FINANCIAL FACT SHEET FOR THE QUARTER ENDED **31 MARCH 2016**

The Group is under no legal obligation to publish interim reports. This report does not fully comply with, and was not drawn up in accordance with International Financial Reporting Standards (IFRSs).
In particular, paragraphs 8d (statement of cash flows) and 8e (disclosures) IAS 34 were not fully applied. This report should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2015.
This report was neither fully audited nor reviewed by independent auditors.

HYPO NOE GRUPPE

Group financial highlights

EUR '000		31 Mar. 2016	31 Mar. 2015	31 Dec. 2015
Total assets		**16,219,761**	**16,454,852**	**15,895,645**
Total eligible core capital in accordance with CRR/CRD IV		**596,014**	**608,448**	**597,675**
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR		13.22%	12.48%	13.45%
Total capital ratio in accordance with Art. 92(2)(c) CRR		14.65%	14.81%	15.16%
Return on equity (ROE) before tax		2.5%	8.5%	2.0%
Operating ROE before tax		10.7%	12.4%	5.7%
ROE after tax		1.9%	6.4%	1.1%
Cost/income ratio (CIR)	1)	103.8%	75.7%	92.5%
Operating CIR		71.1%	63.1%	77.0%

[1] The CIR as at 31 March 2016 includes the total cost of contributions to the statutory deposit insurance and resolution funds for 2016. If these costs are included for the first quarter only on a pro forma basis, the resulting cost/income ratio is 86.8%.

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Economic climate

Global economic and financial market developments

The global economy remained sluggish in the first quarter of 2016, even though the monetary policies adopted by most central banks remain expansionary. Recent leading indicators were down in both the US and the eurozone. With businesses still reluctant to invest, the American economy was primarily driven by private consumption during the reporting period. Events in Europe are still dominated by the flows of refugees and the tense security situation, as well as the June referendum on the UK's membership of the EU. Emerging economies are still contending with structural problems of their own. In China, the government is looking to achieve stable economic growth of 6.5-7% this year by means of stimulus programmes and a more expansive monetary policy implemented by the country's central bank. The recession in Brazil continued, while business confidence indicators in Russia suggest that the economy may return to growth soon. However, both countries are still suffering as a result of the collapse in commodity prices, which have also weighed on consumer prices in Europe in the past few months. In view of the potential macroeconomic effects of persistently low commodity prices, on 10 March the European Central Bank (ECB) implemented a raft of measures including interest rate cuts, the expansion of the asset purchase programme from EUR 20bn to EUR 80bn per month and new long-term financing options for banks on highly attractive terms.

Financial markets

Owing to the difficult economic and political conditions, stock markets around the world recorded heavy losses at the start of the year. The prices of other high-risk assets such as high-yield bonds and emerging market securities also fell sharply. The tide turned in mid-February, and the recovery may have been primarily attributable to statements made by the major central banks. Increased demand for higher-yield investments was given additional impetus by falling returns on the bond market and signals from the Federal Reserve that it would raise interest rates more slowly than originally planned. Commodities – and oil prices in particular – rallied slightly at the end of January, prompting further optimism among investors. By the end of the reporting period, most stock markets had recouped at least some of the ground lost at the start of the year.

Economic trends in the HYPO NOE Group's core markets

Austria

In March 2016 the WIFO (Austrian Institute of Economic Research) and the Institute for Advanced Studies (IHS) reported that the Austrian economy had grown by 0.9% and 0.8% respectively in 2015 (eurozone: 1.6%, EU-28: 1.9%). The latest forecasts suggest growth of 0.5% in the first quarter of 2016 – a slight quarter-on-quarter increase. This was mainly due to companies' continued willingness to invest and a rise in consumer spending. On a related note, the external balance was negative on account of increased imports.

Growth is expected to double year on year in 2016, and move closer to the euro area average. Increased private consumption and government spending is seen adding around 0.4 percentage points to GDP. With recovery taking root across Central and Eastern Europe, Austrian exports are also forecast to pick up considerably in 2016. The unemployment rate is set to rise marginally this year, but is unlikely to pass the 10% mark.

The budget deficit declined significantly year on year in 2015, to 1.8%.

In March, rating agency Standard & Poor's (S&P) published a report outlining its views on the potential impact of the Heta situation on Austrian institutions' ratings. According to S&P, Heta's position and the offer to creditors to repurchase bonds guaranteed by the state of Carinthia at below par value were due to special circumstances. The agency said this would not result in weakened creditor protection.

Danube region

According to forecasts from March 2016, most of the countries in the HYPO NOE Group's extended core market – Germany, the Czech Republic, Slovakia, Poland, Hungary, Romania and Bulgaria – again reported growth well above the EU average in 2015; the only exception was Germany. The Czech Republic led the way in the Danube region, with growth of 4.4%. The other economies in the region grew by between 2.9% and 3.7%, while growth in Germany came in at 1.4%.

