

HYPO NOE Group with further improvement in results despite continuing challenges in 2021

Highlights 2021

- Operating result increases further to EUR 64.9 million (+5.4% vs. 2020)
- Continued strong core earnings as a basis: net interest income +8.7% vs. 2020, net fee and commission income +8.6% vs. 2020 despite the difficulties involved in personal financial advice due to Covid-19
- Administrative expenses down 3.2%, CIR further reduced to 52.14% as at 31 Dec. 2021
- Profit before tax significantly increased to EUR 54.2 million (+31.8% vs. 2020)
- NPL ratio stabilised at a low level of 0.85% as at 31 Dec. 2021 (31 Dec. 2020: 0.78%), risk provisions (ECL) in the performing portfolio increased again to 137 bps of RWA (vs. 136 bps in 2020)
- CET1 ratio at 31 Dec. 2021 at a high 19.35% above target level (31 Dec. 2020 17.92%)

Operating business remains strong

HYPO NOE Group reported a **profit before tax** of EUR 54.2m for 2021 (2020: EUR 41.2m) and a **return on equity (ROE)** before tax of 7.44% (2020: 5.91%). Despite ongoing business challenges, the implementation of the corporate development process "Focus 25" continues to proceed according to plan and is the basis of this strong business development. Higher earnings in the customer business and another decline in costs were the basis for the significant increase in earnings. As a result, **operating profit (before risk costs)** increased to EUR 64.9m, compared to EUR 61.6m in 2020.

In these challenging times, we not only succeeded in maintaining our good result from the previous year, but even improved on it. The performance of 2021 thus seamlessly follows the positive trend initiated with our corporate development process "Focus 25".

Wolfgang Viehauser

Management Board Member Markets and Speaker of the Board

The **cost-income ratio¹ (CIR)** further reduced to 52.14% (2020: 53.29%), with the extensive mapping of potential Covid-19 conditional effects in the ECL models remaining in full application.

¹ Operating expenses/operating income

Core earnings increased significantly by 8.7% to EUR 159.2m, after EUR 146.5m in the previous year. **Net interest income** - the most important income component - rose by 8.7% year on year to EUR 140.3m in 2021 (2020: EUR 129.2 million) despite the persistently low interest rate environment. Notwithstanding the difficulties involved in personal financial advice due to Covid-19, **net fee and commission income** also increased by 8.6% to EUR 18.9m (2020: EUR 17.4m). Successful co-operations with complementary products contributed to this, as did the ongoing expansion of multi-channel distribution. The ongoing efficiency improvements were consistently continued, so that **administrative expenses** were reduced once again by 3.2% to EUR 101.5m (2020: EUR 104.8m). The elimination of the financial stability contribution instalment and the now successfully completed restructuring of the former real estate services business had a positive effect. On the other hand, this was partly offset by higher contributions to the deposit insurance and resolution fund.

Continuation of prudent provisioning policy

After the Covid-19-related precautionary and preventive measures of the previous year, the **cost of risk** (ECL) of 2021 was noticeably lower at EUR -10.7m (2020: EUR -20.4m). Although the macroeconomic situation improved, the comprehensive methodology for mapping any possible effects from Covid-19 in the ECL models continued to be applied in the 2021 reporting period. In relation to risk-weighted assets (RWA), ECL provisions in the performing portfolio (Stage 1 & 2) were a very solid 137 bps as at 31 Dec. 2021. The Covid-19 related, statutory and voluntary deferral agreements - relative to the total outstanding loan amounts - were quasi-concluded at 0.00% of the AC portfolio at year-end 2021 (31 Dec. 2020: 0.85%).

During the pandemic, the resilience that comes from our business model itself became visible once again. Around four-fifths of our balance sheet is primarily accounted for by infrastructure and housing finance, which has always been highly resistant to external influences throughout the economic cycle. The NPL ratio attributable to these parts of our assets was only 0.06 percent as of 31 December 2021.

