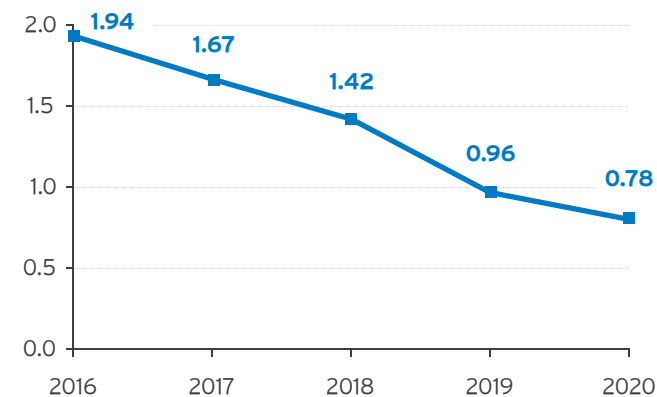
### CARBON FOOTPRINT (down 57% since 2016)

kg CO<sub>2</sub>-e



### NON-PERFORMING LOAN (NPL) RATIO

%



### IN 2020 THE HYPO NOE GROUP...



150

financed 150  
kindergartens, schools  
and other municipal  
projects



1,500

helped 1,500 customers  
to build new homes  
of their own



2,500

financed 2,500  
new apartments



4,600

served 4,600 business  
customers



1.7 <sup>EUR</sup>  
bn

authorised new lending  
of EUR 1.7bn

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The full  
annual report  
is available for  
download here:



[ir.hyponoe.at/en](https://ir.hyponoe.at/en)

See the FINANCIAL REVIEW and NON-FINANCIAL STATEMENT in the 2020 annual report for details of the calculations.



18



24



6



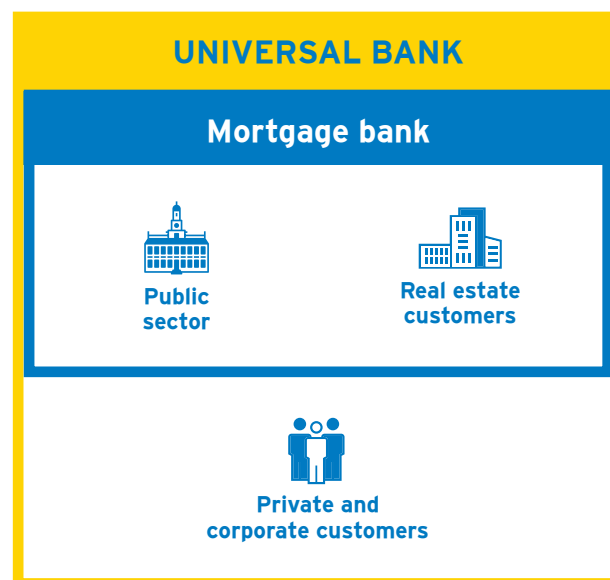
# HYPO NOE at a glance

**STRONG REGIONAL ROOTS.** HYPO NOE Landesbank – Austria's largest and oldest-established state mortgage bank<sup>1</sup> – can depend on a reliable sole owner in the shape of the State of Lower Austria.

<sup>1</sup>In terms of total assets (2019 consolidated financial statements) and foundation dates

## Low-risk business model – tried and tested since 1888

Consistently low NPL and  
risk-weighted asset (RWA) ratios



## HYPO NOE's strategy

### ORGANIC GROWTH

- Focus on core business
- Emphasis on Austria and Germany

### DIGITALISATION

- Best-in-class core products
- Partnerships for add-on products

### PROFITABILITY

- Growth and diversification of core income streams
- Maintaining a conservative risk and capital profile

## PERFORMANCE METRICS

**0.78%**

NPL ratio

**3.5**

EUR bn RWA\*

**17.92%**

CET1 ratio

**A (stable)**

S&P issuer credit rating

**Aa1**

Moody's covered bond ratings

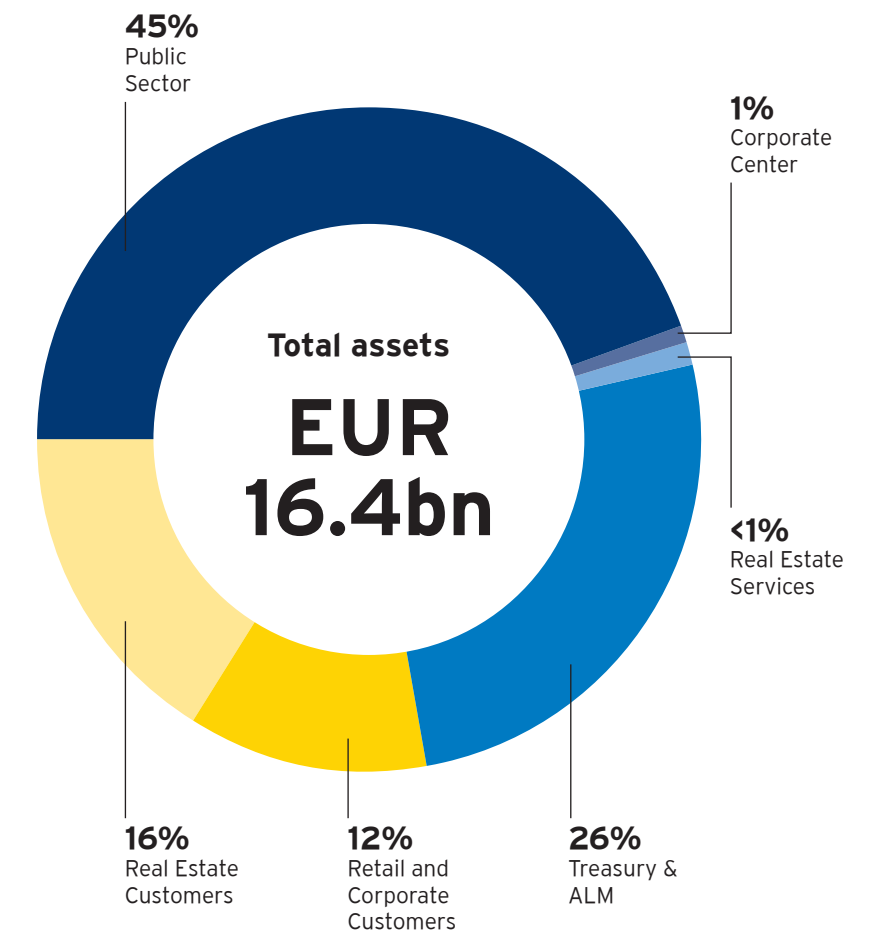
**Prime**

ISS ESG CSR rating

\* Risk-weighted  
exposure to  
credit risk

## The HYPO NOE Group's business segments

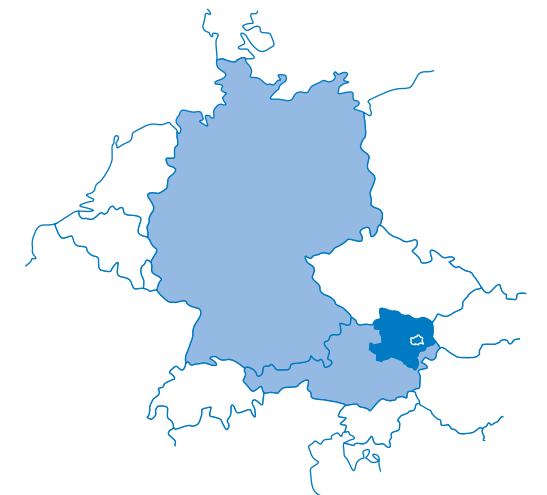
Assets, 31 December 2020



## A strong partner in a robust regional economy

Eastern Austria has one of the country's largest and most dynamic regional economies. Lower Austria and Vienna generate some 41% of national GDP. HYPO NOE Landesbank has a particularly strong presence on its home market.

