



# Bank & State

2018 HYPO NOE Group Annual Report  
magazine supplement

## Group financial highlights

EUR '000	2018	2017
<b>IFRS consolidated statement of comprehensive income</b>		
Net interest income	111,933	108,861
Impairment losses/gains on financial assets – IFRS 9 ECL	10,590	N/A
Risk provisions	N/A	9,100
<b>Profit before tax</b>	<b>47,992</b>	<b>38,764</b>
Income tax expense	-11,548	-9,658
<b>Profit for the year</b>	<b>36,444</b>	<b>29,106</b>
<b>IFRS consolidated statement of financial position</b>		
Total assets	14,060,065	14,367,184
Financial assets – AC	11,640,675	N/A
Loans and advances to customers	N/A	10,230,232
Financial liabilities – AC	12,106,624	N/A
Debts evidenced by certificates	N/A	7,283,886
Equity (incl. non-controlling interests)	663,398	675,276
<b>Consolidated capital resources in accordance with CRR/CRD IV</b>		
Eligible Tier 1 capital	646,153	645,086
Total eligible capital	646,153	645,086
Risk-weighted exposure to credit risk	2,690,759	2,834,640
Own funds requirements	246,527	260,141
Excess equity	399,626	384,945
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	20.97%	19.84%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR – fully loaded	20.97%	20.12%
Total capital ratio in accordance with Art. 92(2)(c) CRR	20.97%	19.84%
Total capital ratio in accordance with Art. 92(2)(c) CRR – fully loaded	20.97%	20.12%
<b>Operational information</b>		
Number of employees at year-end	789	812
Number of branches	27	27
<b>Selected payments, levies and other public sector items</b>		
Financial stability contribution (bank tax)	-8,724	-9,403
Prepaid income tax	-2,835	-11,192
Current income tax	-8,385	-8,083
Deferred income tax	-3,163	-1,575
Social security contributions and other pay-related contributions	-12,046	-12,239
Current tax assets	12,147	20,659
Deferred tax assets	–	4,076
Current tax liabilities	13,574	19,349
Deferred tax liabilities	27,696	43,371
<b>Key indicators<sup>1</sup></b>		
Return on equity before tax	7.01%	5.86%
Return on equity after tax	5.33%	4.40%
Return on assets	0.26%	0.20%
Cost-income ratio <sup>2</sup>	66.96%	67.78%
NPL ratio	1.42%	1.94%
LCR	198.27%	185.79%

<sup>1</sup>See the financial review in the 2018 annual report for details of the calculation.

<sup>2</sup>The method of calculating the cost/income ratio was revised during the fourth quarter of 2018. See the financial review in the 2018 annual report for details.

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You can download the entire annual report here:



<https://www.hyponoe.at/en/ir>



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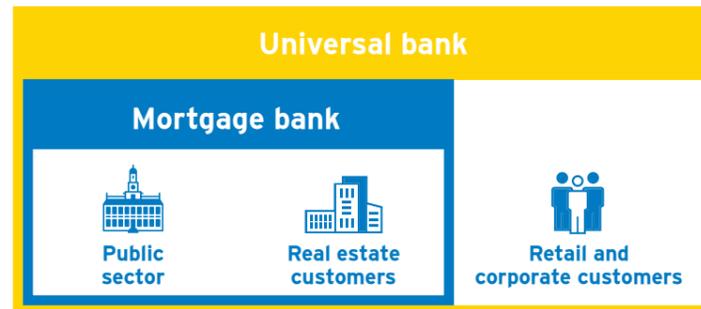


# HYPO NOE at a glance

**STRONG REGIONAL ROOTS.** HYPO NOE Landesbank is one of Austria's largest and oldest established state banks, and has a 130-year history in the banking and financial sector. It can count on a stable and reliable sole owner, the State of Lower Austria.

## Low-risk business model – tried and tested since 1888

Persistently low non-performing loan (NPL) and risk-weighted asset (RWA) ratios



## HYPO NOE's strategy

### REGIONAL FOCUS

As a long-established regional bank owned by the State of Lower Austria, HYPO NOE Landesbank has a profound understanding of local life. It plays a big part in economic development, progress and innovation.

### CLOSENESS TO CUSTOMERS

HYPO NOE Landesbank draws on its long experience and excellently trained workforce to offer its customers bespoke solutions. The Group's versatility enables it to provide customers in a wide variety of sectors with advice based on specialised expertise.

### SUSTAINABILITY

HYPO NOE Landesbank is committed to sustainable business practices, and responsible treatment of its customers, employees and suppliers, and society at large. Security and stability are cornerstones of the Bank's approach, and its lending policies are shaped by ethical principles.

## The HYPO NOE Group's business segments

Assets, 31 December 2018

### PERFORMANCE METRICS

**1.4%**

NPL ratio

**2.7**

RWA\*, EUR bn

**21.0%**

CET1 ratio

**A positive**

S&P issuer credit rating

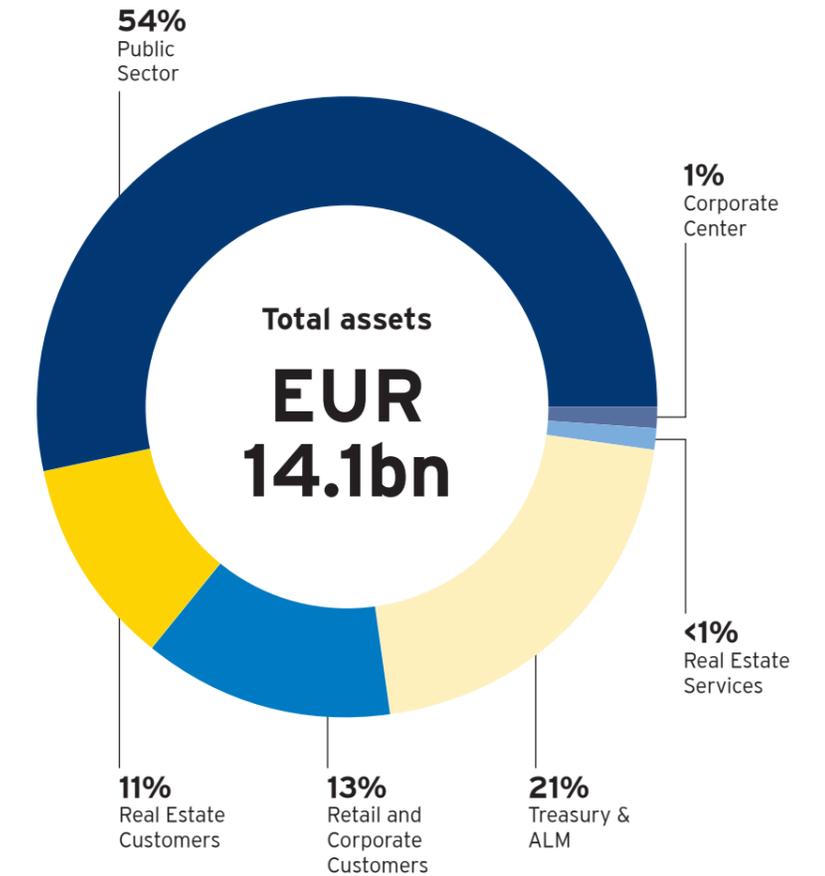
**Aa1**

Moody's covered bond ratings

**Prime**

ISS-oekom sustainability

\* Risk-weighted exposure to credit risk



## Lower Austria and Vienna: a dynamic core market and strong regional economy



**40%**

Share of the population living and working in Lower Austria and Vienna

SOURCE: AUSTRIAN FEDERAL ECONOMIC CHAMBER, 2019



**41%**

Share of Austrian GDP generated in the two states

SOURCE: AUSTRIAN FEDERAL ECONOMIC CHAMBER, 2019



**40%**

Proportion of Austrian SMEs accounted for by the region

SOURCE: AUSTRIAN FEDERAL ECONOMIC CHAMBER, 2016



**75%**

Proportion of ATX-20 listed companies based in Lower Austria and Vienna

SOURCE: VIENNA STOCK EXCHANGE, 2019

**20%**

Forecast population growth in Lower Austria up to 2080 (Lower Austria and Vienna are the fastest-growing federal states)

SOURCE: STATISTICS AUSTRIA, 2018

# Positive outlook for the year's "most improved bank"

JANUARY TO  
DECEMBER 2018

## "Zukunftsfit 2020": ambitious but realistic

The Group's "Zukunftsfit 2020" ("Fit for the Future 2020") efficiency programme is driving leaner structures and processes, optimisation of its business model, and an investment focus on its digital infrastructure. The Group again took decisive action in these areas in 2018. For instance, a wholly owned subsidiary was reintegrated into the main bank, and the organisational structure was further streamlined. The steady reductions in administrative expenses demonstrate that the Group is keeping to its ambitious road map (see page 13).