Udo Birkner

Management Board Member Finance, Risk & Operations

Stable new business

As the bank for the state of Lower Austria, it was again possible to provide vital funds for infrastructure projects, housing construction and corporate financing during the pandemic in the 2021 business year with **new lending** of around EUR 1.7bn (2020: EUR 1.7 bn). Financial assets were increased by 3.8% to EUR 14.9bn at year-end 2021 (2020: EUR 14.3bn). This increase is mainly reflected in the portfolio of financial assets at amortised cost (AC), whose share has risen to over 94% (2020: 92%). The FVTPL portfolio was further reduced in the 2021 financial year and now only amounts to 1% of financial assets.

Broad refinancing base 2021

The liabilities side of the balance sheet was characterised by slightly higher **financial liabilities - AC** at the end of the year (EUR 14.9bn; +4.5% vs. 31 Dec. 2020). The increase during the 2021 financial year is due in particular to the successful issuance of three benchmark bonds - in senior preferred as well as public and mortgage Pfandbrief format - but also to a slightly higher TLTRO III volume as a result of the additional special interest period by the ECB. In view of the currently higher tender volume, institutional deposits were temporarily decreased to reduced excess liquidity, so that **customer deposits** (excl. TLTRO III) were still at a high EUR 4.9bn as at 31 Dec. 2021 (31 Dec. 2020: EUR 5.0bn). Not least due to the inclusion of the ECB tender, the **balance sheet total**, as in the previous year, temporarily increased to EUR 16.8 billion at the end of the financial year (31 Dec. 2020: EUR 16.4 billion).

Maintaining a robust capital and risk profile

Applying the CRR relief in the form of the SME supporting factor, HYPO NOE Group at the end of the financial year reported a **Common Equity Tier 1 ratio (CET1)** of 19.35% as at 31 Dec. 2021 (31 Dec. 2020: 17.92%), well above the Austrian and European average². With this, HYPO NOE Group's capitalisation was above target, and a good 6.5 percentage points above the regulatory minimum requirement including SREP as at 31 Dec. 2021.

The **non-performing loan (NPL) ratio** was stabilised at a low level of 0.85% at the end of the financial year (31 Dec. 2020: 0.78%), with the **NPL coverage ratio** raised to the high level of 88.8% as at year-end 2021 (2020: 75.2%). Risk provisions (ECL) in the performing portfolio (Stage 1 & 2) were increased again with 137 bps of RWA in 2021 (vs. 136 bps in 2020), which underlines the conservative and risk-conscious credit profile with a focus on infrastructure and housing finance.

Outlook

In spite of the difficult operating environment, HYPO NOE Group improved on the previous year's results with a strong earnings performance, which again underlined the resilience of its business model. Regardless of the economic cycle, demand in the Group's core infrastructure and housing finance businesses has remained solid during the crisis, so core operations are expected to put in a robust showing once more in 2022.

In terms of the pandemic, uncertainty is set to persist, but the economy as a whole has proved to be significantly better placed to adapt to any potential lockdown measures than it was at the time of the Covid-19 outbreak. So far, economic forecasts for Austria and Germany - HYPO NOE Group's core markets - have been fundamentally upbeat.

² Austria: 14.30%; EU: 15.70% | Source: European Banking Authority (EBA), EBA Risk Dashboard | most recently available data: as of Sep. 2021 on 25 Feb. 2022

The strategy of HYPO NOE Group continues to be based on organic growth in its core business, the consistent expansion of digital solutions - above all in the mortgage financing area - and a further increase in profitability. This is to be achieved while maintaining a conservative capital and risk profile. The State of Lower Austria as the Bank's 100% owner with a long-term orientation ensures the consistent implementation of this strategy.

The complete Annual Report 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.

For further information, please contact the Investor Relations team:

☎ +43 590 910 4444 | investorrelations@hyponoe.at | ir.hyponoe.at/en

¹ By total assets (2020 consolidated financial statements) and date of establishment