

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns first-time A2 deposit, senior unsecured, and issuer ratings to HYPO NOE Landesbank fuer Niederoesterreich und Wien AG; outlooks stable

02 Mar 2026

Frankfurt am Main, March 02, 2026 -- Moody's Ratings (Moody's) has today assigned A2/P-1 long-term/short-term bank deposit ratings and A2 senior unsecured and long-term issuer ratings to HYPO NOE Landesbank fuer Niederoesterreich und Wien AG (HYPO NOE). The outlooks on the long-term bank deposit, senior unsecured and long-term issuer ratings are stable. Concurrently, we assigned an A1/P-1 long-term/short-term Counterparty Risk Rating (CRR). Furthermore, we assigned a baa1 Baseline Credit Assessment (BCA) and a baa1 Adjusted BCA, as well as an A1(cr)/P-1(cr) long-term/short-term Counterparty Risk Assessment (CR Assessment) to HYPO NOE.

RATINGS RATIONALE

-- FIRST-TIME ASSIGNMENT OF BCA AND ADJUSTED BCA

HYPO NOE's baa1 BCA considers the bank's high share of low-risk public sector and nonprofit housing development exposures, which represented 57% of total assets as of 30 September 2025. Combined with the bank's low-risk treasury and asset liability management (ALM) exposures, 75% of HYPO NOE's assets did not display any problem loans as of 30 September 2025. However, the remainder of the portfolio, comprising retail, corporate and commercial real estate (CRE) exposures, entails credit risks, with CRE having driven an increase in HYPO NOE's problem loan ratio to 3.1% as of 30 June 2025 from 1.1% as of year-end 2022, reflective of the higher interest-rate environment and the resulting lack of demand for this asset class. Furthermore, additional risks stem from the bank's geographical concentration towards its core markets of Lower Austria and Vienna, with only limited diversification from other Austrian regions, Germany, and other European countries.

HYPO NOE's baa1 BCA also reflects its strong regulatory capitalization at present, exceeding its minimum capital requirements by almost 500 basis points. Because of HYPO NOE's plans to grow its balance sheet in the coming years, its tangible common equity (TCE) ratio could drop to around 16%-18%, however, from 19% as of 30 June 2025. The expected decline is also reflecting the bank's modest retained earnings generation stemming from its lower-margin public sector and nonprofit housing exposures, albeit its profitability has improved structurally, largely because of cost-cutting efforts.

Furthermore, HYPO NOE's baa1 BCA reflects its moderate dependence on short-term funding as well as its solid on-balance sheet liquidity and sound contingent liquidity. HYPO NOE is a predominantly market funded institution with covered bonds and senior unsecured issuances having refinanced 41% and 16% of the bank's balance sheet as of 30 June 2025, respectively. HYPO NOE's customer deposit base in turn refinanced 28% of the bank's assets, of which about half stem from corporate and institutional clients, whose deposits are potentially less sticky than retail deposits in a crisis situation. However, a large part of the corporate and institutional deposits are term deposits and are in part sourced from the bank's 100% owner, the State of Lower Austria (issuer rating Aa1 negative), mitigating deposit flight risk. To counter outflow risks, HYPO NOE held about 15% of its tangible banking assets in the form of high-quality liquid assets (HQLA) in 2024 on average. Moreover, beyond its HQLA buffer, HYPO NOE displays flexibility to issue retained covered bonds from its mortgage and public sector cover pools and it could post other repo-eligible loans as collateral for emergency funding.

Since we do not factor in affiliate support from the State of Lower Austria, the baa1 Adjusted BCA is assigned at the same level as the BCA.

-- FIRST-TIME ASSIGNMENT OF LONG-TERM RATINGS

HYPO NOE is subject to the EU's Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime (ORR). Therefore, we apply our forward-looking Advanced Loss Given Failure (LGF) analysis, using our standard assumptions, and incorporating the bank's balance sheet forecasts.

As a result, HYPO NOE's A2 long-term bank deposit, senior unsecured and long-term issuer ratings incorporate its baa1 Adjusted BCA and a two-notch rating uplift derived from our Advanced LGF analysis, reflecting the very low expected loss severity for large depositors and senior unsecured debt holders in case of failure. For the long-term CRR and long-term CR Assessment, our Advanced LGF analysis indicates an extremely low loss severity, yielding three notches of rating uplift from the Adjusted BCA.

HYPO NOE's long-term ratings also incorporate our assumption of a low likelihood of government support, which results in no further rating uplift. The low support assumption reflects HYPO NOE's marginal systemic importance to the domestic deposit-taking market and to the Austrian payment system.

The ratings also incorporate HYPO NOE's environmental, social, and governance (ESG) considerations per our framework for assessing ESG risks. With a Credit Impact Score of CIS-2, ESG factors have no material impact on the ratings. HYPO NOE's BCA incorporates low governance risks, taking into account the bank's continued robust asset risk despite the deterioration of its CRE portfolio as well as its 100% ownership by the State of Lower Austria and associated governance risks that are mitigated by independent directors and Austria's developed institutional framework.

-- FIRST-TIME ASSIGNMENT OF SHORT-TERM RATINGS

The assignment of the short-term ratings reflects that they are derived from the corresponding long-term ratings. The A1(cr) long-term CR Assessment corresponds to a P-1(cr) short-term CR Assessment and the A1 long-term CRR corresponds to a P-1 short-term CRR. The A2 long-term bank deposit ratings correspond to P-1 short-term bank deposit ratings.

-- OUTLOOKS

The stable outlooks on HYPO NOE's long-term bank deposit, senior unsecured and long-term issuer ratings reflect our expectation that the fundamental credit strength of HYPO NOE will remain resilient and that the liability structure of HYPO NOE will remain broadly unchanged over the outlook horizon.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

HYPO NOE's ratings could be upgraded if the bank's BCA is upgraded. Furthermore, the long-term bank deposit, senior unsecured and issuer ratings could be upgraded following substantial issuance of lower-ranking instruments, such as junior senior unsecured debt and subordinated debt, which could result in higher rating uplift from our Advanced LGF analysis. However, this is highly unlikely, as HYPO NOE has no regulatory requirements to issue such instruments.

An upgrade of the BCA could be triggered by the combination of a more geographically diversified loan portfolio and a reduction in CRE exposures, stronger capitalization and sustainably improved profitability. Furthermore, a structural decline in less-stable funding and an increase in liquid resources could lead to an upgrade of the BCA.

HYPO NOE's ratings could be downgraded as result of a downgrade of its BCA or if outstanding volumes of senior unsecured debt decline significantly, resulting in fewer notches of rating uplift from our Advanced LGF analysis.

A downgrade of the BCA could result from a combination of a further material deterioration in asset quality, a decline in capitalization far beyond our current expectations, and a further weakening in profitability. Furthermore, a material change in the funding structure towards less-stable funds and a significantly lower level of liquid resources could exert downward pressure on the BCA.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2025 and available at <https://ratings.moodys.com/rmc-documents/454566>. Alternatively, please see the Rating Methodologies page on

<https://ratings.moodys.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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