

RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 31 March 2019

This quarterly results announcement by HYPO NOE Landesbank für Niederösterreich und Wien AG (hereafter referred to as the HYPO NOE Group) was prepared voluntarily and not in fulfilment of any obligation to do so. It does not meet all the requirements of International Financial Reporting Standards (IFRS), and was not drawn up in accordance with IFRS.

In particular, paragraphs 8(d) (condensed consolidated statement of cash flows) and 8(e) (selected explanatory notes) of IAS 34 were not fully applied. This announcement should be read in conjunction with the annual financial statements as at 31 December 2018.

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



Group financial highlights

EUR '000	31 Mar. 2019	31 Mar. 2018	31 Dec. 2018
Total assets	14,249,556	14,358,449	14,060,065
Total eligible capital in accordance with CRR/CRD IV	645,050	613,143	646,153
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	20.42%	19.42%	20.97%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR – fully loaded	20.42%	19.42%	20.97%
Total capital ratio in accordance with Art. 92(2)(c) CRR	20.42%	19.42%	20.97%
Total capital ratio in accordance with Art. 92(2)(c) CRR – fully loaded	20.42%	19.42%	20.97%
Return on equity (ROE) before tax	2.39%	1.35%	7.17%
ROE after tax	1.76%	1.08%	5.44%
CIR	60.28%	69.79%	66.96%
NPL ratio	1.39%	1.92%	1.42%

The intrayear indicators are annualised on a daily basis.

CONTENTS

Company profile	4
Financial review	5
Significant accounting policies	7
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
Consolidated own funds and regulatory capital adequacy requirements	11
Events after the reporting period	12

Company profile

Profile of the HYPO NOE Group

This quarterly results announcement by the HYPO NOE Group was prepared by the Group's parent, HYPO NOE Landesbank für Niederösterreich und Wien AG (hereafter referred to as HYPO NOE Landesbank), one of Austria's largest and oldest state government banks. Founded in 1888, it can look back on long traditions in the banking and financial services sector. HYPO NOE Landesbank is wholly owned by the State of Lower Austria, meaning that it rests on foundations of stable and dependable ownership. Based on a regional focus, closeness to customers and sustainability, HYPO NOE Landesbank's strategy has stood the test of time and the Bank remains strongly committed to it.

The HYPO NOE Group is principally active in its core market of Lower Austria and Vienna, as well as in the rest of Austria and selected countries in the neighbouring CEE region. The Group's aspiration and mission is to act as a secure and reliable partner to its public sector, real estate, retail and corporate clients. The product portfolio focuses on finance for hard and social infrastructure, as well as real estate and corporate customers, and commercial and non-profit housing developers. HYPO NOE Landesbank has 27 branches in Lower Austria and Vienna, serving more than 80,000 customers.

In May 2018 rating agency Standard & Poor's reaffirmed its solid A/A-1 ratings on HYPO NOE Landesbank, and upgraded its outlook to positive in view of the sustained increase in the Bank's capital. Moody's ratings on HYPO NOE Landesbank's public sector and mortgage cover pools are also unchanged at Aa1. In terms of sustainability, the Lower Austrian state government bank is among the best in the business. An ISS-oekom C rating with Prime status is testimony to Landesbank's exceptionally strong commitment to environmental and social concerns.

Group structure

As the parent company of a group that also includes HYPO NOE Leasing, HYPO NOE Landesbank predominantly serves large state and local government clients. The strategy of HYPO NOE Immobilien Beteiligungsholding and its subsidiaries and associates is geared towards providing services across the entire real estate management value chain. HYPO NOE Real Consult specialises in construction and property management, while HYPO NOE First Facility is a full-line facility management service provider.

Core market

HYPO NOE Landesbank's core market is one of the most dynamic regions in Austria. The combined Lower Austria and Vienna region is among the country's wealthiest in terms of per capita income and purchasing power, generating 41% of the nation's gross domestic product. Some 40% of Austria's population lives and works in Lower Austria and Vienna, and the fact that forecast population growth tops the national league table adds to the region's economic potential. Against this vibrant backdrop, HYPO NOE Landesbank is positioning itself as a strong partner for both the public sector and real estate, retail and corporate customers.