- Home market: Lower Austria and Vienna
- Core market: Austria and Germany
- Also targeted: selected EU markets



# Successfully weathering Covid-19

JANUARY 2020

## A musical start to the year

More than a thousand guests took up HYPO NOE Landesbank's invitation to attend the New Year's Day concert at St. Pölten's Festspielhaus. Customers, business partners and famous faces from the worlds of politics, business and culture enjoyed an entertaining evening that played out to the sounds of brothers Josef and Johann Strauss.



A pre-Covid treat for the ears: more than a thousand guests were treated to the sounds of the Strauss brothers.

FEBRUARY/SEPTEMBER 2020

## New banking experience in St. Pölten

Wood and natural earth shades – a new “feelgood” branch of HYPO NOE Landesbank opened at St. Pölten University Hospital in February. Fully in

keeping with the new architectural concept, the premises feature the customary state-of-the-art technical equipment alongside an appealing aesthetic which provides a conducive backdrop for extended consultations focusing on key life decisions. The same applies to the new branch that opened its doors in the government district of St. Pölten in September.

The new branch at St. Pölten University Hospital certainly stands out thanks to its appealing ambience.



MARCH/APRIL 2020

## Stable outlook and sustainability rating upgrade

Although the coronavirus crisis is also weighing heavily on the banking sector, in April S&P Global confirmed its stable rating for HYPO NOE Landesbank – which was only one of two Austrian banks to achieve this status. At the same time, the Bank was awarded a solid single A rating. In March, respected sustainability ratings agency ISS ESG upgraded HYPO NOE Landesbank from C to C+, a move which confirmed its standing as one of the most sustainable regional banks in the world.



OCTOBER 2020

## Launch of innovative Wohnrechner project cost calculator

In October, HYPO NOE Landesbank introduced a new online tool for customers to help them estimate the costs of their home construction or home buying project. The programme also generates a free mortgage quote on request. The Wohnrechner tool was launched in partnership with start-up company MeinBau.



Three and a half bank employees working from home: Petra Skala, Alexander Krejcirik, and Christoph Neubauer assisted by Tiger the cat

FROM APRIL 2020

## Healthcare crisis plan

To help keep its employees and customers safe, HYPO NOE Landesbank initiated a raft of measures to guard against Covid-19, while also ensuring that day-to-day banking operations continued uninterrupted. Plexiglass partitions and hand sanitiser stations were installed at the branches, while the scope of online banking services was extended. Employees were encouraged to work from home and meetings were moved online.

MAY/JUNE 2020

## Successful debut green bond

Despite the Covid-19 crisis, HYPO NOE Landesbank went ahead with its refinancing activities as planned: its mortgage-backed covered bond issued in May was six times oversubscribed. This was followed in June by the Bank's first senior preferred green bond. Likewise heavily oversubscribed, Austria's first green bond was

certified in accordance with the UZ 49 standard for sustainable financial products.



“Committed to sustainability”: HYPO NOE Management Board members Wolfgang Viehauser and Udo Birkner with Lower Austria state councillor for finance Ludwig Schleritzko (centre)







**Wolfgang Viehauser and Udo Birkner (pictured here before the pandemic) guided HYPO NOE safely through a turbulent year.**

# Stable and crisis-proof

**STRONG PERFORMANCE.** Management Board Member Markets and Speaker Wolfgang Viehauser and Management Board Member Finance, Risk & Operations Udo Birkner talk about a year like no other, new digital services and the Bank's first green bond.

**Without a doubt, 2020 was an extraordinary year. How did HYPO NOE fare in these unprecedented times?**

WOLFGANG VIEHAUSER: In spite of all the challenges, we had a very successful year in 2020. We got off to a very strong start and in the first few months of the year we exceeded our targets by some distance, especially in terms of new lending. Starting in February, before the first lockdown we put wide-ranging measures in place that were designed to safeguard the health of our employees, customers and all of the Group's partners. Although distancing was the watchword, everyone at the

bank pulled even closer together – figuratively speaking – during the pandemic. For instance, in the space of just a few days, we gave over 80% of our staff access to our systems from their home offices – so the Bank remained fully functional at all times although many of our people were working remotely.

UDO BIRKNER: Even though we're still feeling the consequences of the pandemic, we're also seeing that large sections of our balance sheet have remained untouched or have only been slightly affected by the crisis. That's because around 80%

of total assets is accounted for by low-risk infrastructure, housing development and treasury positions, which have always proven to be highly crisis-resistant. The non-performing-loan (NPL) ratio for these positions was a mere 0.07% at the end of 2020. We do not have any equity or fund exposures on our books, and we've steadily reduced our fair-value positions over the past few years, so we are less exposed to market-related fluctuations.

**Bank branches were classified as critical infrastructure, so they stayed open during the lockdown. How did you go about protecting customers and staff?**

VIEHAUSER: During this unprecedented period, customers could still consult our employees face to face in the branches, but we also reached out to customers proactively by phone and electronically. That was especially important at the start of the pandemic, because of the high level of uncertainty at that time. But the health of our employees and customers was always our top priority. That's why we installed plexiglass screens in all of our

branches as early as March. Our access control policy helped us to ensure that we didn't have too many people in a given branch at any one time. At the same time, we systematically drove forward the digitalisation of our product range and expansion of multi-channel sales. Our performance over the past few years has shown that we're definitely heading in the right direction by implementing this strategy in conjunction with our new branch design concept.

**How happy are you with financial 2020 and what impact did the pandemic have on the results?**

BIRKNER: It's all about rising to the challenge, as they say, and the annual results show that we made an especially good fist of it in 2020. We recorded yet another strong increase in operating profit, by 30.5%. It's particularly satisfying that this was down to improvements on both the earnings and the expenses side. Our core earnings – in other words, net interest income and net fee and commission income – rose by a healthy 8.6%, and we saw a further reduction in the cost base, by 4.7%. All in all, our results have bettered last year's solid performance, even though we recognised additional risk provisions for potential effects of Covid-19. This highlights the stability that our business model delivers, especially in testing times.

VIEHAUSER: New lending amounted to EUR 1.7bn, so we again fulfilled our traditional role as a state bank in 2020, providing people and businesses in the region with the best possible support, in spite of the difficulties we faced. Housing finance accounted for about EUR 800mn of the total, so not only did we pave the way for substantial investment, we also made a significant contribution to regional value creation. In 2020 alone, we helped more than 1,500 people to build new homes of their own. At the same time, we also gave our customers swift and efficient support during the crisis, including in the form of payment deferrals and bridging loans. In spite of all the additional matters we had to deal with, we succeeded in driving forward our Fokus 25 organisational development programme, as the 2020 results show. »





**“The bank remained fully functional at all times even though our people were working remotely,” Management Board Member Markets and Speaker Wolfgang Viehauser confirms.**

**“Although distancing was the order of the day, everyone at the bank pulled even closer together.”**

Wolfgang Viehauser

» **Moving on to Fokus 25 – how are things progressing on that front?**

BIRKNER: The 2020 results show that our strategy is starting to bed in. We’re focused on our core competences in our core markets, and as a result we’re generating higher operating earnings. But our capital base remains strong and we’ve made further improvements to what was already a very solid risk profile – our NPL ratio stood at a record low of 0.78% at 31 December 2020. On the other hand, Fokus 25 also needs to have an impact inside the Group in order to be successful. With this in mind, all managers attended courses on the Bank’s jointly defined values last year, with a view to further strengthening our corporate culture. As far as our employees are concerned, the emphasis is on developing flexible working time models, which will enable us to remain an attractive employer in future. And we’ve posted further successes on the digitalisation front, in sales and banking operations, and in terms of process optimisation and automation.