MAY 2018

## Top marks from customers

HYPO NOE Landesbank was hailed as the "most improved bank of the year" at the annual Recommender Awards ceremony. The reason: the Bank's customer satisfaction ratings surged by 52.5%. The Austrian Financial Marketing Association's Recommender Awards have been measuring bank and insurance customers' satisfaction for 12 years

now. The "jury" for this authoritative industry barometer is a sample of 8,000 people polled by market research firm Telemark Marketing.

"Most improved bank of the year": HYPO NOE Landesbank won this accolade at the Recommender Awards ceremony.



APRIL AND AUGUST 2018

## Two successful benchmark bond issues

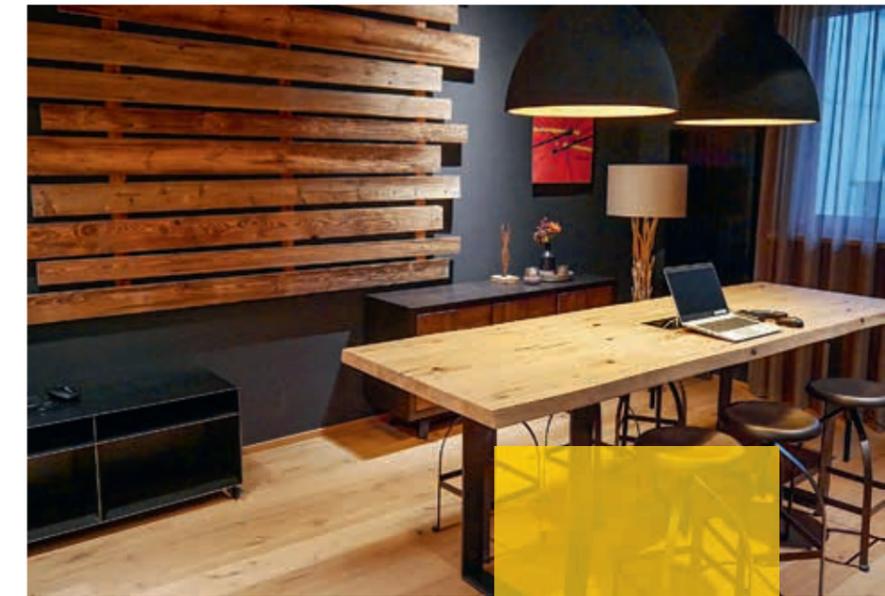
A EUR 500m senior unsecured benchmark bond issue launched in April 2018 further widened HYPO NOE Landesbank's solid national and international investor base. And in late August, the Bank succeeded in placing a public sector covered bond issue of the same size. Due to the strong demand, it was once again able to refinance itself on the international capital market at highly advantageous terms.

MAY 2018

## Standard & Poor's raises outlook to positive

At the end of May, international rating agency Standard & Poor's affirmed its solid A/A-1 rating on HYPO NOE Landesbank and raised the outlook to positive on the back of sustained capital generation. On 31 December 2018, the HYPO NOE Group underlined its outstanding capital strength by posting a CET1 ratio of 21%, and today it is one of Austria's best rated, and hence soundest banks.

Accolade: HYPO NOE Landesbank's e-vehicle policy has earned an economic chamber award.



The new branch in Stockerau is an outstanding setting for meetings with customers.

OCTOBER 2018

## First new-look branch

The new branch design concept was a while in the making, but the big moment came on Austria's National Day, when the first restyled HYPO NOE Landesbank branch opened in Stockerau. Natural materials create a modern and welcoming atmosphere. The advance of digitalisation has transformed banking. The new branches reflect this, and offer room for in-depth advice on major life decisions (more on page 15).

NOVEMBER 2018

## HYPO NOE Landesbank wins plaudits for e-vehicle policy

HYPO NOE Landesbank is fleet of foot when it comes to the environment and climate change. The Bank began assembling an electric vehicle (EV) fleet in 2017, and has so far set up six fast-charging points, including one for customers and event attendees at the St. Pölten

headquarters. Last year, EV use saved the Group 24 tonnes of CO<sub>2</sub> emissions. In November 2018 this initiative was rewarded when the Lower Austrian state government and economic chamber honoured the Bank for its eco-friendly e-vehicle adoption policy.



A good team: since the end of 2018, Wolfgang Viehauser (l.) and Udo Birkner have formed the Management Board at the head of the HYPO NOE Group.

# “Capital base is stronger than ever”

**NEW MANAGEMENT BOARD DUO.** Wolfgang Viehauser, Management Board Member Markets and Spokesman, and Management Board Member Finance, Risk & Operations Udo Birkner on the Bank’s performance in 2018, that of its core market, the interest rate environment and strategic planning.

## #1 2018 brought a number of changes, including the fact that you now constitute a two-man Management Board. How does that affect your daily work and the Bank?

VIEHAUSER: After the merger of HYPO NOE Gruppe Bank AG and HYPO NOE Landesbank AG in autumn 2017, the logical next step was to rationalise our structures. To that end we made changes that have given the Bank a leaner and more efficient set-up. One aspect of this is having not three but two remits on the Board – a step that has enabled us to leverage new synergies, for instance by merging front office units.

BIRKNER: We have been working together on the Management Board since the start of 2017. During this period we have got a lot of initiatives off the ground, and these are already bearing fruit. In particular, I am thinking here of the upgrade of the outlook on our solid Standard & Poor’s A rating to positive. This shows that international rating agencies, too, are concluding that we are moving in the right direction.

## How satisfied are you with performance in 2018?

VIEHAUSER: 2018 was another highly successful year for us. I’d like to single out three indicators that demonstrate how well we fulfilled our traditional role as a state bank with strong regional roots. Our EUR 1.4bn\* in new lending meant that the Bank once again acted as a driver of economic growth in its core market, and we actually lent

more than in 2017. Profit for 2018 was well above target, and exceeded the strong multi-year average. Some of our strategic units exceeded their targets by wide margins, but we never forgot that adherence to our low-risk business model is central to everything we do.

Finally, we also did well on the international capital markets. We succeeded in placing two benchmark bond issues, and refinanced our operations at highly favourable terms. This demonstrates the Bank’s excellent reputation as an issuer.

## Despite its low-risk profile, the HYPO NOE Group has a Common Equity Tier 1 (CET1) ratio of 21%. Why do you need such high capitalisation?

BIRKNER: Firstly, I’d like to say how proud I am that we managed to completely absorb the effect of first-time adoption of IFRS 9 in 2018, and actually increase our Common Equity Tier 1 capital ratio to 21%. This was quite a feat, and underlines how strict our risk policies are, as well as our owner’s readiness to leave most of the profits we make in the Bank. Today, our capital base is stronger than ever, and we are one of the best capitalised banks in the country. We think this is a good thing, and important, because we want growth and compliance with future regulatory

\* Volume of contractually agreed new business (incl. prolongations)



**Management Board Member  
Finance, Risk & Operations  
Udo Birkner is proud of the fact  
that HYPO NOE Landesbank  
is one of Austria's best  
capitalised banks.**

»

requirements to depend on our own efforts, not a capital increase. It will give us the flexibility we need going forward.

#### #4 What challenges is digitalisation bringing?

VIEHAUSER: Firstly, digitalisation has brought significant changes in customer behaviour. Today's customers want to be able to carry out their banking transactions whenever they see fit, regardless of the day of the week or the time of day. At the same time we are convinced that personal contact will still be needed for life decisions like mortgage borrowing. With this in mind, we are working hard to expand our online and mobile services, but are also giving our relationship managers sufficient time to offer quality advice. The second major area that is affected is our processes – the inner workings of the Bank if you will. We are working on automating highly standardised services. At the end of the day, all these efforts should be apparent to our customers in the form of quick and simple solutions that create added value.

