

RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 31 March 2021



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	31 Mar. 2021	31 Mar. 2020
Net interest income	34,773	32,345
Administrative expenses	-32,645	-36,960
Impairment losses/gains on financial assets - IFRS 9 ECL	1,173	-5,138
Profit or loss before tax	11,640	-2,587
Income tax expense	-2,490	769
Profit or loss for the period	9,150	-1,818
Consolidated statement of financial position	31 Mar. 2021	31 Dec. 2020
Total assets	16,500,733	16,416,615
Financial assets - AC	13,242,156	13,230,957
Financial liabilities - AC	14,531,545	14,274,540
Equity (incl. non-controlling interests)	714,519	710,362
Consolidated own funds and own funds requirement	31 Mar. 2021	31 Dec. 2020
Eligible Tier 1 capital	690,928	691,311
Total eligible capital	690,928	691,311
Minimum capital requirement (Pillar I)	319,794	308,546
Excess equity	371,134	382,765
Total risk exposure amount in accordance with Art. 92(3) CRR	3,997,427	3,856,823
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR (i.e. fully loaded)	17.28%	17.92%
Total capital ratio in accordance with Art. 92(2)(c) CRR (i.e. fully loaded)	17.28%	17.92%
Operational resources	31 Mar. 2021	31 Mar. 2020
Number of employees at year-end	699	743
Number of branches	27	27
Key indicators	31 Mar. 2021	31 Mar. 2020
Return on equity before tax	6.63%	N/A
Cost/income ratio (CIR)	50.36%	60.04%
NPL ratio	0.78%	0.94%
LCR	214.79%	148.16%

The intrayear indicators are annualised on a daily basis.

COMPANY PROFILE

Profile of the HYPO NOE Group

This HYPO NOE Group quarterly results announcement was prepared by the Group's parent, HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE Landesbank).

HYPO NOE Landesbank is the largest and oldest-established Austrian state mortgage bank¹, and has been a reliable commercial bank, stable state bank and specialist mortgage lender for over 130 years. Using its strong position in Lower Austria and Vienna as a springboard, the Bank operates primarily in Austria and Germany, as well as in selected markets elsewhere in the European Union.

The HYPO NOE Group serves as a one-stop shop, providing a comprehensive range of financial services for public sector, real estate and corporate customers, in line with its business model as a mortgage bank. The product portfolio focuses on funding for hard and social infrastructure, non-profit and commercial housing construction and other large property development projects. Retail customers benefit from the expert personal service provided through 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. The Group also includes HYPO NOE Leasing, which works with large state and local government customers, as well as HYPO NOE First Facility, which looks after real estate customers. This allows the Group to provide services across the entire real estate management value chain.

HYPO NOE Landesbank is one of Austria's leading covered bond issuers and is a regular participant on the capital markets through the flotation of secured and unsecured benchmark bonds. Based on the solid foundations provided by customer deposits, and on its increasing cooperation with development banks, HYPO NOE Landesbank also takes steps aimed at diversifying its sources of refinancing. Standard & Poor's currently gives the Bank a solid single A rating with a stable outlook, while Moody's ratings on the public sector and mortgage cover pools are unchanged at Aa1.

HYPO NOE Landesbank is backed by a stable and reliable sole owner in the shape of Austria's largest state, Lower Austria. The Bank's owner takes a long-term view and ensures that it stays true to its strategy of organic growth in its core business, best-in-class digital solutions in mortgage lending, and further improvements in profitability, while maintaining a conservative risk and capital profile.

The Bank's sustainable approach to its core operations is underpinned and promoted by clear ethical principles and business policies. Its portfolio leans strongly towards sustainability due to the large proportion of lending that creates social value added. ISS ESG Prime status underlines the Bank's commitment to environmental and social responsibility.