**Digitalisation is a crucial part of your strategy. What projects were completed in 2020?**

VIEHAUSER: Digitalisation isn’t just a buzzword at HYPO NOE. The new Sales Strategy and Digitalisation unit we set up last year is aimed at further boosting our effectiveness in this area and enhancing our competitiveness over the long term. I’d like to single out two projects we’ve implemented with the goal of further improving the digital customer experience. In October, we launched our [www.wohnrechner.at](http://www.wohnrechner.at) cost calculator for home-builders and buyers – the first of its kind in Austria. We developed the innovative calculator in partnership with start-up MeinBau – it uses builders’ actual prices to help people work out how much their dream home will really cost. Customers can request a non-binding financing offer and access other services, like price analysis for a particular property, free of charge at the press of a button. On top of that, we introduced HYPO NOE Business, an advanced online banking platform that allows corporate customers to manage their business accounts whenever they want, no matter where they are, using a web-based interface. They even have the option of integrating accounts with other banks into the platform.

**HYPO NOE issued its first green bond last year. How did that come about?**

BIRKNER: In our role as a state mortgage bank, we’ve been financing projects that create added value for society since the year dot. That means lending for infrastructure, for example in the health or education sector, as well as non-profit housing development projects that have to meet strict environmental standards and make a significant contribution to promoting affordable living. You could say that social responsibility was a key factor for us before people even started talking about sustainability. So extending our sustainable portfolio structure to include refinancing was a logical step for us. But before that, we worked hard to make sure we obtained solid and resilient sustainability ratings. Last year, leading sustainability rating agency ISS ESG upgraded our rating from C to C+, which showed yet again that our efforts in this area are bearing fruit. And it means we are one of the most sustainable regional banks in the world. New investors focused purely on sustainability

accounted for around 30% of those who subscribed to our first green bond. This shows we’re heading in the right direction – we will continue to put an emphasis on sustainability and integrate it even more closely into our business model.

**Although we’re living in uncertain times, let’s take a look at what the future will bring anyway. How do you see the year ahead shaping up?**

VIEHAUSER: Whatever happens, we expect interest rates to remain at or around zero as a result of Covid-19. As far as the economy is concerned, we anticipate a recovery in 2021 – but the size of the rebound depends primarily on when the approved vaccines are rolled out to the wider population. We’re optimistic as we head into the future, in view of our low-risk business model and solid performance under challenging conditions in 2020.

BIRKNER: We’ve adopted a very prudent approach in recent years, so we can build on solid foundations. Now, in this difficult period, we’re seeing just how important that is. The excellent quality of our assets, above-average capitalisation and the reliability of our sole owner, the State of Lower Austria, guarantees a high level of security and stability, meaning we’re a dependable partner for our customers. ■

**“We can build on solid foundations.”**

Udo Birkner



**Management Board Member Markets Udo Birkner is delighted that HYPO NOE Landesbank has again reported a significant increase in operating profit.**

HYPO NOE Landesbank (pictured: the Group's headquarters in St. Pölten) is built on solid foundations.



# Charting a safe and steady course through stormy waters

## STRONG FOUNDATIONS.

Increased earnings, a strong CET 1 ratio, solid ratings – HYPO NOE Landesbank's low-risk strategy proved its worth more than ever in 2020.

The HYPO NOE Group has put in a solid performance over the past few years, with the Zukunftsfit 2020 efficiency programme ensuring that it is ideally placed to meet the challenges of the future head on. This is further underpinned by a low-risk business model: around 80% of the Group's total assets of EUR 16.4bn is accounted for by financing for public infrastructure and housing development, and a treasury portfolio with a very low NPL ratio of just 0.07%.

All of which has so far paid off during the Covid-19 pandemic: In spite of the challenges facing the entire banking sector, HYPO NOE Landesbank reported yet another year-on-year

rise in operating profit in 2020, of 30.5%.

**Top marks.** In April, respected ratings agency S&P Global confirmed its stable rating for HYPO NOE Landesbank – which was only one of two Austrian banks to achieve this status – in recognition of its low-risk strategy. The Group's solid A rating was also reaffirmed, while its strong focus on sustainability was reflected in ISS ESG's decision to upgrade its rating from C to C+.

## REFINANCING AT HYPO NOE LANDESBANK

- Annual capital market funding needs of about EUR 1bn
- One of Austria's largest covered bond issuers
- Benchmark bond issues – secured and unsecured
- Issuer of green bonds
- Diversified refinancing sources thanks to solid customer deposits

**Confident investors.** The Bank retained unrestricted access to the capital markets throughout the crisis: In the first half, HYPO NOE Landesbank successfully placed two benchmark bonds worth a total of EUR 1bn, including the Group's first-ever green bond. With a high Tier 1 capital (CET 1) ratio of 17.92% and the backing of a reliable sole owner in the shape of the State of Lower Austria, HYPO NOE Landesbank can look ahead to the future with confidence. ■

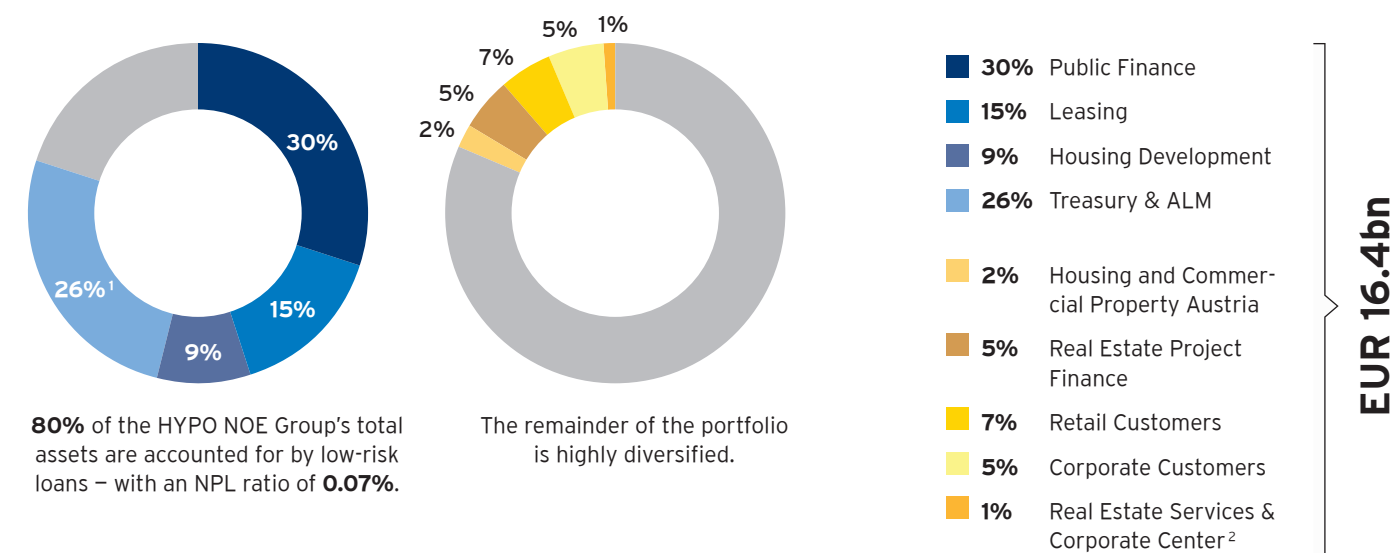
## INFORMATION

Visit our new investor relations website at [ir.hypnoe.at/en/](https://ir.hypnoe.at/en/), where you can also sign up for our investor relations newsletter. If you have any questions, you can reach the Investor Relations team at [investorrelations@hypnoe.at](mailto:investorrelations@hypnoe.at).