#### # How is your Group-wide "Zukunftsfit 2020" efficiency programme going?

BIRKNER: "Zukunftsfit 2020" is right on track. This is a three-phase programme. The first stage, which has already largely been completed, involves shaking out our organisational structures. The second and third stages concern optimising processes and our business model. We have also succeeded in implementing some of the measures included in these. For example, we recently strategically repositioned the management of investments in our real estate subsidiaries, and one subsidiary was

reintegrated into the core bank. These moves are designed to have a positive impact on Group profitability. A look at our administrative expenses over time shows that the action taken is working. Following a sharp fall of over 10% in 2017, we kept up the momentum in 2018, and administrative expenses declined by a further 2.6%. Neither does our medium-term budgeting allow for any increases – which is testimony to our tight cost discipline.

#### #6 In December 2018 HYPO NOE Landesbank launched the "Fokus 25" process. What is this aimed at?

BIRKNER: Over the last few months, we have been working hard to give ourselves a new, future-capable structure, and we want to go live with this now. This has led us to set up "Fokus 25" – a broad-based organisational development process that involves members of both the management and the workforce, as well as the works council. Together, we want to redefine the Bank's focus, and in particular its mission, strategy and values, and consider how we can strengthen our teamwork. There will be many different settings in which we will invite our

**"We want each and every employee to know who we are, where we are going and how we mean to get there."**

Udo Birkner

people to make an active contribution. In 2020, we will undertake the first evaluation of the effectiveness of this initiative, using a range of methods including 360-degree feedback. When it comes down to it we are looking to develop a common "DNA". We want each and every employee to know who we are, where we are going and how we mean to get there.

#### #7 How are you dealing with today's unprecedentedly low interest rates, and how do you see future events unfolding in this respect?

VIEHAUSER: Following the phase-out of the ECB asset purchase programme, we anticipate a slight increase in interest rates, but not a true

**"Our EUR 1.4bn in new lending means that we are again acting as a driver of our state's economy."**

Wolfgang Viehauser



**Management Board Member  
Markets and Spokesman  
Wolfgang Viehauser does not  
expect a true turning point in  
interest rates in the near term.**

turning point, at least in the short term. Instead, we expect a gradual adjustment. We have adapted to persistently low interest rates both by enhancing efficiency and taking steps to diversify our income sources. Among other things, we are working to grow our fee and commission income, so as to take some of the pressure off interest income. For instance, in the medium term the consumer credit partnership with TeamBank that we entered into in 2018 should make a significant contribution to sustainably expanding our service business.

#### #8 How did your core Lower Austrian and Viennese market play out in 2018?

VIEHAUSER: There were plenty of exciting developments once again. In general, the Lower Austria/Vienna regional economy is one of the country's powerhouses. And a market's attractiveness always has a lot to do with how bright a future it has. Lower Austria and Vienna are among the frontrunners in that respect because they have the fastest forecast population growth. Construction activity, and particularly housing association building, once again stood out in 2018. There is still very strong demand for affordable housing. For some time now, we have been responding by expanding our Housing Development unit. Thanks to our focus on mortgage finance, we are also the first port of call for tenants when they are interested in purchasing their apartments later on.

#### #9 What are the strategic thrusts for the future?

BIRKNER: Our priorities for the future are clearly defined. We are planning further increases in efficiency, as well as improvements in asset quality. We took a major step as regards the latter, with a marked reduction in the already very low NPL ratio to 1.4% at the end of 2018. We will also be looking to maintain our strong capital base. The patience of our sole owner, the State of Lower Austria, is key to the sustainability of our strategy. It will enable us to remain a stable and reliable partner. ■

A low-risk business model and the sole ownership of the State of Lower Austria mean that Landesbank stands on strong foundations.

## Risk averse and well capitalised – a safe haven since 1888

**A RELIABLE PARTNER.** HYPO NOE Landesbank is one of the few institutions of its kind with a business model based on a traditional mortgage bank. And this has brought it success – it is among the Austrian banks with the lowest risk profiles and the strongest capitalisation, and makes solid profits.

The figures speak for themselves: Austria's oldest state bank recorded a sharp reduction in its NPL ratio to 1.4% as at 31 December 2018. A look at the RWA of EUR 2.7bn and their modest EUR 14.1bn share of total assets reveals the low risk profile of the Lower Austrian state bank. The high CET1 ratio of 21% provides assurance that HYPO NOE Landesbank will meet all future regulatory requirements, and will be able to exploit future growth opportunities without sacrificing its financial strength. The capital markets have long seen the Bank as a safe address, and the widespread investor interest is a tribute to its clear business profile.

**Equipped for the future.** In the course of its 130-year history, HYPO NOE Landesbank has evolved from a pure mortgage bank into a universal bank. The “Zukunftsfit

2020” efficiency programme is fine tuning the Group's business model, and streamlining its structures and processes (see page 13), whilst putting a digitalisation strategy in place to arm it for the future. However, the mainstays of its business strategy are unchanged: a low-risk business model based on the public sector and real estate customers, and the backing of a dependable sole owner in the shape of the State of Lower Austria.

**Highly diversified refinancing strategy.** To remain well prepared for future challenges, HYPO NOE Landesbank keeps a particularly close watch on its asset quality, capitalisation and profitability. HYPO NOE Landesbank has long had a presence on the bond market, through its benchmark issues. At the same time, it takes care to keep diversifying its funding sources by growing customer deposits. ■

### FACTS AND FIGURES ON REFINANCING AT HYPO NOE LANDESBANK

- Annual capital market funding needs of about EUR 1bn
- One of Austria's largest covered bond issuers
- Benchmark bond issues – secured and unsecured
- Consistently solid liquidity position – even after the expiry of the historic state government guarantees

### INFORMATION

If you have any questions, you can reach the Investor Relations team at [investorrelations@hyponoe.at](mailto:investorrelations@hyponoe.at). Keep up to date by subscribing to the investor relations newsletter at [www.hyponoe.at/en/ir](http://www.hyponoe.at/en/ir).

# Heading for a more efficient future

**GROUP-WIDE PROGRAMME.** Lean structures and processes and an optimised business model will significantly boost efficiency in the Group in the coming years. To achieve this, the HYPO NOE Group started an internal programme in 2016.

In 2016, the HYPO NOE Group launched an initiative aimed at boosting efficiency, designed to equip the Group to handle both current and future challenges. “The aim of the ‘Zukunftsfit 2020’ programme is to ensure the Bank is already in a position to meet future challenges,” explains Management Board Member Finance, Risk & Operations Udo Birkner. In three phases spread across over five years, the Group is optimising its business model and streamlining its structures and processes. This has led to a significant fall in administrative expenses – from EUR 128.9m at the start of 2016 to EUR 112.8m in 2018, a drop of more than 12%. Staff reductions have largely been achieved by means of retraining and normal turnover. ■

### “ZUKUNFTSFIT 2020” REDUCING ADMINISTRATIVE EXPENSES IN THE HYPO NOE GROUP

Administrative expenses, EUR m

2016	128.9	
2017	115.8	(-10.2%)*
2018	112.8	(-2.6%)*

\*Year-on-year comparison

**“The aim of the ‘Zukunftsfit 2020’ programme is to ensure the Bank is already in a position to meet future challenges.”**

Udo Birkner, Management Board Member Finance, Risk & Operations

## Efficiency programme

### PHASE 1: STRUCTURAL REALIGNMENTS



#### Milestones

- Reintegration of the retail and residential construction businesses into the core bank
- Merger of front office units
- Streamlining of Management Board

### PHASE 2: CONTINUOUS PROCESS OPTIMISATION



- Introduction of e-billing system
- Evaluation of applicability of software robotics in the Public Loan Management and Credit Services departments

### PHASE 3: BUSINESS MODEL OPTIMISATION



- Integration of HYPO NOE Valuation & Advisory GmbH into banking operations
- Restructuring of HYPO NOE Immobilien Beteiligungsholding GmbH

# “Gear up for digitalisation today and you’ll be ahead tomorrow.”

**STRATEGY.** An interview with Alexander Schaffer, Head of Organisation, IT & Operations, on the Group’s digital strategy and the role of the new Digital Office.



Alexander Schaffer,  
Head of Organisation,  
Operations & IT

## How would you sum up the HYPO NOE Group’s digitalisation strategy?

ALEXANDER SCHAFFER: For us, there are two basic thrusts to digitalisation. Our Management Board Member Finance, Risk & Operations expects digitalisation to deliver simplified processes which in turn boost efficiency. For the Management Board Member Markets, the focus is on a modern customer experience, and above all on customer benefits. When a customer receives an offer that generates real benefits, quickly and conveniently, they are prepared to pay for it. If we can keep production costs low, then we make a profit too.