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

FINANCIAL REVIEW

- "Profit before tax" up sharply to EUR 11.6m (Q1 2020: loss of EUR 2.6m)
- Core earnings - "Net interest income" and "Net fee and commission income" - increased to EUR 39.9m (up 6.0% on Q1 2020)
- Year-on-year reduction of 11.7% in "Administrative expenses", CIR down to 50.36% in the first quarter, no obligation to pay financial stability contribution instalment from 2021
- "NPL ratio" at record low of 0.78% at 31 March 2021 (31 Dec. 2020: 0.78%), risk provisions (ECL) in the performing loan portfolio at a solid 128 bps as a proportion of RWA
- Strong CET1 ratio of 17.28% (pro forma figure incl. interim result: 17.60%) as at 31 March 2021

The HYPO NOE Group reported a pre-tax profit of EUR 11.6m in the first quarter of 2021, having posted a loss of EUR 2.6m in the same period a year earlier. In line with the Bank's Fokus 25 strategy, this healthy year-on-year improvement reflected higher earnings in the customer business and yet another substantial reduction in the cost base. Operating profit (before risk costs) rose to EUR 10.5m, compared with EUR 2.6m in the first three months of 2020. The cost/income ratio² (CIR) fell to 50.36% (Q1 2020: 60.04%). Net gains on risk provisions (ECL) amounted to EUR 1.2m (Q1 2020: net losses of EUR 5.1m), even though no adjustments were made to the methodology used for the recognition of provisions as compared with 31 December 2020.

The Bank reported a marked increase in core earnings, which rose by 6.0% from EUR 37.7m in the first quarter of 2020 to EUR 39.9m in the period under review. This was mainly attributable to "Net interest income", which jumped by 7.5% year on year to EUR 34.8m. "Net fee and commission income" was slightly lower than in the same period a year earlier, at EUR 5.1m (Q1 2020: EUR 5.3m), although it should be noted that coronavirus lockdown restrictions generally had little impact on the first three months of 2020. "Administrative expenses" were significantly lower compared with Q1 2020, at EUR 32.6m, a decrease of 11.7%. Further efficiency gains and the end of the obligation to pay the financial stability contribution instalment also had a positive impact. However, contributions to the deposit insurance fund were higher.

The HYPO NOE Group continued to pursue its conservative risk policy without concessions in the first quarter of 2021. ECL provisions in the performing loan portfolio (Stage 1 and 2) totalled a substantial EUR 51.3m at the end of the quarter - this represents an increase of 52.2% on the pre-crisis level reported at year-end 2019. In terms of risk-weighted assets (RWA), risk provisions in Stage 1 and 2 were a very solid 128 bps at the end of March 2021. Statutory and voluntary payment deferrals remained low, accounting for 0.4% of the AC portfolio at 31 March 2021 (31 Dec. 2020: 0.3%).

At around EUR 380m, the volume of new loans extended by the Bank was unchanged compared with the first quarter of 2020. "Financial assets - AC" have remained stable since year-end 2020, and stood at EUR 13.2bn at the end of the reporting period. In spite of the difficult operating environment, margins on new business improved once more compared with the first quarter of 2020, and were also above budget. New loans were highly diversified in terms of lines of business, which was in accordance with the objectives of the Fokus 25 strategy.

Turning to the liabilities side, "Financial liabilities - AC" rose slightly to EUR 14.5bn (up 1.8% on 31 December 2020), which was mainly due to the issue of a EUR 500m benchmark senior preferred bond in March 2021. HYPO NOE Landesbank has successfully issued three benchmark bonds since the outbreak of the Covid-19 pandemic, highlighting the Bank's unrestricted access to the capital markets throughout the crisis. Funding from the ECB tender (TLTRO III) was unchanged in the first three months of 2021, at EUR 1.8bn. The deposit base (excluding TLTRO III) was largely stable compared with year-end 2020, finishing the quarter at EUR 5.0bn, a sign of customers' strong confidence in the

²Operating expenses/operating income

Bank. "Total assets" increased temporarily due to the ECB tender, and stood at EUR 16.5bn at 31 March 2021 (31 Dec. 2020: EUR 16.4bn).

The HYPO NOE Group again reported a strong Common Equity Tier 1 (CET1) ratio of 17.28% at the end of the period under review (31 Dec. 2020: 17.92%). Adjusted for first-quarter earnings and an accrual for regulatory costs, which had to be recognised in full at the start of 2021, the pro forma figure for the CET1 ratio was 17.60% at 31 March 2021. It should be noted that the relief provided for under the CRR, in the shape of the SME supporting factor, has not yet been applied.

The non-performing loan (NPL) ratio remained at an all-time low, and was unchanged from year-end 2020 at 0.78% at the end of the first quarter of 2021. This was due to the Group's systematic intensive care management, as well as its low-risk business model, with its focus on infrastructure and housing finance.