## Stable footing

80% of total assets have an NPL ratio of just 0.07%

### HYPO NOE Group – assets by department at 31 December 2020



<sup>1</sup>Temporary increase due to participation in the ECB's TLTRO III programme in June 2020.

<sup>2</sup>Business activities that do not fall under other segments and consolidation effects from intra-Group transactions, where these cannot be recognised in other segments.

## Fokus 25: continuously improving together

Launched at the end of 2018, the HYPO NOE Group's Fokus 25 organisational development programme is designed to enhance customer service quality and internal processes, drive forward digital innovation and foster a corporate culture shaped by mutual respect by 2025. The Bank's vision, mission and values, as well as its strategy and management principles were fine-tuned in a process involving a range of stakeholders. ■

### THREE QUESTIONS FOR... Matthias Charwat, Head of HR, HYPO NOE Landesbank

#### Mr Charwat, how closely were employees involved in Fokus 25?

Very. Their contributions were pored over in the focus groups and larger teams, with each employee given the opportunity to have their say in an online vote. In autumn 2020 we conducted an employee survey. We felt that was important as we wanted to gauge the overall mood and responses to the process and the outcomes. We will conduct the survey every two years from now on.

#### What specific steps did it give rise to?

Employees can now opt for a four-day working week: two days instead of one day a week working from home and the opportunity to reduce their working hours. In autumn 2020 we initiated 360° feedback. This online tool is designed as a way for senior management, heads of department and team leaders to gather feedback on their leadership style from their employees. The findings will serve to strengthen our management principles and competences under the Fokus 25 programme.

### How is Fokus 25 changing the corporate culture?

In addition to promoting mutual respect and encouraging people to work as equals, it is about participation: the times of one person dictating the path and everyone just following along are over. Management is more complex as a result, and decisions are – and should be – up for discussion. Employees are encouraged to play a more proactive role. This is not always easy for those involved, but it is very much part of working together to achieve a shared goal: everyone pulling together in the same direction and feeling like they are part of the Group.

Matthias Charwat, Head of HR, HYPO NOE Landesbank





# Adding value with start-ups

**INNOVATIVE ONLINE TOOLS.** Digitalisation is delivering lots of useful innovations – for customers and the Bank's employees alike. Matthias Förster, Head of Sales Strategy, and Klaus Tauber, Head of Operations, talk about current opportunities and future plans.

## What was the greatest digitalisation milestone that HYPO NOE Landesbank achieved in 2020?

MATTHIAS FÖRSTER: Without doubt it is the new Wohnrechner housing project cost calculator, which we launched in October. Our advisers are always being asked: "What will my dream home really cost me?" and "How am I going to be able to afford it?" – and these are exactly the kinds of questions that it answers.

KLAUS TAUBER: In terms of day-to-day operations, digitalisation of paper-based workflows in the HR Department represents a major step forward. We developed the software we use for staff appraisals ourselves – the solutions available on the market were either too expensive or didn't offer what we really needed. Until now, people had to keep a record of continuous training activities on various Excel and Word forms. But now all of these measures are stored in a database, which enhances planning efficiency.

Klaus Tauber (left) and Matthias Förster are focused on developing smart products and simplifying processes.



## What digital products and processes are in the pipeline?

FÖRSTER: At the moment, we're working very hard on enhancing the Wohnrechner. The next batch of functions are being developed in consultation with customers. At the same time, we're working on all-digital property loans. In future, we want every step of the process to be available digitally, from the initial offer to signing the contract. And not just for retail customers, but for corporate customers and the public sector, too. Our customers can then decide whether they would prefer to go to a branch, or take the digital option instead.

TAUBER: In addition to "real" digitalisation projects, we are also channelling internal resources into automated robotics processes. Even though this technology has a finite useful life, in many cases it means certain processes do not have to be handled manually. In future we will be reconfiguring numerous processes – from managing service orders from our 24/7 banking app to data quality assurance.

"With HYPO NOE, we were able to bring a bank with a great deal of housing-finance expertise on board. This allowed us to implement a really innovative solution quickly and easily – one that covered everything from calculating construction or project costs, to generating non-binding financing quotes at the press of a button."

Werner Seidel, founder of start-up MeinBau, on developing the new Wohnrechner housing project cost calculator

## What role do start-ups play in the development of new online tools?

FÖRSTER: A very big one. As far as our core housing loans product is concerned, we are developing our own digital solutions from scratch, but with other products, such as mobile banking apps, we are working closely with leading software providers. We teamed up with start-up MeinBau for our Wohnrechner project, which helped us gain completely new insights while also ensuring that we brought the product to market quickly. Both sides benefited from the process. We're also planning collaborations like this with start-ups in the future: they help us to add tangible value for our customers in a short space of time.

## What are the challenges and opportunities brought about by digitalisation?

FÖRSTER: In our industry, digitalisation has led to the emergence of many new competitors in the shape of numerous online banks, fintech firms and software providers. As the state bank for Lower Austria we are countering this trend by focusing our expertise on core areas of our business, where we are opening up new sales channels and creating efficient, user-friendly tools.

TAUBER: In our banking operations, we have a very clear goal: automation through end-to-end digital processes. This enables us to save money while delivering a more efficient service for customers. The challenge here is that digitalisation isn't some kind of greenfield scenario; it has to take established processes and systems into account. Digital processes should not be an exact replica of their analogue counterparts, nor should they run in parallel. Pinpointing the right time to make the changeover isn't always easy.

## What direction is the digital journey heading in?

FÖRSTER: Customers' needs and preferences will go on to define our offerings more than ever. And on top of that, the goal is to open up digital access to our core products in all lines of business, while ensuring that we continue to support our customers by giving them the full benefit of our comprehensive expertise.

TAUBER: Employees are the key to digitalisation. They are the experts who know the processes inside out and can identify any potential for automation. So, with this in mind, we would like to continue helping them to extend their digital expertise. ■

## HOW MUCH WILL MY DREAM HOME REALLY COST?

HYPO NOE Landesbank's Wohnrechner ([www.wohnrechner.at](http://www.wohnrechner.at)), housing project cost calculator is a first on the Austrian market. It gives prospective homeowners or homebuilders a detailed overview of all the costs associated with their renovation or new-build project, including information on monthly payments. It's as easy as 1-2-3. The Wohnrechner tool is only available in German, as HYPO NOE Landesbank does not service any retail customers outside Austria.

1.

First, enter the key data for your project: does it involve a house or an apartment? What is the purchase price? How big is your deposit?

2.

Next, the online tool asks for further details:

What is your monthly income? How important are things like good food, nice clothes and great holidays for you?

3.

After crunching the numbers it provides a tailored mortgage quote including monthly repayments. On request, a HYPO NOE Landesbank home loan expert can offer you support and advice for the next step of the journey.



# Sustainable business practices

**RESPONSIBLE.** Strong ethics guidelines for loan approvals, safeguarding employee health and wellbeing, reducing CO<sub>2</sub> emissions: HYPO NOE Landesbank adds social and environmental value through a diverse blend of measures.