## What specific steps are you taking to achieve these goals?

In September 2018 we set up the new Digital Office with staff from front office functions, Organisation, Operations & IT, and HR. The Digital Office’s task is to help our people understand how we see digitalisation: as an opportunity to save time and money through simplified processes, and to appeal to new customers. Implementation will only work if we make full use of the Company’s potential. For us, digitalisation is part of organisational development – and above all that means working on our corporate culture.

## Can you give an example of such a simplified process?

Numerous documents are needed for a loan application – payslips, statements, confirmations and the like. These documents go to many different parts of the organisation – they are printed and scanned, forwarded by a sales team member to the risk manager, or to the back office functions that process the application. But in the end we only need the

verified information, and not the documents themselves. In the long term, these will be recorded just once and processed more effectively, so that they can be accessed quickly in order to make the necessary decisions. We are also thinking about links to public authorities in this regard. The important thing is that information processing is tamper-resistant and secure in terms of data protection.

## Digitalisation often goes hand in hand with job reductions. Is that a justified concern in this case?

It will be a transformation process. There will be fewer people putting data from forms or other sources into the system. But these will be replaced by new jobs that will require different skills, with a focus on customer benefits and profit.

## Does digitalisation represent a particular challenge for banks?

Yes, absolutely. Other sectors, such as the automotive industry, have shown us how standardisation and automation work. Insurance companies are also significantly more digitalised and innovative than banks. Access to technology has changed radically, and competition is increasing. Companies that adapt today will be ahead tomorrow.

## What is your appraisal of fintechs – start-ups that often steal a march on banks with innovative technology?

Of course, really good fintechs can be competitors, and much more so for purely digital banks. For us, the new solutions that are popping up represent an opportunity to offer certain services that are too expensive for us in partnership with fintechs and still maintain customer loyalty. ■



The foyer of the 115sqm branch catches the eye with its warm colours and natural materials.

# A space for life decisions

**NEW ARCHITECTURAL CONCEPT.** HYPO NOE Landesbank is redesigning its advisory services – and branch makeovers are part of the process. First in line was the Stockerau branch.

While some start-ups and banks are offering pure online banking, HYPO NOE Landesbank is pursuing a different strategy: the Bank is expanding its range of digital services (see page 16), and at the same time adapting its advisory services. “At the moment we are working on new, digital solutions that will reduce the administrative workload, for example with regard to housing construction loans. This should give customer advisors more time for areas such as

finance for people building their own homes, or retirement saving,” says Head of Organisation, IT & Operations Alexander Schaffer. The new architectural concept for the Bank’s branches creates attractive spaces for personal, forward-looking meetings with customers, and has initially been implemented at the Stockerau branch. With this design concept, HYPO NOE Landesbank wants to move away from the sometimes cold atmosphere in many bank branches. ■

“People often just need a smartphone to check their balance. But when they have to make life decisions, they want detailed advice. The aim of the new branch design is to go the extra mile in satisfying customer needs.”

Wolfgang Viehauser, Management Board Member Markets, Spokesman

## THREE QUESTIONS FOR... architect Christian Mang

### How did you approach the design for the branch in Stockerau?

We took our inspiration from the tourism sector, which creates feel-good spaces that help to attract guests. The target group we had in mind was people who have established careers and appreciate quality. We chose warm, earthy colours and natural materials. We decided the surfaces shouldn’t be too cold or too warm. It was also important for us to make a connection with the location. Since Stockerau is in the Weinviertel region, we selected objects by artist Fritz Gall related to the theme of wine.

### How is the branch laid out?

The foyer contains self-service machines, and the rest of the 40 square-metre entrance area is set up as a cosy waiting lounge. Behind this there is a team office and two meeting rooms with attractive wooden tables and indirect lighting – creating a great atmosphere for making important financial decisions in a relaxed setting. Now, the Stockerau branch does not have much in common with a regular bank branch.

### What was the biggest challenge?

Selecting the right materials and then finding suitable suppliers. For example, the concrete blocks for the stone-faced wall, and the old pine and spruce wood. That was something very special and exciting.

# Banking at your fingertips

**MOBILE STATE-OF-THE-ART.** HYPO NOE Landesbank combines personal advice with a range of smart digital solutions for private and business customers

In the digital age, customers are free to decide when, where and how they connect with their bank. When it comes to complex questions, personal contact is just as important as before. But thanks to smartphones, simple transactions are increasingly being carried out on the move. HYPO NOE Landesbank's range of digital apps and services reflect this trend.

**ZOIN: simple money transactions from smartphone to smartphone**

Transfer your share of the cost for mum's birthday present to your sister,

or give your godchild the money for the new video game they want to buy: the ZOIN payment function allows users of the HYPO NOE PLUS App to transfer money from one smartphone to another – quickly and without an IBAN. Users simply select the contact on their smartphone or enter a mobile telephone number. For amounts over EUR 25, a PIN (chosen by the user) must also be entered. The only requirement for making a transfer is that the recipient is also registered on ZOIN. Transfers are limited to EUR 400 per day and EUR 1,000 per week.

**HYPO NOE TAN APP: sign off transactions easily and securely.** HYPO NOE Landesbank offers users of its Mobile Banking App an alternative to the mobile TAN. The appTAN signing process can be easily activated via internet banking or on iOS and Android smartphones. This makes online banking transactions simpler, more flexible and more secure.

**HYPO NOE MOBILE BANKING APP: bank transactions on your mobile phone.** Quickly check your account balance on the move, or make a transfer when you are on the train: the HYPO NOE Mobile

Banking App for smartphones puts banking at your fingertips. It is available free of charge for iOS and Android. Users initially log in with their online banking access details, and thereafter with a shortPIN or fingerprint – quickly and conveniently. The app's integrated Personal Finance Manager provides an overview of incoming and outgoing payments.

**THE HYPO NOE ELECTRONIC BANKING PLATFORM: the bank in your office.** Bank opening times are a thing of the past: HYPO NOE's free Home Banking Platform (HBP) lets companies manage payments centrally, and take care of their cash management operations from their own office. Businesspeople can access all of their accounts in Austria using the e-banking service. HBP also offers a network structure to cover various sites and offices. Data can be stored offline in a local database. And the free Electronic Banking Hotline is there to help if something goes wrong. ■

A private matter: ZOIN enables cash transfers from smartphone to smartphone



Eco-friendly: HYPO NOE Landesbank uses electric vehicles.

# Responsible operations, responsible funding

**CORPORATE SOCIAL RESPONSIBILITY.** An anti-corruption programme, strict sustainability criteria for lending, workplace health promotion and an electric vehicle policy: HYPO NOE Landesbank has implemented a range of measures to ensure it meets its responsibilities to society, the environment, and its investors and employees.

Anyone who steps into one of the offices at HYPO NOE Landesbank's St. Pölten headquarters and thinks they have suddenly walked into a gym might not necessarily be far off the mark. Several times a year, a group of staff gather in one of the rooms to practise relaxation exercises under the expert instruction of a yoga teacher. The course is just one of the many sports and fitness programmes available to HYPO NOE Landesbank employees as part of the Group's workplace health promotion efforts. Staff of the state-owned bank also meet

to run together, play football and golf, and go skiing.

**Burnout prevention.** The HYPO NOE Group works with employee service Consentive to counter the risk of stress and overwork. Consentive provides free, anonymous advice and support to Bank employees facing professional or private difficulties. As a responsible employer, HYPO NOE Landesbank also places a strong emphasis on personal development and training. In 2018, HYPO NOE Group employees completed a total of 2,646 days of training. »

**HYPO NOE REGIONAL SPARBUCH**  
The HYPO NOE Regional Sparbuch savings account offers customers security and attractive interest rates. But the product also creates sustainable added value for the region, as HYPO NOE Landesbank uses deposits to finance housing construction projects in Vienna and Lower Austria. At the end of 2018, the total volume of financing amounted to more than EUR 84m.