Financial review

Key developments in the first quarter of 2019

Earnings (IFRS)

Group profit before tax was up year on year, at EUR 3.9m (Q1 2018: EUR 2.2m).

Despite the continued low-interest environment, net interest income increased by EUR 2.0m to EUR 28.7m (Q1 2018: EUR 26.7m).

At EUR 4.7m, net fee and commission income beat the comparative period (Q1 2018: EUR 3.8m).

“Net gains on financial assets and liabilities” of EUR 1.3m mainly reflected the sale of a debt instrument.

Thanks to the unrelenting implementation of the efficiency programme, administrative expenses fell by 2.6% or EUR 1.0m relative to the like period in 2018, to stand at EUR 37.4m (Q1 2018: EUR 38.4m). Besides a decline in depreciation, amortisation and impairment to EUR 0.1m, this improvement was largely driven by reductions in staff costs and other administrative expenses of EUR 0.9m. As in the comparative period, in the first quarter of 2019 administrative expenses included the special stability contribution payment, as well as the contributions to the resolution and deposit insurance funds (totalling EUR 13.7m). It should be noted that IFRIC 21 required expensing all of the latter item in the first quarter of 2019, and there will be no further charges over the next three quarters.

“Net other operating income” was down year on year at EUR 4.9m.

The “Impairment losses/gains – IFRS 9 ECL” item was positive by EUR 2.0m.

The main factor behind net losses of EUR 0.2m on investments accounted for using the equity method was losses posted by an associate.

Changes in total assets and consolidated equity (IFRS)

The HYPO NOE Group’s total assets as at 31 March 2019 were slightly higher than at year-end 2018, edging up by EUR 0.2bn or 1.4% to EUR 14.2bn. Here, an increase of EUR 0.2bn in financial assets at amortised cost (AC) stood out.

Meanwhile, on the equity and liabilities side of the balance sheet, the most notable feature was the increase of EUR 0.1bn in “Financial liabilities – AC”.

As at 31 March 2019 IFRS consolidated equity including non-controlling interests was EUR 661.5m – down by only EUR 1.9m on year-end 2018 due to the dividend payment including minorities of EUR 3.5m.

Changes in consolidated own funds (CRR/CRD IV¹)

Regulation (EU) No 575/2013 (CRR), which came into effect on 1 January 2014, requires the calculation of figures for consolidated equity and the consolidated regulatory capital adequacy requirements in accordance with IFRS and with the regulatory scope of consolidation.

Consolidated eligible capital in accordance with the CRR was EUR 645.1m as at 31 March 2019 (31 Dec. 2018: EUR 646.2m). The own funds surplus as at 31 March 2019 was EUR 392.4m (31 Dec. 2018: EUR 399.6m), compared with an own funds requirement of EUR 252.7m (31 Dec. 2018: EUR 246.5m). The Tier 1 capital ratio in accordance with Article 92(2)(b) CRR and the total capital ratio in accordance with Art. 92(2)(c) CRR were 20.42% as at 31 March 2019 (31 Dec. 2018: both ratios 20.97%), and were identical to the fully loaded ratios (31 Dec. 2018: both fully loaded ratios 20.97%).

¹Capital Requirements Regulation (CRR) and Capital Requirements Directives (CRD IV)

Significant accounting policies

In all material respects, this quarterly results announcement by the HYPO NOE Group (HYPO NOE Landesbank für Niederösterreich und Wien AG Group) was drawn up in accordance with the same accounting policies as those applied to the IFRS consolidated annual financial statements for the year ended 31 December 2018.

The International Accounting Standards Board published the final version of IFRS 16 Leases in January 2016. First-time application of IFRS 16 by the HYPO NOE Group took place as of 1 January 2019. The effects of first-time application of IFRS 16 by the Group are immaterial.