HYPO NOE Landesbank is one of the most sustainable regional banks in the world – as confirmed by none less than respected sustainability ratings agency ISS ESG. For years now, the bank for Lower Austria has been awarded top ratings by leading agencies. This comes in recognition of the comprehensive measures that the Group has implemented over the years in order to meet its responsibilities towards society, the environment, its investors and employees.

## Focus on non-profit housing.

Approvals of loans and investments are subject to clear ethics guidelines and business principles. HYPO NOE Landesbank supports the areas that in its view deliver the greatest benefits to society, such as social and environmentally-friendly housing and cultural projects. This policy specifically excludes finance for nuclear or coal-fired power plants, the arms and tobacco industries and sectors that harm the environment. The Group exercises particular caution when it comes to its involvement in socially and environmentally sensitive sectors such as energy, mining, forestry and agriculture.

**Responsible employer.** HYPO NOE Landesbank's employees represent the capital gained from its successful business operations. The Group supports its people with numerous continuing training and development measures and healthcare initiatives. Employees are invited to participate in sport and fitness programmes, and take advantage of a free, anonymous personal coaching scheme.

**Shrinking CO<sub>2</sub> footprint.** To promote the continuous reduction of its carbon footprint, the Bank has committed to achieving a number of binding

goals by 2025 under its Group-wide environmental and climate strategy. The aim is to halve the Group's CO<sub>2</sub> emissions by then. This will be achieved by gradually reducing the size of the vehicle fleet, cutting paper consumption and pursuing comprehensive energy and waste management policies. An interdepartmental working group will evaluate prospective environmental measures on an ongoing basis, as well as canvassing employees for their green ideas. ■

Visit [www.hypnoe.at/sustainability](http://www.hypnoe.at/sustainability) for further information.

## TOP RATINGS FOR SUSTAINABILITY

In the first quarter of 2020, ISS ESG (formerly oekom research) upgraded the Group's sustainability rating from C to C+ and again confirmed its Prime status. As a result, HYPO NOE Landesbank is currently ranked number one in Austria and number four worldwide in ISS ESG's listing of 279 public and regional banks.\* Sustainability agency imug has awarded HYPO NOE Landesbank a positive BB sustainability rating. HYPO NOE Landesbank's rfu qualified status once again confirms the Group's adherence to a raft of sustainability criteria.



\*Peer group: financial service providers/public and regional banks; source: ISS ESG (as of 16 March 2020)



High-powered banking: HYPO NOE's St. Pölten headquarters is also a mini solar-power plant.

Claudia Mikes,  
Head of Investor  
Relations/  
Sustainability



## COMMENT

### The challenges of climate change: managing risks, taking opportunities

Climate change not only presents a danger for people and planet, it also poses significant risks for the financial sector. In addition to physical sustainability risks such as hail, flooding and drought, banks primarily need to address transitory risks in their loan portfolios – the risks associated with the changeover to a low-carbon economy.

Disruptive innovations can lead to a loss of competitiveness, while new laws and taxes can call into question the viability of established business models. The probability of default owing to stranded assets, which businesses may find themselves burdened with as changes in technology and society pass them by, could increase.

**Green paradigm shift.** Climate change has triggered a fundamental shift towards sustainable business practices – this is reflected in the behaviour of consumers and investors alike. Major institutional investors have started setting decarbonisation targets for their portfolios, and demand for green bonds is increasing exponentially.

**Green finance as an opportunity.** HYPO NOE has always operated in accordance with strict social and environmental guidelines, and as a result, climate risk is correspondingly low for the majority of the loan portfolio. Climate change brings threats, but climate protection is a source of opportunities. The former need to be fully understood and carefully managed, while the latter can be exploited for the benefit of the planet. And HYPO NOE's decision to issue green bonds is a case in point.

## THE THREE PILLARS OF SUSTAINABILITY





# A boost for green living

**GREEN BUILDING.** HYPO NOE Landesbank financed a non-profit housing facility built to environmentally friendly passive-house standards in Pfaffstätten.

Elderly residents and young families live side by side at the Generationenhaus development in Pfaffstätten.



The market town of Pfaffstätten is located on the southeastern fringe of the Vienna Woods, in the district of Baden. Wohnungseigentümer Gemeinnützige Wohnbaugesellschaft m.b.H. (WET) was behind the construction of a 34-apartment block on

Josef-Glanner-Gasse. It is home to residents from multiple generations: 19 units are designed for assisted living for elderly people, and ten are intended as affordable starter homes for young people; the remaining five units provide living space for families. In addition to benefiting from affordable rents, all residents have their own balcony or garden, too.

## GREEN BUILDINGS

- make a valuable contribution to creating sustainable living space
- are among the top 15% of the most carbon-efficient buildings in Austria
- achieve excellent energy certification standards
- meet the strict requirements for Lower Austrian housing subsidies

**Eco-friendly.** The modern property meets passive-house standards, fulfilling the strict social and environmental requirements set out in the Austrian Wohnungsgemeinnützigkeitsgesetz (Non-profit Housing Act). This means that the building is particularly energy-efficient, environmentally friendly and also comfortable – the climate-friendly controlled ventilation system creates pleasant living conditions.

Finance for green buildings like this is part of HYPO NOE Landesbank's financing and sustainability strategy. And the Bank has been awarded klimaaktiv Partner status by the Austrian Federal Ministry for Sustainability and Tourism for its commitment to protecting the environment.

**Trusted partners – low risk.** HYPO NOE Landesbank extended subsidised loans and bank loans amounting to around EUR 4.8m for the Pfaffstätten project. Housing subsidies made up EUR 3.3m of the total. "Not-for-profit housing associations like WET are usually long-established companies with very good

credit ratings," says Philipp Weber, HYPO NOE Landesbank's project manager. The Bank has long-term partnerships with many such associations. HYPO NOE Landesbank benefits from long loan maturities, usually of 35 years, and the dependability of its customers – perfectly aligned with its low-risk business model.

In relationship manager Philipp Weber's view, non-profit housing projects are something special for a different reason: "It's great to be a part of the entire process, from the tender to the provision of financing, and to see for myself how every single cent reaches the people it's meant for. The handover of the apartments is always a special day for the new residents. What's more, in Pfaffstätten we have elderly people and young families virtually living next door to one another, which fosters a sense of togetherness. Here, we're creating something important, something sustainable." ■



## Q&A WITH Christian Rädler, WET Management Board spokesman

**Why did you choose HYPO NOE Landesbank as your financing partner for the Pfaffstätten project?**  
"HYPO NOE won the tender for the project financing. We see the Bank as a reliable, equitable partner. It appreciates the value of non-profit housing, and can build on stable and progressive foundations thanks to its close ties with the State of Lower Austria. For the WET Group, it's very important to have steady and dependable business partners who prioritise a regional focus, sustainability and a customer-driven approach."

Comfortable and affordable living in Pfaffstätten.



"High social and environmental standards are among the reasons why non-profit housing is such a mainstay for HYPO NOE Landesbank."

Michael Swoboda, Head of Housing Development



# “It’s not every day that you finance an elite university”

**LEASING PARTNER.** Two new office and laboratory buildings are due to open at the Institute of Science and Technology Austria (IST Austria) in Klosterneuburg by 2023. HYPO NOE Leasing is providing the State of Lower Austria with financing for the project.



Thanks to IST Austria, the small town of Maria Gugging near Klosterneuburg has quietly built a reputation as a leading international scientific centre. The institute carries out basic research in physics, mathematics, computer science and life sciences, as well as training the next generation of elite scientists. It is one of only a handful of research institutes worldwide that can award PhDs, and scientific papers published by IST staff regularly win international awards.