**DID YOU KNOW...**

**...that HYPO NOE Landesbank introduced a comprehensive sustainability programme as early as 2013?**

Six years ago, HYPO NOE Landesbank initiated a sustainability drive that was subsequently rolled out to the whole Group. The Group has published an annual sustainability report since 2014. This report is prepared in accordance with the Global Reporting Initiative (GRI) guidelines

**...that HYPO NOE Landesbank uses 100% renewable electricity?**

The Group's headquarters in St. Pölten, and all of HYPO NOE Landesbank's offices and branches, are supplied exclusively with renewable electricity. The Bank also generates its own solar power from photovoltaics.

**...that all branches have been wheelchair-accessible since 2017?**

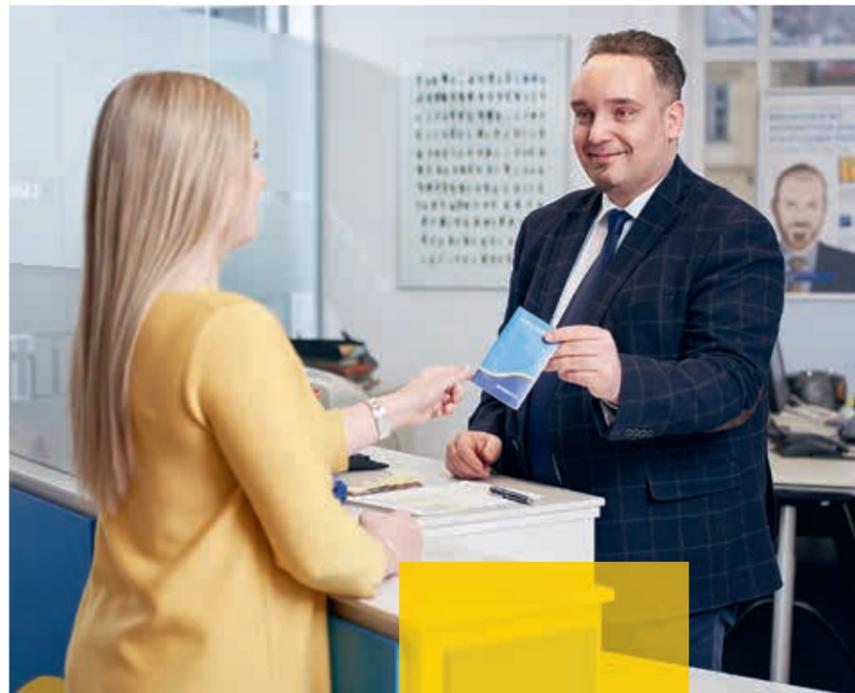
HYPO NOE Landesbank is committed to providing safe and secure access to services for all customers, and to prevent discrimination against people with disabilities. To ensure this, the bank drew up an action plan for its branches. All branches (there are currently 27) have been wheelchair-accessible since the end of 2017.

**...that HYPO NOE Landesbank uses climate-friendly transportation?**

HYPO NOE Landesbank's vehicle fleet includes four electric cars. The Bank aims to increase the proportion of e-vehicles in its fleet in the coming years. The car park at the Group's headquarters currently has six free fast-charging points, one of which is available to customers and event guests.

**...that HYPO NOE Landesbank has been named one of Austria's flagship companies?**

Independent cross-sector business network Leitbetriebe Austria uses strict criteria to recognise Austrian companies that focus on sustainable success rather than short-term profits. HYPO NOE Landesbank is one of 70 Lower Austrian businesses that have been awarded its certificate.



**HYPO NOE Landesbank utilises funds deposited by its customers to finance sustainable projects, such as non-profit housing.**



**Anti-corruption an integral part of training.** The HYPO NOE Group has clear internal anti-corruption guidelines that form part of the Group's compliance rules. Every new HYPO NOE employee is obliged to attend an online compliance and anti-money-laundering training course within four weeks of joining the Group, as well as annual refresher courses.

**Sustainable business practices: a key pillar of our operations.** A strong sense of responsibility is fundamental to our interactions with investors and customers, as well as with society and the environment: doing business sustainably has been central to our business model since 1888. "Banks can play a significant role in social and

environmental development," says Management Board Member Finance, Risk & Operations Udo Birkner. "To us, sustainable finance means making a contribution to regional value creation, prioritising projects that add value to society, and being a responsible employer."

**Ethical exclusion criteria for finance.** HYPO NOE Landesbank set out clear ethics guidelines and business principles for financing and investment many years ago. These include positive and negative criteria. Positive criteria help the Bank to promote activities that it believes generate the greatest possible benefit for society. In this regard, the Bank has been committed to supporting

# Star pupil in sustainability

**COMPREHENSIVE RATINGS.** In addition to its issuer and covered bond ratings, the bank for Lower Austria carries out evaluations that take environmental, social and economic factors into consideration. These efforts are reflected in excellent sustainability ratings.



ISS-oekom awarded HYPO NOE Landesbank a C rating with Prime status in 2018. This attests to the Bank's outstanding engagement with environmental and social issues.



Sustainability agency rfu renewed HYPO NOE Landesbank's rfu qualified status with a ba rating in 2018. Only top businesses are granted such status and included by rfu in its investment universes.



The Bank's ratings from imug are also testament to the success of its sustainability strategy. imug categorises HYPO NOE Landesbank as an issuer in the savings bank sector, which includes provincial banks and mortgage institutions. The Bank ranks third among its 32 peers in this group, and 19th in the complete ranking of 186 institutions.

non-profit housing for years, and in 2018 alone provided EUR 260m of funding for this segment (see page 20). Sustainable energy and environmental protection projects are another focus. Finance for nuclear power, arms deals and countries engaged in armed conflict is excluded. The Group's ethical guidelines also form part of the internal treasury policy, allowing exclusion criteria to be even more closely aligned with environmental and social risks in the future.

**Reducing the Group's environmental footprint.** As the bank for the state of Lower Austria and one of Austria's flagship businesses, the HYPO NOE Group not only believes it has an obligation to finance climate

protection projects, but also wants to take action itself. Therefore, the Group presents its environmental footprint transparently and puts targeted measures in place to reduce it. For instance, state-of-the-art energy efficiency methods were applied in the design of the Group's head office,

which has its own photovoltaic array generating green electricity. In 2018, the array produced over 36,000 kilowatt hours of power. And HYPO NOE Landesbank is also building a vehicle fleet for the future by gradually switching to low-emission vehicles. ■

**"To us, sustainable finance means making a contribution to regional value creation, prioritising projects that add value to society, and being a responsible employer."**

**Udo Birkner, Management Board Member Finance, Risk & Operations**

# EUR 260m for affordable living

**HOUSING ASSOCIATIONS.** Last year alone, HYPO NOE Landesbank provided EUR 260M in funding for sustainable housing projects – out of conviction, and because the market in Vienna and Lower Austria is booming.



Michael Swoboda,  
Head of Housing  
Development

Lower Austria holds the top spot when it comes to the increase in non-profit housing development: between 2010 and 2017, the number of newly built subsidised apartments in the state rose from 2,500 to 4,200. “Many people want to move away from Vienna to the outer suburbs for cost reasons. And the demand for affordable living space in towns like Wiener Neustadt, Krems and St. Pölten remains strong,” comments Michael Swoboda, head of Housing Development at HYPO NOE Landesbank.

**Thinking outside the box.** HYPO NOE Landesbank supplied EUR 260M in funding for non-profit housing development projects in 2018 alone, with Lower Austria and Vienna accounting for the lion's share of the total. The Bank has also recently extended its exposure to Styria and neighbouring Upper Austria, where a vibrant economy has also buoyed the residential property market.

**Innovation hub.** “Housing is a mainstay for a regional bank – after all, everyone needs a place to live. And strict criteria mean that the not-for-profit sector creates high-quality, energy-efficient, affordable homes, which in turn makes for social equality. We'd like to do our bit for that,” Swoboda emphasises. Housing association building also frequently leads the way in innovative, sustainable solutions, such as using straw for insulation, he notes.

As a financier, HYPO NOE Landesbank has reaped the benefits of its solid, long-term partnerships with non-profit housing associations. Swoboda also sees business opportunities in the private customer segment: “In many cases, residents of rental apartments owned by housing associations can buy the property after ten years.”

Although subsidised housing construction is still growing – albeit modestly – there has recently been criticism from some quarters: Michael Neubauer of NOE Immobilien Development GmbH pointed out that many local authorities do not have the necessary infrastructure, such as nursery schools, to cope with the influx from the large conurbations. And Karl Wurm of the GBV (Austrian Federation of Limited-Profit Housing Associations) warned that the annual nationwide shortfall of 7,000 affordable apartments is set to grow. He attributed this to higher construction and land costs, and the expected rise in interest rates.