STATEMENT OF PROFIT OR LOSS

Gains/losses

EUR '000	Q1 2021	Q1 2020
Interest and similar income measured using the effective interest method	63,624	61,048
Interest and similar income not measured using the effective interest method	45,250	48,989
Interest and similar expense	-74,101	-77,692
Net interest income	34,773	32,345
Fee and commission income	5,927	6,266
Fee and commission expense	-806	-958
Net fee and commission income	5,121	5,308
Net measurement gains or losses	3,125	-2,679
Net gains or losses on derecognition of financial assets	-1	14
Net gains or losses on financial assets and liabilities	3,124	-2,665
Other operating income	5,365	10,117
Other operating expense	-6,951	-6,083
Administrative expenses	-32,645	-36,960
Impairment losses/gains on financial assets - IFRS 9 ECL	1,173	-5,138
Net gains on investments accounted for using the equity method	1,679	489
Profit or loss before tax	11,640	-2,587
Income tax expense	-2,490	769
Profit or loss for the period	9,150	-1,818
Non-controlling interests	24	-20
Profit or loss attributable to owners of the parent	9,174	-1,838

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

EUR '000	31 Mar. 2021	31 Dec. 2020
Cash and balances at central banks	1,744,465	1,463,942
Financial assets - HFT	384,346	417,189
Financial assets - mandatorily FVTPL	159,963	171,312
Financial assets - FVOCI	422,674	514,991
Financial assets - AC	13,242,156	13,230,957
Positive fair value of hedges (hedge accounting)	374,312	445,780
Investments accounted for using the equity method	32,753	31,074
Investment property	34,366	36,693
Intangible assets	249	241
Property, plant and equipment	65,732	65,475
Current tax assets	21,409	21,163
Deferred tax assets	367	408
Other assets	17,940	17,390
Total assets	16,500,733	16,416,615

Equity and liabilities

EUR '000	31 Mar. 2021	31 Dec. 2020
Financial liabilities - HFT	353,990	388,764
Financial liabilities - FVO	5,370	5,309
Financial liabilities - AC	14,531,545	14,274,540
Negative fair value of hedges (hedge accounting)	704,759	829,132
Provisions	72,189	69,367
Current tax liabilities	9,990	10,052
Deferred tax liabilities	23,374	22,853
Other liabilities	84,997	106,237
Equity	714,519	710,362
Equity attributable to owners of the parent	706,213	701,382
Non-controlling interests	8,306	8,980
Total equity and liabilities	16,500,733	16,416,615

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 Mar. 2021 EUR '000	1 Jan. 2021	Profit for the period	Rever- sals	Dividends paid	Other com- prehensive income	Other changes	31 Mar. 2021
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-3,800	188,024
Retained earnings	452,557	9,174	-	-3,800	-	3,800	461,731
Other reserves composed of:	5,020	-	-	-	-542	-	4,478
Actuarial gains and losses	-4,462	-	-	-	-10	-	-4,473
Debt instruments - FVOCI	9,034	-	-	-	-534	-	8,500
Equity instruments - FVOCI	449	-	-	-	2	-	451
Hedges (hedge accounting)	-	-	-	-	-	-	-
Equity attributable to owners of the parent	701,382	9,174	-	-3,800	-542	-	706,213
Non-controlling interests	8,980	-24	-650	-	-	-	8,306
Equity	710,362	9,150	-650	-3,800	-542	-	714,519

31 Mar. 2020 EUR '000	1 Jan. 2020	Profit for the period	Rever- sals	Dividends paid	Other com- prehensive income	Other changes	31 Mar. 2020
Share capital	51,981	-	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	-	191,824
Retained earnings	424,697	-1,838	-	-3,500	-	-	419,358
Other reserves composed of:	6,576	-	-	-	-3,991	-	2,585
Actuarial gains and losses	-5,878	-	-	-	211	-	-5,667
Debt instruments - FVOCI	11,717	-	-	-	-4,270	-	7,448
Equity instruments - FVOCI	809	-	-	-	-41	-	768
Hedges (hedge accounting)	-72	-	-	-	109	-	37
Equity attributable to owners of the parent	675,078	-1,838	-	-3,500	-3,991	-	665,748
Non-controlling interests	8,425	20	-	-	-	-	8,445
Equity	683,502	-1,818	-	-3,500	-3,991	-	674,193

SIGNIFICANT ACCOUNTING POLICIES

In all material respects, this quarterly results announcement by the HYPO NOE Group was drawn up in accordance with the same accounting policies as those applied to the IFRS consolidated annual financial statements for the year ended 31 December 2020.

