

HYPO NOE Group with further jump in earnings in the first nine months of 2021

Highlights Q1-Q3 2021

- Increase in profit before tax to EUR 48.9m (Q1-Q3 2020: EUR 37.6m)
- Strong core earnings as a basis: net interest income up 9.6% and net fee and commission income up 4.8% compared with the like period of 2020
- Administrative expenses 7.5% lower year on year, CIR at 52.04% in the period under review
- Very low NPL ratio of 0.66% (31 Dec. 2020: 0.78%), risk provisions (ECL) in the performing loan portfolio at a solid 131 bps as a proportion of RWA
- CET1 ratio of 17.70% as at 30 September 2021 (pro forma ratio incl. interim result: 18.60%)

Results in line with strategy in the year to date

In the first nine months of 2021, HYPO NOE Group recorded profit before tax of EUR 48.9m – which is already higher than the profit for the year of EUR 41.2m reported in 2020. The return on equity (ROE) before tax improved to 9.00%, up from 7.23% in the same period a year earlier. These results reflect the continuing successful implementation of HYPO NOE Group's Fokus 25 strategy, which is geared towards enhancing profitability through organic growth in the core business, while also taking into account the Group's conservative risk and capital profile.

This latest rise in core earnings laid the foundations for another improvement in the Group's results. Net interest income advanced by 9.6% to EUR 105.6m (Q1-Q3 2020: EUR 96.3m), while net fee and commission income grew by 4.8% to reach EUR 13.8m (Q1-Q3 2020: EUR 13.2m). The jump in net interest income resulted from loan disbursements made ahead of schedule, partly higher margins, as well as optimised refinancing costs. Stronger contributions from the securities and payments businesses were the main reason behind the increase in net fee and commission income.

Sustainably reduced cost base due to simplified Group structure

The disposal of HYPO NOE First Facility GmbH in the second quarter of 2021 represented the final step towards achieving the Group structure targeted under the Fokus 25 strategy. Compared with 2016, the organisational set-up is now significantly more streamlined, and this will be reflected in an annual drop of around three percentage points in the cost/income ratio¹ (CIR) moving forward. The CIR for the first three quarters of this year stood at 52.04%, compared with 55.10% in the same period in 2020.

As a result of ongoing process optimisation, administrative expenses fell sharply once again during the reporting period, by 7.5%, to EUR 77.0m (Q1-Q3 2020: EUR 83.3m). The end of the obligation to pay the

¹ Operating expenses/operating income

financial stability contribution instalment also had a positive effect in this regard. However, this was offset primarily by a marked increase in the resolution fund contribution.

Prudent provisioning policy remains unchanged

Although the economic picture continues to brighten, and payment deferrals decreased once more in the first nine months of 2021, the Group has continued to apply the methodology for modelling the potential impacts of the Covid-19 pandemic in the current reporting period. In line with this approach, risk provisions in the performing loan portfolio (Stages 1 and 2) amounted to EUR 50.9m at the end of September 2021 - an increase of around 50% on pre-Covid levels. This equates to a relatively high 131 bps as a proportion of risk-weighted assets (RWA). The cost of risk (expected credit loss, ECL) came in at EUR 0.1m in the period under review (Q1-Q3 2020: EUR 2.7m).

Organic growth in core business

The Group extended new loans totalling about EUR 1.3bn during the first three quarters of this year (Q1-Q3 2020: EUR 1.2bn), mainly in line with its core competences of infrastructure and housing construction finance. HYPO NOE Group is driving forward its planned geographical diversification, especially in the public sector and housing development portfolios. This new lending was reflected in a 3.7% rise in Financial assets - AC compared with year-end 2020, to EUR 13.7bn (31 Dec. 2020: EUR 13.2bn). The proportion of total financial assets recognised at amortised cost increased once again, rising by two percentage points on year-end 2020 to stand at 97%.

Refinancing for 2021 successfully completed

Irrespective of its participation in the ECB's TLTRO III programme, HYPO NOE Group completed its refinancing activities for 2021 as planned. This resulted in slightly higher Financial liabilities - AC on the equity and liabilities side of the balance sheet; this item amounted to EUR 14.7bn as at 30 September 2021 (a 2.8% increase on 31 Dec. 2020). Three EUR 500m benchmark bonds - one senior preferred bond and two covered bonds - were issued on highly competitive terms, which allowed the Group to further optimise its funding costs. This was founded on stable deposits compared with mid-year of EUR 4.6bn (excluding the ECB tender). The temporary increase in total assets to EUR 16.6bn at the end of the third quarter (31 Dec. 2020: EUR 16.4bn) was mainly attributable to the higher tender volume.

Conservative risk and capital profile as a foundation

HYPO NOE Group again reported a strong Common Equity Tier 1 (CET1) ratio of 17.70% at the end of the period under review (31 Dec. 2020: 17.92%). The steady improvement in profitability has already had a noticeable impact on internal capital generating capacity. Adjusted for earnings through the first three quarters of this year and the prorating of regulatory costs, which were required to be recognised in full at the start of 2021, the pro forma CET1 ratio was 18.60% at 30 September 2021.

HYPO NOE Group's balance sheet stood out for the exceptionally high quality of assets as at the end of the third quarter, as well as the Group's strong capitalisation and robust liquidity position. The non-performing loan (NPL) ratio remained low, at 0.66% (31 Dec. 2020: 0.78%), while the NPL coverage ratio stood at a high 83.89% (31 Dec. 2020: 75.18%). Systematic, proactive intensive care management, coupled with risk-aware lending with a focus on the Group's core competences, paved the way for this strong performance.

Outlook

The current macroeconomic forecasts for the core markets of Austria and Germany paint a predominantly positive picture. Although there is still potential to increase vaccination rates, broad-based lockdown measures for the overall population as in the previous year are no longer to be expected. Based on this assessment, and against the backdrop of the strong results achieved in the year to date, HYPO NOE Group expects business to remain robust in the fourth quarter of 2021. This will further support the trend of the successfully initiated incremental improvement of the Group's performance.

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 Three Quarters ended 30 September 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 (2020 consolidated financial statements) and date of establishment