The City of Vienna recently responded to higher land prices with new legislation, which will require two-thirds of newly zoned building land to be made available for subsidised housing. Swoboda believes that assuring the continued construction of affordable, quality housing will demand a wide-ranging rethink. “We will have to reconsider the question of how tall new properties can be, for example. This is a very contentious issue in urban development at the moment.” ■



The new facility in the centre of Krems comprises 89 apartments – from single-person properties to two-storey maisonettes.

## Multigenerational housing

**IN THE HEART OF KREMS.** A new non-profit housing association development is currently taking shape on Kasernstrasse in Krems. It will soon be home to people of various generations, including elderly residents who require day-to-day assistance.

Construction machinery is still in operation, but the first residents are due to move into the complex in spring 2019. Gemeinnützige Donau-Ennstaler Siedlungs-Aktiengesellschaft (GEDESAG) is currently building 89 housing units and an office, with a combined gross area of 4,898 square metres (sqm).

**Seniors at the heart of things.** “For me, the most exciting aspect of this project is that senior citizens will be living in the centre of Krems, not somewhere out in the sticks,” comments Michael Swoboda, who heads HYPO NOE Landesbank's Housing Development Department. A total of 25 apartments are earmarked for assisted living. The elderly tenants live on their own, but employees of the Hilfswerk Niederösterreich charity are on hand if they need help with shopping or travelling to

doctor's appointments, or would like to receive food from the meals on wheels service.

The remaining 64 apartments will be sold. The properties range from 53sqm single-person apartments to family-sized four-bedroom flats and two-storey maisonettes.

The development costs totalled EUR 16m, with HYPO NOE Landesbank contributing EUR 7m by way of a mortgage loan. The State of Lower Austria extended a housing construction loan of EUR 8m, and the residents' capital will cover the remainder of the building costs.

**Bright and leafy.** Some properties have their own garden or balcony, there is also a rooftop terrace and residents will have access to public green spaces. Architect Christian

Mang, who also designed the new-look HYPO NOE Landesbank branch (see page 15), won the contract for the project with his clearly structured floor plans, light-filled spaces and covered pergolas. Lifts ensure barrier-free access to all apartments. ■

**“The budgets for non-profit housing construction are always tight. Nevertheless, I tried to design the kind of development I would like to live in myself.”**

Christian Mang, architect

# Modern maternity centre in Lower Austria's "birthing capital"

**HIGH-TECH MEDICINE.** It is one of the largest construction projects that Lower Austria has seen in recent years: the modernisation of both sites of the Baden-Mödling state hospital, which were inaugurated in Mödling in April 2018.

A brand new clinic with three pavilions was built on the site of Mödling Hospital.



A brand new clinic with a gross floor area of just under 51,000sqm, three pavilions, 338 beds and five modern operating theatres has sprung up in Mödling over the past few years. The construction costs were around EUR 194m. At the opening ceremony the town's mayor, Hans Stefan Hintner, expressed his relief that "the years of tinkering with the old building, the constant alterations and extensions, have now been consigned to the past."

Now, Lower Austria's "birthing capital" – with over 2,200 deliveries per year – is home to a state-of-the-art clinic for mothers and children, which will treat expectant mothers, newborns and children

up to the age of 18. The hospital will also specialise in neurology and orthopaedics.

## High-tech and strict hygiene standards.

"From a construction and operational viewpoint, hospitals are the most complex facilities to build and run," says Christian Koch, who heads up the Public Finance Department at HYPO NOE Landesbank. This is mainly due to the need for high-tech equipment and high hygiene standards. Working on behalf of the State of Lower Austria, HYPO NOE Leasing GmbH looked after the lease financing for the hospital, which is located to the south of Vienna, and took on the entire commercial management of the project – from the commissioning of architects and construction firms through to payment processing and managing bank guarantees.

The Baden site, with 443 beds, six operating theatres and a gross floor area of 64,000sqm, opened two years earlier, in September 2016. Built at a cost of EUR 190m, the hospital focuses on acute and trauma surgery. The HYPO NOE Group also provided the lease financing for this facility. ■

**"From a construction and operational viewpoint, hospitals are the most complex facilities to build and run."**

Christian Koch, Head of Department, Public Finance

# An equal partner to the public sector

**RELATIONSHIP BANKING.** The public sector is facing major challenges when it comes to providing infrastructure for citizens and businesses. With a view to forging long-term partnerships, HYPO NOE Landesbank supports local authorities during this process, offering them tailor-made solutions. This requires constant training and development for our relationship managers.

COMMENTS BY CHRISTIAN KOCH, HEAD OF THE PUBLIC FINANCE DEPARTMENT



Christian Koch, Head of the Public Finance Department

The problem facing local authorities and federal states that want to package themselves as attractive locations is providing infrastructure for residents and companies. The necessary funding from the public sector is subject to a strict regulatory framework. The Maastricht rules, under the 2012 stability pact agreed by the federal government, state governments and municipalities along with the budget contributions of the various territorial authorities, and high social transfer payments play a key role.

In addition, an amended "Voranschlags- und Rechnungsabschlussverordnung" (Budgeting and Accounts Order) will come into effect on 1 January 2020. This means that local authorities will switch from single-entry public sector accounting to a system of budgeted profit, financing and expenses, which will result in additional organisational and staff costs. HYPO NOE Landesbank is taking appropriate steps in preparation for this significant change in the accounting regulations.

**"HYPO NOE Landesbank sees itself not just as a lender, but also as a partner and adviser to the public sector."**

Christian Koch

**All-inclusive models for public sector construction.** As a leader in financing solutions for Austria's public sector, HYPO NOE Landesbank not only offers conventional funding models, but also a bespoke all-inclusive solution: local authorities have a single build-finance-operate partner. This model looks at properties from a full-life-cycle perspective. The construction costs and completion date are guaranteed, as are the operating costs for a specified period. Great care is taken to involve local business. The key benefit of this approach is that construction cost overruns can be avoided, and unforeseen operating expenses do not put exceptional pressure on budgets.

**Back to school with local authority employees.** HYPO NOE Landesbank sees itself not just as a lender, but also as the kind of partner and adviser to the public sector implied by true "relationship banking". This means that the Bank must have insights into how local authorities operate and what their needs are. For this reason, we prioritise continuing professional training and development for our relationship managers. They attend courses in public administration at the Danube University Krems, as well as courses offered by the Lower Austria Community Management Academy. HYPO NOE Landesbank also stages specialist events for local authority employees in tandem with the Academy. ■

# From small firms to large groups

**GAINING GROUND.** The Corporate Customers business expanded rapidly in 2018, and new business increased. Two departments were merged and staff split into three specialised teams.

What do Lower Austrian entrepreneurs want to find out at HYPO NOE Landesbank's information events? "Lots of things that you wouldn't expect at first glance," says Markus Pieringer, Head of the Corporate Customers business segment. For instance, some want to know about the outlook for the yen. As Pieringer points out: "Lower Austrian and Viennese businesses aren't just the biggest in Austria, they are highly export-oriented and don't focus exclusively on Europe."

This is why HYPO NOE Landesbank is looking to grow its export finance business. By means of Kontrollbank credit lines (KRRs), the Bank can extend operating loans at competitive interest rates for companies to finance their export business. Working on behalf of the Austrian government, Oesterreichische Kontrollbank assumes liability for up to 80% of the associated risk.

**"Lower Austrian and Viennese businesses aren't just the biggest in Austria, they are also highly export-oriented."**

Markus Pieringer

## On track for growth thanks to new structure.

Corporate Customers' total revenue also increased during the reporting period. "In 2018 alone, we generated new business worth more than a quarter of a billion euros," Pieringer explains proudly. The Retail and Corporate Customers segment currently accounts for around 13% of the HYPO NOE Group's total assets, or EUR 1.8bn. HYPO NOE Landesbank supports corporate customers of various sizes operating in a range of different industries. Around two-thirds of them are based in the Group's core market of Lower Austria and Vienna.

The driving force behind the growth in the business was the merger of the Large Corporates and SME Departments. "The reorganisation enabled us boost efficiency, and we didn't have to lay off a single employee," Pieringer says. The 25-strong team is split into three departments: Structuring and Products (including specific business subsidies such as European Recovery Program loans and export financing), Large Corporates and Corporate Customers Austria.