**Expansion plans.** 54 international research teams are currently based at the site, and the aim is to increase the number to 90 by 2026. This is why the campus is gradually being expanded. Two new office and laboratory buildings are due to open, one in June 2021 and the other in February 2023. The construction costs are around EUR 134m. The State of Lower Austria has concluded a 28-year lease agreement (a duration of 25 years plus the three-year construction phase) with HYPO NOE Leasing GmbH for both buildings.

## IST AUSTRIA: FACTS AND FIGURES

- Campus opened in 2009
- **54 research teams** specialising in mathematics and computer science, physics, chemistry, neuroscience and biology
- **787 employees**, including 54 professors and 222 students (2020)
- **Researchers from over 70 countries**, English as the working language
- **More than 2,300 scientific publications to date**
- **Ranked third in the 2019 Nature Index**, the global research ranking published by science journal Nature



Hans-Peter Krammer is hoping to conclude further agreements with IST Austria.

“Financing like this is put out to tender in accordance with the Austrian Bundesvergabe-gesetz (Federal Public Procurement Act) Structuring the financing is no mean feat, because in contrast to standard loans, we have to take a range of complex economic, tax-related and legal factors into consideration,” says Hans-Peter Krammer, who is managing the project on behalf of HYPO NOE Leasing. “Offering fixed financing conditions over such a long period is also difficult. Then there are various public bodies such as the construction advisory board or contracting committee which need to be involved in project execution.”

For the two laboratory facilities, the HYPO NOE subsidiary also commissioned the various tradesmen and construction engineers – from architects to tilers – and handled all of the payment transactions. Krammer hopes that HYPO NOE Leasing will play a part in further extensions of the IST Austria campus: “It’s not every day that you finance an elite university”. ■

## LEXICON

### What is “Maastricht-neutral” financing?

As the market leader in public infrastructure finance, the HYPO NOE Group and its subsidiary HYPO NOE Leasing act as partners to the federal and state governments, as well as over 400 local authorities. In 1992, the EU member states signed a treaty on financial management practice in the Dutch city of Maastricht. Since then, the Maastricht criteria have played an important role in public finance. Under the treaty, only EU countries whose public finances meet the strict Maastricht criteria – including, for example, a deficit target of 3% of GDP – are permitted to participate in monetary union.

For this reason, HYPO NOE Landesbank and its subsidiary HYPO NOE Leasing offer public-sector entities various forms of “Maastricht-neutral” financing for the construction and operation of social infrastructure. In effect, only the lease payments made during the term of the agreement are reported in the public budget. In addition, the federal and state governments and local authorities benefit from the transfer of risk to a private partner. HYPO NOE Leasing transfers the risks it faces from construction and operation to reliable expert partners from the construction and facility management industries.

**Public-private partnership (PPP):** Under these contractually agreed, long-term partnerships between the public sector and private-sector companies, the latter provide the necessary resources such as capital and equipment. For instance, HYPO NOE Leasing has assumed overall responsibility for the construction, financing and operation of the school campuses currently under construction in the Seestadt and Aspern areas of Vienna.

**Property leasing:** This is a common form of leasing where the lessor finances construction and receives regular lease payments from the lessee. Pyhra local council chose this solution for the construction of a kindergarten and primary school, which was overseen by HYPO NOE Leasing.

**Equipment leasing:** Technical medical devices are often leased under this kind of arrangement. For instance, the Lower Austrian health agency NÖ Landesgesundheitsagentur (previously known as NÖ Landeskliniken Holding) leases x-ray machines, MRI scanners and operating theatre equipment for its hospitals from HYPO NOE Leasing. ■

One of the office buildings currently taking shape.





# Export finance for a master butcher

**ALL-ROUND SUBSIDIES EXPERTISE.** For long-established Viennese company Radatz, subsidised export financing turned out to be an ideal solution.



## Q&A WITH Managing Director Franz Radatz

**Mr Radatz, why did you choose HYPO NOE as your banking partner?**  
“As a family business, we believe it’s very important to have a long-standing relationship with a single bank. We aren’t trying to make a quick profit, we’re aiming for solid, healthy growth. That’s why we need a partner we can count on, especially when the going gets tough, and who we can work with openly and frankly to devise solutions that do the job, whatever the circumstances.”

Meat products manufacturer Radatz is a true family business: Franz Radatz Sr. opened his first branch with four employees in Vienna’s fourth district in 1962. 36 years later, with Franz Jr. at the helm, the company extended its portfolio to include other Austrian classics like Leberkäse meat loaf with the acquisition of Stastnik. Today, the company employs 890 people and its range includes more than 700 products. Radatz has 34 branches: 22 butcher’s shops and 12 wholesale meat stores in Vienna and the surrounding area.

**Good advice.** HYPO NOE Landesbank acquired Radatz as a new customer in 2020. “This shows that big companies are also more than happy to put their faith in us,” comments Head of Corporate Customers Markus Pieringer proudly. The meat products manufacturer did not expect the EUR 2m loan to take the form of lower-cost export finance, including support from the Austrian federal government. Many Radatz and Stastnik products are available in

REWE Group (Merkur, Billa and Penny) and Lidl Austria stores. These international chains also sell the products in their outlets in other European countries, such as Germany, Slovakia, Croatia and the Czech Republic. At present, Radatz exports 9.1% of its products.

“For this reason, opening up a credit facility for large exporters with Oesterreichische Kontrollbank was an ideal option,” explains Manfred Seyringer, the HYPO NOE subsidies expert who advised Radatz. The credit facility is aimed specifically at Austrian enterprises with more than 250 employees or annual revenue of over EUR 50m. More specifically in this particular case, financial institutions like HYPO NOE Landesbank can raise funds from Oesterreichischen Kontrollbank (OeKB) at reasonable rates and use it to extend loans to their customers on very favourable terms. The Austrian federal government aims to promote exports, so when a company takes out a credit facility with OeKB, the government



Radatz has been selling meat and sausage products to customers in and around Vienna since 1962.

assumes up to 80% of the associated credit risk from the company’s bank by means of a bill guarantee.

**New focus.** “Since 2020, export financing like this has been one of the new focuses of the Large Corporates unit,” says Markus Pieringer. In addition, the subsidies specialists at HYPO NOE Landesbank have the inside track on a wide range of other options, including those offered by Austria Wirtschaftsservice (aws). The Bank currently has around 4,600 corporate customers on its books, ranging from one-person enterprises to international groups. Around 200 business customers are classified as large and industrial corporates. ■

## Business banking on the go

After a year-long trial period, HYPO NOE Landesbank officially unveiled its new digital business banking platform at the start of 2020. The platform allows employees of businesses of all sizes to manage company accounts online no matter where they are. “As part of our digitalisation strategy, we wanted to give corporate customers a modern, user-friendly tool that they can use to securely transfer large volumes of encrypted data,” explains Markus Pieringer, Head of the Corporate Customers Division. The system uses the international Electronic Banking Internet Communication Standard (EBICS) – a communications and security standard for data transfer, including for payment transactions – making it an ideal option for corporate customers who have accounts with several different banks. ■

## THREE QUESTIONS FOR... Michael Lackenberger, Managing Director of Schuldnerberatung Niederösterreich gemeinnützige GmbH

**What does your company do?**  
We have 40 employees and we are the only government-approved debt counselling service in Lower Austria. We give free advice to people who are in debt and we also represent them in court during private bankruptcy proceedings.