The HYPO NOE Group prepared this quarterly results announcement voluntarily, and is under no obligation to publish such information. It does not meet all the requirements of International Financial Reporting Standards (IFRS), and was not drawn up in accordance with the IFRS as adopted in the EU.

In particular, paragraphs 8(d) (condensed consolidated statement of cash flows) and 8(e) (selected explanatory notes) of IAS 34 were not fully applied. This results announcement should be read in conjunction with the annual financial statements as at 31 December 2020.

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

CONSOLIDATED OWN FUNDS AND REGULATORY CAPITAL ADEQUACY REQUIREMENTS

Under Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) - including several amendments, including latterly Regulation (EU) No 2020/873, and related EBA delegated regulations, as well as the directive on access to the activity of credit institutions (Capital Requirements Directive IV [CRD IV]), which is currently being transposed by way of the Austrian *Bankwesengesetz* (Banking Act) and various national orders - since 2014 it has been necessary to determine banks' consolidated own funds and their consolidated regulatory own funds requirements in accordance with IFRS, as well as the regulatory scope of consolidation.

The composition of the own funds of the HYPO NOE Group, calculated in accordance with CRR/CRD IV, is as follows:

EUR '000	CRR/CRD IV 31 Mar. 2021	CRR/CRD IV 31 Dec. 2020
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	555,863	556,407
Retained earnings	444,260	444,260
Other reserves	104,744	104,744
Accumulated comprehensive income	6,859	7,403
Prudential filter: adjustments due to the prudential measurement requirements	-1,269	-1,406
Intangible assets	-213	-236
CET1 capital	690,928	691,311
Additional Tier 1 capital	-	-
Tier 1 capital	690,928	691,311
Deductions due to investments, pursuant to Arts. 36 and 89 CRR	-	-
Eligible Tier 1 capital	690,928	691,311
Deductions due to investments, pursuant to Arts. 36 and 89 CRR	-	-
Eligible supplementary capital (after deductions)	-	-
Total eligible capital	690,928	691,311
Capital requirement	319,794	308,546
Excess equity	371,134	382,765
Coverage ratio	216.05%	224.05%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR (i.e. fully loaded)	17.28%	17.92%
Total capital ratio in accordance with Art. 92(2)(c) CRR (i.e. fully loaded)	17.28%	17.92%
Own funds requirement incl. all buffer requirements	12.62%	12.62%

Taking account of the interim profit and prorating of the contributions to the resolution and deposit insurance fund, which have already been taken in full to profit or loss, the pro forma Tier 1 capital ratio was around 17.60%. Changes in the risk-weighted measurement basis and the resultant own funds requirement are shown below:

EUR '000	CRR/CRD IV 31 Mar. 2021	CRR/CRD IV 31 Dec. 2020
Risk-weighted measurement basis for credit risk	3,641,928	3,494,795
8% minimum own funds requirement	291,354	279,584
Own funds requirement for open currency positions	-	-
Own funds requirement for operational risk	23,119	23,119
Own funds requirement for CVA risk	5,321	5,844
Total own funds requirement	319,794	308,546

Publisher: HYPO NOE Landesbank für Niederösterreich und Wien AG

Editorial content: HYPO NOE Landesbank für Niederösterreich und Wien AG

Website: en.hyponoe.at

E-mail: landesbank@hyponoe.at

Tel. +43 (0)590 910 - 0

Production: produced internally using the Certent CDM editing system

Important information

The greatest possible care has been taken in preparing this quarterly results announcement. However, transmission, typesetting and printing errors cannot be ruled out. Minor rounding differences may occur in connection with totals of rounded amounts and percentages.

The forecasts and forward-looking statements contained in the announcement are based on current estimates and information available at the time of writing. They should not be taken as a guarantee that results expressed in forecasts and forward-looking statements will actually occur; actual results are subject to risks and other factors, and could therefore differ materially from results contained in forecasts or forward-looking statements. The Group is not obliged to update its forecasts and forward-looking statements.

The German version of this announcement is the definitive version. The English version is a translation of the German announcement. Formulations referring to people are intended to be gender-neutral.