Just like his colleagues from other departments in the Group, Pieringer hopes that digitalisation will have a positive impact: "Next year we will plough a lot of investment into further improvements to our corporate electronic banking system." ■



HYPO NOE Landesbank is HAZET Bau's finance partner on the Karrée Korneuburg project.

# Striking out on new paths together

**HAZET BAU.** HYPO NOE Landesbank has been working closely with the Vienna-based construction company for many years.

Viennese construction company HAZET Bau has been developing and renovating properties for private and public sector clients for more than 90 years. In the Austrian capital, its project portfolio includes landmark buildings such as Palais Coburg and the Generali Tower.

In the Lower Austrian town of Korneuburg, HAZET Bau took less than two years to complete the Karrée Korneuburg development, which comprises three residential towers with 71 apartments, as well as office and retail space. The company has received numerous awards in recognition of its professionalism, and is a two-time winner of the Vienna construction guild's Urban Renewal Award.

The company was set up in 1927 as Hoch und Tiefbau Ing. Hans Zehethofer. It was re-established in 2015 under the current majority shareholder Bau-service Beteiligungen Ges.m.b.H. The company, along with its modern construction plant, has been located in Vienna's 23rd district since 2017.

**In-depth collaboration.** Markus Pieringer, Head of the Corporate Customers Division at HYPO NOE Landesbank, on the relationship with HAZET Bau: "We collaborate closely, and the personal relationships are very strong. Our Bank supported the company's re-establishment in 2015, and we also act as the finance partner for construction projects like Karrée Korneuburg." ■



HAZET Bau's headquarters in Vienna's Liesing district is also home to a modern vehicle fleet.

# Opportunities for young artists and talented athletes

**DEDICATED TO SUPPORTING SOCIETY, SPORTS AND THE ARTS.** When it comes to sponsorship, HYPO NOE Landesbank meets its social responsibilities by supporting a wide range of activities. As with typical business relationships, the emphasis is on long-term, local partnerships that have a lasting impact.

## artconnection: spotlight on architecture

High above the rooftops of St. Pölten, the Panoramasaal hall at HYPO NOE Landesbank offers stunning views. But last September there was much more to see: an exhibition by artist Simona Reisch (born in 1985) held as part of HYPO NOE's artconnection programme drew a large audience. The Viennese artist's "architectural archive" of three-dimensional collages and sculptures caught visitors' imaginations. Reisch's work skilfully combines cut-outs from photographs of buildings to create a new, utopian architecture that is freed from the constraints of structural engineering and the townscape. "Young artists rarely have the opportunity to display a broad spectrum of their work. Many pieces remain hidden, they get pushed out of sight," said a delighted Reisch, speaking about her big chance. HYPO NOE Landesbank plans to turn the spotlight on other young artists like Simona Reisch as part of its art sponsorship programme.



Artist Simona Reisch is glad of the opportunity presented by artconnection.



Batoul Kollieh (pictured with Management Board member Wolfgang Viehauser) has been receiving support on the way to obtaining her school-leaving qualifications.

## Lower Austrian START scholarship: paving the way for successful integration

START is a school scholarship programme designed to enable hard-working young people with migrant backgrounds to obtain their school-leaving qualifications. Besides financial support, the selected pupils also receive basic IT equipment, as well as access to a range of educational and advisory services. In 2018 HYPO NOE Landesbank hosted the presentation ceremony for the latest recipients of the scholarship. Like several other high-profile Lower Austrian companies, HYPO NOE Landesbank is doing its bit to support a female student as she works towards her school-leaving certificate.

## Caritas Lerncafé: giving young people a brighter future

Education is the key to opening up better prospects. And Caritas runs Lerncafés ("Learning Cafés") at various locations in order to give disadvantaged children and young people the assistance they need. The boys and girls who come to the cafés can get help with their homework and learning. In 2018 HYPO NOE Landesbank supported the Learning Café in Wiener Neustadt.

## Beach Volleyball World Tour: let's party in Baden

The eyes of the beach volleyball world were on Baden from 13–17 June. The town's debut on the World Tour circuit drew thousands of fans, who got their full money's worth – with selfies and autographs included – and really rocked the town's spa.

The FIVB World Tour is a series of international beach volleyball tournaments. Three home teams made it to the finals in 2018. Katharina Schützenhöfer and Lena Plesiutschnig took silver in the women's doubles. In an all-Austrian men's final, Clemens Doppler and Alexander Horst won gold with victory over Julian Hörli and Tobias Winter – the top stars and HYPO NOE Landesbank standard bearers living up to their role as tournament favourites. It was the crowning highlight of the event. HYPO NOE Landesbank is one of Lower Austria's biggest sports sponsors, and backs clubs and athletes in a variety of disciplines.



Podium place: HYPO NOE Landesbank is one of Lower Austria's biggest sports sponsors.

**"Our sponsorship activities are designed to associate HYPO NOE Landesbank with top-class achievements – and at the same time strengthen our corporate culture."**

Petra Skala, Head of Marketing & Sponsorship



Sporting effort in aid of sick children

## Schönbrunn Zoo Run: giving sick children a better life

This year, HYPO NOE Landesbank sponsored the Schönbrunn Zoo Run in Vienna for the first time. The proceeds from this unique event are divided equally between PH Austria, which runs an initiative focused on children with pulmonary hypertension and promotes research into the condition, and Schönbrunn Zoo. Pulmonary hypertension is an incurable disease of the lung arteries. The proceeds from the Zoo Run and the related donation from HYPO NOE Landesbank are intended to help improve the quality of life of the affected children and their families a little.

## Garten Tulln: unrivalled in Europe

The Lower Austrian Garden Show in Tulln grew out of the traditional flower parades held in the town, which go back to 1954. Europe's first and only eco-friendly garden exhibition boasts 65 display gardens and a host of other attractions. Across the entire site, gardeners adhere closely to the rules established by the State of Lower Austria's "Natur im Garten" initiative, which encourage the avoidance of pesticides, chemical and synthetic fertilisers, and peat.



Palais Niederösterreich provided the eye-catching backdrop for the 2018 HYPO Invest Club.

# Digitalisation is no substitute for customer affinity

**HYPO INVEST CLUB 2018.** Bags of experience and an eye on the future: in 2018, HYPO NOE Landesbank's 130th anniversary set the tone for the annual gala event for customers and partners.

In their opening address to the 250 or so guests who gathered at Palais Niederösterreich in Vienna, the Management Board members emphasised that banks have a long history, and also a future. They also underlined the importance of recognising customers' needs. In addition, online banking is the rule nowadays, so app-based payment services are essential.

**"We should be aiming for humanistic digitalisation."**

Matthias Horx, future researcher

emphasised. Every trend prompts countertrends; for instance, globalisation leaves people longing for home, Horx commented. In his view, the secret is understanding this recurring phenomenon.

#### Trends and countertrends.

German future researcher Matthias Horx gave the audience food for thought and discussion.

"Among other things, future research is about getting to grips with mistakes," the founder of the Zukunftsinstitut

#### Value-added the key to success for "bank 4.0".

The researcher sees a similar development in the digitalisation process. Now people are starting to ask themselves "what problems social media and the like can cause. People only truly learn from mistakes, and culturally adapt certain technologies to their own needs." For "bank 4.0", he believes that "creating added value" is the key. Digitalisation makes sense if it generates benefits, empowers people and brings meaning to their lives. "We should be aiming for humanistic digitalisation," Horx argued.

#### Close to customers – in person and digitally.

In the opinion of HYPO NOE Landesbank's Management Board, serving clients in Lower Austria and Vienna effectively over the next 130 years will require proximity to customers on both a personal and a digital level. Banking will look different in ten years' time; that was also the case a decade ago. Addressing customers effectively through its products and people – remains the Group's raison d'être. ■



# Ötscherbach

#### LIKE THE GRAND CANYON, ONLY GREENER

The Ötscherbach river and its canyons: admittedly not as deep or long as its American counterpart, but just as beautiful. Foaming waterfalls, breathtaking rock formations, romantic reflections on the water and narrow, winding paths captivate every fan of hiking. Bears are a rare sight in Lower Austria's largest nature reserve, but vintage train enthusiasts can take a ride on one: the elegant Ötscherbär ("Ötscher bear") dates back to 1910, and every Saturday during the summer it makes the trip from St. Pölten to the Ybbstal Alps.