**How do you benefit from HYPO NOE Business?**  
You can adapt the start page to your needs, and you can see all of the important details at a glance, including all account transactions. Creating new transfer templates, setting up standard orders and clearing transactions using a PIN are easy and self-explanatory.

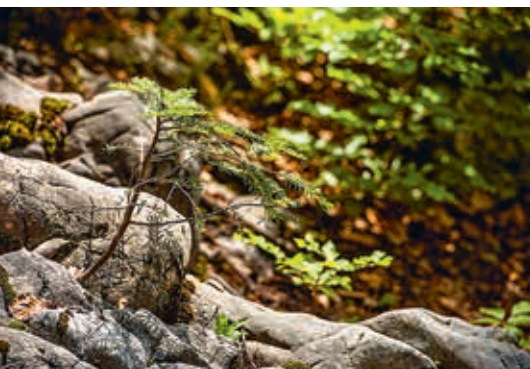
**What else was important to you?**  
The most important factor for us was that we could import payment recipients’ account details into the system relatively easily. And that saved us the trouble of having to re-input data.





# A strong partner for sport, the environment, the arts and social initiatives

**STRONG COMMITMENT.** HYPO NOE Landesbank lives up to its social responsibilities through a wide range of activities. We look at two examples.



## DÜRRENSTEIN Preserving a natural treasure

It is the last great expanse of primeval forest left in the Alps: with its centuries-old beech, spruce and pine trees, the Dürrenstein nature reserve in southwest Lower Austria is home to 45 species of mammal and 70 types of bird. Lynx roam the forest, golden eagles nest there, and reintroduced Ural owls hunt for prey among the trees. Humans are a rare sight in the reserve – access is restricted to guided tours on marked paths. Research is also strictly regulated to ensure that the area’s unique natural beauty is preserved for generations to come. Since 2019 HYPO NOE Landesbank has been helping to protect the reserve, parts of which are natural World Heritage sites.



“Long-term partnerships that have a lasting impact are very important to us.”

Petra Skala, Head of Marketing & Sponsorship

## BEACH VOLLEYBALL

### Three more top teams on board

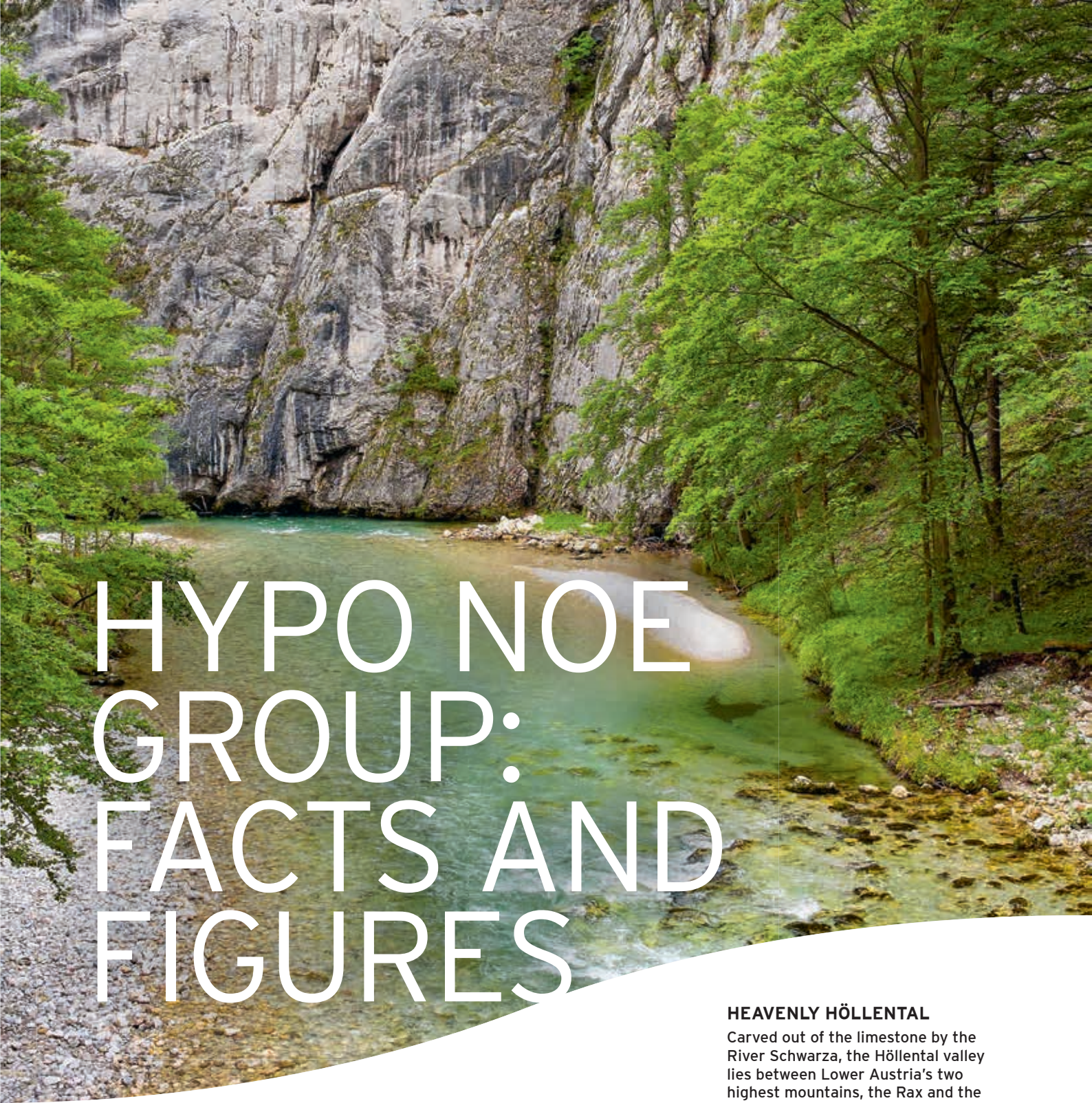
HYPO NOE Landesbank teamed up with title-winning duo Clemens Doppler and Alex Horst back in 2017. And now the Bank has extended its support to three more leading teams from the Austrian squad. Katharina Schützenhöfer and Lena Plesiutchnig, Robin Seidl and Philipp Waller, and Martin Ermacora and Moritz Pristauz are all now members of the HYPO NOE sporting family.

The four teams had to put their training on hold due to the coronavirus pandemic. While keeping fit at home, the athletes shared tips for home workouts with fans of the HYPO NOE Landesbank Facebook page. Robin Seidl and Philipp Waller took gold at the FIVB World Tour Baden Open in August 2020. Meanwhile, Doppler and Horst were crowned national champions.

“When a sponsor doesn’t cut its budget in difficult times, it underlines the quality of the partnership.”

Gernot Leitner, President of the Austrian Volleyball Association

Great teamwork: Association President Gernot Leitner and HYPO NOE Management Board member Wolfgang Viehauser with the top volleyballers sponsored by the Bank.



## HEAVENLY HÖLLENTAL

Carved out of the limestone by the River Schwarza, the Höllental valley lies between Lower Austria’s two highest mountains, the Rax and the Schneeberg. The rapids have given any number of canoeists a run for their money, but the name (‘Hölle’ is German for ‘hell’) is actually derived from the valley’s limestone caves (German: ‘Höhlen’). Numerous springs, some of which supply drinking water to Vienna, are dotted throughout the valley. Running along the route of the mountain spring water transmission line built under Emperor Franz Joseph, the Wasserleitungsweg hiking trail runs through meadows and pine forests. More adventurous types can put their agility to the test on one of the numerous fixed-rope climbing routes.



