

HYPO NOE Group with strong performance in the first quarter of 2021

Highlights Q1 2021

- 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

Successful start into the year 2021

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 ratio¹ (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.

Conservative risk provisioning policy - deferrals at a low level

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.

¹ Operating expenses/operating income

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: 0.9%).

Profitable new business

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.

Successful funding activities

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 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).

Resilient capital and risk profile

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. The NPL coverage ratio remained at a high level of 76.45% as at 31 March 2021 (31 December 2020: 75.18%).

Outlook

Although there is still uncertainty about the duration and impact of the Covid-19 pandemic, the recent acceleration in the pace of vaccination should see a gradual return to normal economic activity from the second half of the year, particularly in Austria and Germany, which are core markets for the Group. HYPO NOE Group has taken comprehensive account of the potential impact of the Covid-19 related crisis in the ECL models; the GDP input parameters for 2021 are -7.1% and for 2022 -3.8%.

Despite the continuing challenges, HYPO NOE Group's operating performance remained robust in the first quarter of 2021. Based on its low-risk business model, with a focus on infrastructure and housing finance, the Group expects its business to continue to perform solidly in the coming reporting periods.

The strategic alignment of HYPO NOE Group continues to be based on organic growth in the core business, digitalisation and further improvements in profitability, whilst maintaining a conservative capital and risk profile. The Bank's sole owner, the State of Lower Austria, takes a long view and ensures a sustainable implementation of this strategy.

The complete Results Announcement for the Quarter ended 31 March 2021 is available to download at ir.hyponoe.at/en.

HYPO NOE Landesbank für Niederösterreich und Wien AG

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks¹, and has served as a dependable commercial bank, stable state bank and specialist mortgage bank for more than 130 years. Based on the foundations of its strong position in the capital region of Lower Austria and Vienna, the Bank operates primarily in Austria and Germany, as well as in selected markets in the European Union.

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¹ By total assets (2019 consolidated financial statements) and date of establishment