# Consolidated statement of comprehensive income

(excerpt)

**STRONG RESULTS.** In 2018, the HYPO NOE Group reported profit before tax of EUR 48.0m – above the average for the past few years.

## Net interest income

Although interest rates remained low, the HYPO NOE Group's net interest income rose by 2.8% in 2018, to EUR 111.9m. This was driven by higher interest income from the leasing business and further improvements in the refinancing structure.

## Net other operating income

"Net other operating income" totalled EUR 9.8m. This mainly reflects the sale of a property in Vienna (in line with the change in the Bank's branch concept) and the recognition of various provisions.

## Impairment losses/gains on financial assets – IFRS 9 ECL

Strong net gains of EUR 10.6m underlined the continuing improvement in asset quality, due in particular to the effectiveness of workout management. The NPL ratio fell to 1.4% at the end of the reporting period.

Profit or loss (EUR '000)	2018	2017 *	Change
<b>Net interest income</b>	<b>111,933</b>	<b>108,861</b>	<b>3,072</b>
<b>Net fee and commission income</b>	<b>14,791</b>	<b>15,381</b>	<b>-590</b>
<b>Net gains or losses on financial assets and liabilities</b>	<b>14,233</b>	<b>N/A</b>	<b>N/A</b>
Net trading income	N/A	-509	N/A
Net gains or losses on available-for-sale financial assets	N/A	-163	N/A
Net gains or losses on financial assets designated as at fair value through profit or loss	N/A	57	N/A
Net gains or losses on hedges (hedge accounting)	N/A	-5,369	N/A
<b>Net other operating income</b>	<b>9,753</b>	<b>30,523</b>	<b>-20,770</b>
Administrative expenses	-112,772	-115,806	3,034
Impairment losses/gains on financial assets – IFRS 9 ECL	10,590	N/A	N/A
Net gains or losses on investments accounted for using the equity method	-534	-3,311	2,777
<b>Profit before tax</b>	<b>47,992</b>	<b>38,764</b>	<b>9,228</b>
Income tax expense	-11,548	-9,658	-1,890
<b>Profit for the year</b>	<b>36,444</b>	<b>29,106</b>	<b>7,338</b>

\*The previous year's figures include restatements in accordance with IAS 8, which resulted in a EUR 1.1m reduction in equity. (Further details are provided in Note 2 Accounting standards in the 2018 annual report.)

## Net fee and commission income

Combined "Net interest income" and "Net fee and commission income" – the two most important earnings components – improved in 2018. "Net fee and commission income" was roughly unchanged year on year, at EUR 14.8m. The minor decrease was chiefly due to non-recurring income from securities services in 2017.

## Administrative expenses

"Administrative expenses" fell once again in 2018, by 2.6% to EUR 112.8m. This decrease in successive reporting periods reflects systematic implementation of the Group-wide "Zukunftsfut 2020" efficiency programme. Organisational structures were further streamlined last year. The Management Board was reduced to two members, and the Group also continued to optimise processes and its business model.

## Profit before tax

Profit before tax in 2018 was above the long-term average and rose sharply, by 23.8%, to EUR 48m. In parallel, the return on equity jumped by more than one percentage point to 7.0%.

Application of IFRS 9 resulted in the introduction of new measurement categories for financial assets and liabilities. Paragraphs 4 and 5 of the standard, in particular, contain extensive changes as compared to IAS 39. Consequently, the results from the reporting period are not comparable with those of the preceding year.

# HYPO NOE Group statement of financial position

**OUT IN FRONT.** With total assets of EUR 14.1bn at 31 December 2018, the HYPO NOE Group is one of Austria's biggest "Landesbanken" (state banks).

## Financial liabilities – AC

This item includes savings, demand and time deposits as well as debts evidenced by certificates. It highlights the balanced refinancing structure that the Group has built up over the past few years. Covered bonds and other bonds account for EUR 7.6bn of the total of EUR 12.1bn. The remaining EUR 4.5bn is attributable to deposits, which have increased significantly since 2013.

## Total assets

The HYPO NOE Group's total assets decreased by 1.8% to EUR 14.1bn over the course of 2018. This was mainly due to the conclusion of alternative long-term capital market transactions and the related decrease in deposits, which brought about the planned reduction in financial assets and liabilities.

Assets (EUR '000)	31 Dec. 2018	31 Dec. 2017	*	1 Jan. 2017
Cash and balances at central banks	417,130	456,197		164,587
Financial assets – HFT	428,983	N/A		N/A
Assets held for trading	N/A	476,252		555,293
Financial assets – mandatorily FVTPL	262,475	N/A		N/A
Financial assets designated as at fair value through profit or loss	N/A	19,474		20,340
Financial assets – FVOCI	760,216	N/A		N/A
Available-for-sale financial assets	N/A	1,594,189	*	1,967,148
Financial assets – AC	11,640,675	N/A		N/A
Loans and advances to banks	N/A	860,821		998,347
Loans and advances to customers	N/A	10,230,232		10,854,932
Risk provisions	N/A	-75,270		-97,462
Positive fair value of hedges (hedge accounting)	377,134	405,229		483,215
Investments accounted for using the equity method	23,148	24,225	*	29,922
Investment property	39,608	41,382		54,117
Intangible assets	755	932		918
Property, plant and equipment	66,779	69,672		77,525
Current tax assets	12,147	20,659		20,333
Deferred tax assets	-	4,076		1,443
Other assets	31,013	226,827		261,393
Non-current assets held for sale (IFRS 5)	-	12,287		-
<b>Total assets</b>	<b>14,060,065</b>	<b>14,367,184</b>		<b>15,392,051</b>

Equity and liabilities (EUR '000)	31 Dec. 2018	31 Dec. 2017	*	1 Jan. 2017
Financial liabilities – HFT	391,428	N/A		N/A
Liabilities held for trading	N/A	432,716		502,954
Financial liabilities – FVO	3,500	N/A		N/A
Financial liabilities – AC	12,106,624	N/A		N/A
Deposits from banks	N/A	974,918	*	1,462,298
Deposits from customers	N/A	4,049,846		3,847,855
Debts evidenced by certificates	N/A	7,283,886	*	7,698,831
Negative fair value of hedges (hedge accounting)	665,173	705,616		793,697
Provisions	58,711	40,908		50,155
Current tax liabilities	13,574	19,349		20,127
Deferred tax liabilities	27,696	43,371	*	36,955
Other liabilities	128,507	139,845		129,430
Supplementary capital	1,453	1,453		202,381
Equity	663,398	675,276	*	647,368
Equity attributable to owners of the parent	655,420	666,891	*	638,949
Non-controlling interests	7,978	8,385		8,419
<b>Total equity and liabilities</b>	<b>14,060,065</b>	<b>14,367,184</b>		<b>15,392,051</b>

\*The previous year's figures include restatements in accordance with IAS 8, which resulted in a EUR 1.1m reduction in equity. (Further details are provided in Note 2 Accounting standards in the 2018 annual report.)

## Cash and balances at central banks

"Cash and balances at central banks" fell year on year due to action taken to shrink short-term excess liquidity.

## Financial assets – AC

Loans extended account for EUR 10.9bn of the total reported under this item. "Financial assets – AC" rose by 2.4% compared to 1 January 2018, reaching EUR 11.6bn. This primarily reflects the growth in new lending during the year.

## Equity

Although first-time application of the new IFRS 9 resulted in a 0.7 percentage point dip, Group equity was up by 4.1% at year-end, at EUR 663.4m, compared with 1 January 2018. Thanks to the Group's strict risk policies, the risk-weighted exposure to credit risk dropped to EUR 2.7bn at the end of 2018. The robust Tier 1 capital (CET1) ratio strengthened further, reaching 21%.

Application of IFRS 9 resulted in the introduction of new measurement categories for financial assets and liabilities. Paragraphs 4 and 5 of the standard, in particular, contain extensive changes as compared to IAS 39. Consequently, the results from the reporting period are not comparable with those of the preceding year. For this reason, 1 January 2018 is used as the comparative date for a number of items in the statement of financial position.

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The cover shows a view of the Semmeringbahn railway.

**Important information:** The greatest possible care has been taken in preparing this magazine supplement. 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 this supplement are based on current estimates and information available at the time it was compiled. 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 supplement is definitive. The English version is a translation of the German supplement. Formulations referring to people are intended to be gender-neutral. This supplement should be read in conjunction with the 2018 annual report.

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