# Consolidated statement of comprehensive income

(excerpt)

## INCREASED OPERATIONAL PROFITABILITY.

In spite of the challenging conditions it faced in 2020, the HYPO NOE Group reported higher net profit due to increased core earnings and a further drop in administrative expenses. This strong operating performance more than made up for the higher cost of risk associated with the Covid-19 pandemic.

### Net fee and commission income

Although fewer people made use of face-to-face advisory services due to Covid-19, net fee and commission income went up by 2% to EUR 17.4m. The ongoing digitalisation of the product range and the expansion of multi-channel sales also supported this trend.

### Net measurement gains

In the face of highly volatile markets, net measurement gains remained positive by some distance, at EUR 3.9m (2019: EUR 5m), which reflected the steady decrease in the proportion of assets measured at fair value over recent years.

### Profit before tax

Even though if faced a difficult operating environment, the HYPO NOE Group successfully continued the systematic implementation of its Group-wide Fokus 25 strategy in 2020. Pre-tax profit rose by 9.2% year on year, to EUR 41.2m (2019: EUR 37.7m). Increased operating income in the customer business and lower administrative expenses resulted in a significant upturn in operating profit, which outweighed the rise in risk provisions.

Profit or loss (EUR '000)	2020	2019
<b>Net interest income</b>	<b>129,153</b>	<b>117,910</b>
<b>Net fee and commission income</b>	<b>17,369</b>	<b>17,022</b>
Net measurement gains	3,903	5,049
Net gains on derecognition of financial assets	23	79
<b>Net gains on financial assets and liabilities</b>	<b>3,926</b>	<b>5,128</b>
<b>Net other operating income</b>	<b>11,752</b>	<b>14,420</b>
<b>Administrative expenses</b>	<b>-104,844</b>	<b>-110,067</b>
<b>Impairment losses on financial assets – IFRS 9 ECL</b>	<b>-20,438</b>	<b>-9,514</b>
<b>Net gains on investments accounted for using the equity method</b>	<b>4,237</b>	<b>2,793</b>
<b>Profit before tax</b>	<b>41,156</b>	<b>37,692</b>
Income tax expense	-9,281	-7,291
<b>Profit for the year</b>	<b>31,876</b>	<b>30,401</b>
Non-controlling interests	-163	-371
<b>Profit attributable to owners of the parent</b>	<b>31,713</b>	<b>30,030</b>

### Net interest income

Although interest rates remained low, net interest income improved by a healthy 9.5% to EUR 129.2m, and the net interest margin rose once again. Despite the pandemic, new lending volumes and margins were both on budget. Effective structuring of the Group's refinancing activities also played a part in this performance.

### Net other operating income

As expected, restructuring of the real estate services business led to a fall in net other operating income, from EUR 14.14m in 2019 to EUR 11.8m. However, this was more than offset by increased income from the banking and leasing businesses, in line with the Group's strategy.

### Administrative expenses

The ongoing drive to boost efficiency resulted in a further decrease in administrative expenses, by 4.7% compared with 2019. In turn, the cost/income ratio (CIR)<sup>1</sup> improved to 53.29%, down from 59.51% last year. Restructuring and process optimisation have brought about a steady decline in administrative expenses by a total of 18.7% since 2016.

### Impairment losses on financial assets – IFRS 9 ECL

The expected credit loss (ECL) models took into account the Oesterreichische Nationalbank (OeNB) forecasts, which predict a decline of 7.1% in Austrian GDP in 2020 due to the Covid-19 pandemic. This prompted an increase in risk provisions in the performing loan portfolio, which totalled EUR 52.8m at year-end (31 Dec. 2019: EUR 33.7m).

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



# HYPO NOE Group statement of financial position

## FIRMLY ANCHORED IN THE REAL ECONOMY.

The HYPO NOE Group's operations are closely integrated into the real economy – loans and advances to customers account for over 70% of total assets.

### Financial liabilities – AC

This item includes deposits as well as debts evidenced by certificates. It highlights the balanced refinancing structure that the Group has built up over the past few years. Covered bonds and other bonds account for EUR 7.4bn of the total of EUR 14.3bn. In a year shaped by Covid-19, customer deposits (excl. TLTRO III) climbed by 6.6% to EUR 5bn.

### Total assets

Due mainly to the Group's participation in the European Central Bank's TLTRO III programme, total assets temporarily rose to EUR 16.4bn, compared to EUR 14.6bn at the end of 2019. This resulted in a sharp increase in cash and balances at central banks, which reached EUR 1.5bn.

Assets (EUR '000)	31 Dec. 2020	31 Dec. 2019
Cash and balances at central banks	1,463,942	235,481
Financial assets – HFT	417,189	438,035
Financial assets – mandatorily FVTPL	171,312	224,413
Financial assets – FVOCI	514,991	620,063
Financial assetsAC	13,230,957	12,417,093
Positive fair value of hedges (hedge accounting)	445,780	436,278
Investments accounted for using the equity method	31,074	27,510
Investment property	36,693	38,235
Intangible assets	241	463
Property, plant and equipment	65,475	68,201
Current tax assets	21,163	26,319
Deferred tax assets	408	1,162
Other assets	17,390	38,509
<b>Total assets</b>	<b>16,416,615</b>	<b>14,571,762</b>

Equity and liabilities (EUR '000)	31 Dec. 2020	31 Dec. 2019
Financial liabilities – HFT	388,764	406,606
Financial liabilities – FVO	5,309	4,432
Financial liabilities – AC	14,274,540	12,522,091
Negative fair value of hedges (hedge accounting)	829,132	767,441
Provisions	69,367	68,270
Current tax liabilities	10,052	6,034
Deferred tax liabilities	22,853	26,238
Other liabilities	106,237	85,695
Subordinated capital	0	1,453
Equity	710,362	683,502
Equity attributable to owners of the parent	701,382	675,087
Non-controlling interests	8,980	8,415
<b>Total liabilities</b>	<b>16,416,615</b>	<b>14,571,762</b>

### Financial assets – AC

Loans amounting to EUR 12bn account for the majority of the total reported under this item. Financial assets – AC increased by 6.6% year on year in the reporting period, to EUR 13.2bn. This reflects the growth in new lending in 2020.

### Equity

Although new lending totalled EUR 1.7bn, the Common Equity Tier 1 (CET1) ratio remained at the target level, and stood at a healthy 17.92% at the end of the period under review (31 Dec. 2019: 19.19%). Group equity advanced once more, rising by 3.9% year on year to EUR 710.4m, as the Bank again retained most of the earnings generated.



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The cover shows a view of the Danube with Vienna in the background.

**Important information:** The greatest possible care has been taken in preparing this magazine supplement. 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 supplement are based on current estimates and information available at the time it was compiled. 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 supplement is definitive. The English version is a translation of the German supplement. Formulations referring to people are intended to be gender-neutral. This supplement should be read in conjunction with the 2020 annual report.



A DEPENDABLE  
**COMMERCIAL BANK.**

A STABLE  
**STATE BANK.**

A SPECIALIST  
**MORTGAGE BANK.**

HYPO NOE Landesbank is the largest and oldest-established Austrian state mortgage bank<sup>1</sup>, and has been a dependable commercial bank, stable state bank and specialist mortgage lender for over 130 years. Using its strong position in Lower Austria and Vienna as a springboard, the Bank operates primarily in Austria and Germany, as well as in selected markets elsewhere in the European Union.

<sup>1</sup> In terms of total assets  
(2019 consolidated financial statements)  
and foundation dates

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