This quarterly results announcement was drawn up voluntarily and not in fulfilment of any obligation to do so. It does not meet all the requirements of International Financial Reporting Standards (IFRS), and was not prepared in accordance with IFRS. In particular, paragraphs 8(d) (statement of cash flows) and 8(e) (selected explanatory notes) of IAS 34 were not fully applied, and this announcement should therefore be read in conjunction with the annual financial statements as at 31 December 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit or loss (EUR '000)	Q1 2019	Q1 2018
Interest and similar income not measured using the effective interest method	52,762	53,974
Interest and similar income measured using the effective interest method	61,137	60,152
Interest and similar expense	-85,182	-87,428
Net interest income	28,717	26,698
Fee and commission income	5,392	4,500
Fee and commission expense	-716	-675
Net fee and commission income	4,676	3,825
Net measurement gains or losses	1,302	-3,639
Net gains or losses on financial assets and liabilities	1,302	-3,639
Net other operating income	4,887	8,465
Administrative expenses	-37,433	-38,447
Impairment losses/gains on financial assets – IFRS 9 ECL	1,980	4,848
Net gains or losses on investments accounted for using the equity method	-227	423
Profit before tax	3,902	2,173
Income tax expense	-1,032	-437
Profit for the period	2,870	1,736

Other comprehensive income (EUR '000)	Q1 2019	Q1 2018
Profit for the period	2,870	1,736
Items that will not be reclassified to profit or loss	-163	232
Change in equity instruments measured at fair value through other comprehensive income (FVOCI) (before tax)	-	69
Change in actuarial gains or losses (before tax)	-218	241
Change in deferred tax not recognised in profit or loss	54	-77
Items that may be reclassified subsequently to profit or loss	-1,066	-2,283
Change in debt instruments measured at FVOCI (before tax)	-1,330	-2,928
Change in hedges not recognised in profit or loss (time value, forward elements and foreign currency basis spread) (before tax)	-91	-116
Change in deferred tax not recognised in profit or loss	355	761
Other comprehensive income	-2,295	-4,335
Total comprehensive income	575	-2,599
Non-controlling interests	-182	-124
Total comprehensive income attributable to owners of the parent	393	-2,723

Income and expense recognised directly in equity is entirely attributable to owners of the parent.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (EUR '000)	31 Mar. 2019	31 Dec. 2018
Cash and balances at central banks	383,889	417,130
Financial assets – HFT	464,642	428,983
Financial assets – mandatorily FVTPL	259,450	262,475
Financial assets – FVOCI	678,034	760,216
Financial assets – AC	11,869,981	11,640,675
Positive fair value of hedges (hedge accounting)	424,882	377,134
Investments accounted for using the equity method	22,740	23,148
Investment property	39,427	39,608
Intangible assets	654	755
Property, plant and equipment	66,421	66,779
Current tax assets	12,865	12,147
Other assets	26,571	31,013
Total assets	14,249,556	14,060,065
Equity and liabilities (EUR '000)	31 Mar. 2019	31 Dec. 2018
Financial liabilities – HFT	426,613	391,428
Financial liabilities – FVO	3,500	3,500
Financial liabilities – AC	12,206,641	12,106,624
Negative fair value of hedges (hedge accounting)	729,076	665,173
Provisions	57,369	58,711
Current tax liabilities	14,119	13,574
Deferred tax liabilities	27,736	27,696
Other liabilities	121,511	128,507
Supplementary capital	1,453	1,453
Equity	661,539	663,398
Equity attributable to owners of the parent	653,378	655,420
Non-controlling interests	8,161	7,978
Total equity and liabilities	14,249,556	14,060,065

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 Mar. 2019, EUR '000			Balance at 1 Jan. 2019 (IFRS 9)	Profit for the period	Dividends paid	Other comprehensive income	Balance at 31 Mar. 2019 (IFRS 9)
Share capital			51,981	-	-	-	51,981
Capital reserves			191,824	-	-	-	191,824
Retained earnings			398,240	2,687	-3,500	-	397,427
Other reserves composed of:							
Actuarial gains and losses			-3,416	-	-	-163	-3,580
Available-for-sale financial instruments			N/A	N/A	N/A	N/A	N/A
FVOCI debt instruments			15,882	-	-	-997	14,885
FVOCI equity instruments			986	-	-	-	986
Hedges (time value, forward elements and foreign currency basis spread)			-77	-	-	-68	-145
Currency translation			-	-	-	-	-
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			655,420	2,687	-3,500	-1,229	653,378
Non-controlling interests			7,978	182	-	-	8,161
TOTAL EQUITY			663,398	2,870	-3,500	-1,229	661,539

