

IR newsletter, 21 August 2018

### **HYPO NOE Group: Net profit of EUR 20mn in the first half of 2018**

- Profit (attributable to owners of the parent) of EUR 20.0mn more than doubled compared to the same period of the previous year (H1 2017: EUR 8.6mn)
- Cost efficiency further improved – Administrative expenses by EUR 3.5mn or 5.2% down on the previous year
- CET1 ratio at a robust 19.0%, despite first-time application of IFRS 9 (31.12.2017: 19.9%)
- Customer deposits almost doubled since 2013 by 95.9% to EUR 4.2bn

### **High earnings in the first half of 2018**

HYPO NOE Landesbank für Niederösterreich und Wien AG Group (HYPO NOE Group) reports a profit before tax of EUR 25.8mn (H1 2017: EUR 11.2mn) respectively a profit attributable to owners of the parent of EUR 20.0mn (H1 2017: EUR 8.6mn). Earnings in the first six months of 2018 were negatively impacted by non-accrualable, one-off regulatory expenses totalling EUR 13.5mn<sup>1</sup>. Deconsolidation income of EUR 8.3mn from the sale of a real estate company in Vienna as a result of a change in the site concept of the Bank weighed positively on half-year accounts.

### **Solid core earnings and consistent efficiency gains**

In a persistently challenging interest rate environment, HYPO NOE Group was able to generate solid operating core earnings. Net interest income stabilised at EUR 56.0mn, almost at the prior-year level (H1 2017: EUR 56.2mn). Net fee and commission income increased by 3.4% to EUR 7.7mn compared to the first half of 2017. The Group-wide efficiency enhancement program “Fit for Future 2020”, currently being implemented, is also reflected positively in the semi-annual report 2018. Administrative expenses again declined significantly by EUR 3.5mn or 5.2%. Synergy effects from the merger completed in 2017, a continued active cost management and the Group’s ongoing digitalisation activities sustainably support this development.

### **Low-risk profile as the “DNA” of the business model**

HYPO NOE Group has remained faithful to its low-risk business model since 1888. This is reflected by the high quality of the loan portfolio with a very low non-performing loan ratio (NPL) of only 1.8% as at 30.06.2018. A consistent intensive care management once more formed the basis for high net gains on credit provisions hold to collect of EUR 8.5mn in the first half of 2018. With new businesses up nearly EUR 600mn in the first six months of 2018, risk-weighted assets (credit risk) increased only slightly to EUR 2.8bn as at 30.06.2018. In relation to the Groups’ total assets, the RWA represent a very low value compared to other Austrian banks.

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<sup>1</sup> Statutory financial contribution, one-off amount: EUR 6.1mn (incl. current levy: EUR 7.4mn), contributions to the deposit insurance and resolution funds: EUR 7.4mn

### **Excellent reputation as the basis for successful refinancing activities**

With the successful issue of a EUR 500m senior unsecured benchmark bond in April 2018, HYPO NOE Landesbank again lived up to its good reputation as an issuer on the international capital markets. The already solid national and international investor base could once more be broadened noticeably. Furthermore, the development of deposits underlines the continued high level of customer confidence in HYPO NOE Landesbank: Since 2013, customer deposits have almost doubled by 95.9% to EUR 4.2bn, and are to be kept stable at a high level to ensure a well-diversified funding-mix.

### **One of the highest capital ratios in the Austrian banking sector**

Despite the first-time application of the new classification and measurement approach for financial assets in accordance with IFRS 9, HYPO NOE Group still reports a robust CET1 ratio of 19.0% as at 30.06.2018 (31.12.2017: 19.9%). Due to the outstanding capital position and consistent capital generation over recent years, the rating agency Standard & Poor's raised the outlook of the solid 'A/A-1' ratings to "positive" as early as May 2018. The declared aim is to maintain a high level of capitalisation in order to selectively pursue growth opportunities and meet all future regulatory requirements on time.

### **Outlook for the second half of 2018**

The HYPO NOE Group systemically continues its initiatives implemented to further optimise cost efficiency and balance sheet structure over the coming reporting periods, in particular the further increase in granularity of the public-sector portfolio. The focus is clearly on the strategic directions of profitability, capitalisation and asset quality. With its firmly established strategy, based on customer proximity, regionality and sustainability, and its stable and reliable ownership structure, with the State of Lower Austria as 100% owner, HYPO NOE Group is optimistically heading to the second half of 2018.

Kind regards

The Investor Relations team

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