31 Mar. 2018, EUR '000	Balance at 31 Dec. 2017 (IAS 39)	Remeasurement	Balance at 1 Jan. 2018 (IFRS 9)	Profit for the period	Dividends paid	Other comprehensive income	Balance at 31 Mar. 2018 (IFRS 9)
Share capital	51,981	-	51,981	-	-	-	51,981
Capital reserves	191,824	-	191,824	-	-	-	191,824
Retained earnings	381,321	-15,953	365,368	1,612	-3,500	-	363,481
IAS 19 reserve	-5,191	-	-5,191	-	-	181	-5,010
Available-for-sale reserve	47,010	-47,010	N/A	N/A	N/A	N/A	N/A
FVOCI debt instrument reserve	N/A	24,153	24,153	-	-	-2,196	21,957
FVOCI equity instrument reserve	N/A	889	889	-	-	51	940
Revaluation surplus – hedge (time value, forward elements and foreign currency basis spread)	N/A	-	-	-	-	-87	-87
Currency translation reserve	-53	-	-53	-	-	-	-53
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	666,891	-37,920	628,971	1,612	-3,500	-2,051	625,033
Non-controlling interests	8,385	-6	8,379	124	-	-	8,502
TOTAL EQUITY	675,276	-37,926	637,350	1,736	-3,500	-2,051	633,535

Consolidated own funds and regulatory capital adequacy requirements

Regulation (EU) No 575/2013 (Capital Requirements Regulation IV, CRR IV) and the directive on access to the activity of credit institutions (Capital Requirements Directive IV, CRD IV), which came into effect in 2014, require the determination of banks' consolidated own funds and consolidated regulatory own funds requirements in accordance with IFRS and with the regulatory scope of consolidation.

The own funds of the HYPO NOE Landesbank für Niederösterreich und Wien AG banking group, calculated in accordance with the CRR/CRD IV requirements, are made up as follows:

EUR '000	CRR/CRD IV 31 Mar. 2019	CRR/CRD IV 31 Dec. 2018
Share capital	136,546	136,546
<i>Paid-up capital instruments</i>	51,981	51,981
<i>Premiums</i>	84,566	84,566
Reserves, differences and non-controlling interests	510,891	512,118
<i>Retained earnings</i>	391,793	391,791
<i>Other reserves</i>	104,744	104,744
<i>Accumulated comprehensive income</i>	14,354	15,584
Prudential filter: adjustments due to the prudential measurement requirements	-1,765	-1,793
Other transitional adjustments to Common Equity Tier 1 (CET1) capital	-	-
Intangible assets	-622	-719
CET1 capital	645,050	646,153
Additional Tier 1 capital	-	-
Tier 1 capital	645,050	646,153
Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR	-	-
Eligible Tier 1 capital	645,050	646,153
Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR	-	-
Total eligible capital	645,050	646,153
Own funds requirement	252,671	246,527
Own funds surplus	392,379	399,626
Coverage ratio	255.29%	262.10%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	20.42%	20.97%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR – fully loaded	20.42%	20.97%
Total capital ratio in accordance with Art. 92(2)(c) CRR	20.42%	20.97%
Total capital ratio in accordance with Art. 92(2)(c) CRR – fully loaded	20.42%	20.97%

Changes in the risk-weighted measurement basis and the resultant own funds requirements were as follows:

EUR '000	CRR/CRD IV 31.3.2019	CRR/CRD IV 31 Dec. 2018
Risk-weighted measurement basis for credit risk	2,773,792	2,690,759
8% minimum capital requirement	221,903	215,261
Capital requirement for open currency positions	-	2
Capital requirement for operational risk	23,263	24,367
Capital requirement for CVA risk	7,504	6,897
Total capital requirement	252,671	246,527

In 2019 the HYPO NOE Group has continued to exceed the requirements for the regulatory Tier 1 capital ratio and total capital ratio, including the additional requirements imposed by the Supervisory Review and Evaluation Process (SREP).

Events after the reporting period

There have been no material events since the end of the reporting period.

St. Pölten, 7 May 2019
[The Management Board](#)

Wolfgang Viehauser
Management Board Member Markets and Spokesman

Udo Birkner
Management Board Member Finance, Risk & Operations