Turning to the Danube region banking sector, the problem of non-performing loan (NPL) ratios seems to have been brought under control. The decline in NPL ratios is forecast to continue in 2016. The ratios in the countries in question currently range from 5.2% to 15.9%. NPL restructuring and sales have been on the agenda in Hungary and Romania. Lending has also picked up noticeably in the Danube region.

Banking sector trends in the eurozone and CEE

The ECB is aiming to boost market liquidity by extending its bond purchasing programme (TLTRO II) to include corporate bonds. There are indications that banks are set to further increase their holdings of government bonds. Eurozone banks' NPL ratios remain high, but are trending downwards thanks to sales of non-performing loans and other measures. Austrian banks are still exposed to previously identified risks, such as relatively low domestic earnings, and high but broadly diversified exposure to Central, Eastern and Southeastern Europe. Under the regulatory requirements applicable since the start of the year, banks must maintain a capital conservation buffer of 0.625% of risk-weighted assets; additional capital requirements for global and domestic systemically important banks are also due to be phased in. On 24 February 2016 the European Banking Authority published the final methodology and macroeconomic scenarios for this year's EU-wide stress test. The resilience of 51 banks will be tested, and the findings will feed into an evaluation of each bank's capital adequacy as part of the supervisory review and evaluation process.

The CEE banking sector posted muted performance in 2015, but there are now signs of an upturn in new lending and improved NPL ratios. In the Danube region, the Bulgarian and Hungarian banking sectors are performing particularly well in terms of loan quality, and analysts expect continued improvement in NPL ratios in 2016 and 2017. Thanks to a rise in deposits in the past few years, banks in CEE now have access to longer-term refinancing. Between 2008 and 2015 the average loan-to-deposit ratio improved from 122% to 101%.

Financial review

Key developments in the first quarter of 2016

Earnings (IFRS)

Profit for the period attributable to owners of the parent was down year on year, at EUR 2.6m (Q1 2015: EUR 8.9m). Earnings performance in 2016 reflects high net interest income, gains on credit provisions and stable net other operating income. Profit was impacted by statutory contributions to the deposit insurance fund and the resolution fund, which in contrast to the comparative period are no longer reported by period, meaning that a total amount of EUR 8.3m was recognised. The stability contribution (bank tax), as well as negative values resulting from measurement of hedges and of items recognised under net trading income, also weighed on earnings. The Gruppe Bank, Landesbank and Leasing segments delivered pre-tax profits, while the Other segment reported a loss.

Group net interest income was EUR 2.5m down on the like period of 2015, at EUR 30.8m (Q1 2015: EUR 33.3m).

The low cost of risk and effective workout management resulted in net gains on credit provisions of EUR 5.0m (Q1 2015: net gains of EUR 1.3 m), a year-on-year increase of EUR 3.7m.

The Group reported net trading income of EUR -12.2m (Q1 2015: EUR 0.3m). This was firstly a result of foreign exchange losses on CHF-denominated forward exchange transactions, which were offset by corresponding foreign exchange gains recognised in net other operating income, and secondly due to earnings contributions from interest rate transactions, largely resulting from the difference between the measurement of customer derivatives and the related hedging transactions. Administrative expenses climbed by 12.2% or EUR 4.2m year on year, to EUR 38.3m (Q1 2015: EUR 34.1 m). The increase was not due to changes in operating expenses. The main reason for the rise in administrative expenses was the increase of EUR 6.3m in mandatory contributions to the statutory deposit insurance fund and resolution fund, to EUR 8.3m (Q1 2015: EUR 2.0m). Whilst in the previous year these contributions were accrued by period, in the period under review the total amount payable for the year was recognised, meaning that these costs will not add to administrative expenses in the remaining quarters of 2016. The statutory financial stability contribution (“bank tax”) amounted to EUR 3.7m, compared with EUR 3.6m in the first quarter of 2015. The negative impact of these costs was compensated for by cost savings of EUR 2.1m in administrative expenses resulting from the implementation of projects aimed at improving efficiency. Adjusted for contributions to the deposit insurance fund and resolution fund, administrative expenses were 6.2% or EUR 2.1m lower year on year.

Net other operating income was EUR 11.6m (Q1 2015: EUR 10.1m). The change was mainly due to redemption gains resulting from debt buybacks in the previous period, and measurement gains on foreign currency cash transactions that were not hedging transactions. The offsetting negative effect of foreign exchange transactions is recognised in net trading income.

Net gains on hedges amounted to EUR 3.2m (Q1 2015: net losses of EUR 1.9m).

Profit before tax was EUR 3.6m, EUR 8.6 m lower than in the same period in the previous year (Q1 2015: EUR 12.2m).

The changes in earnings were reflected in the following financial performance indicators:

		Q1 2016	Q1 2015	2015	2014
Return on equity (ROE) before tax**	Profit or loss for the year before tax/ave. equity	2.5%	8.5%	2.0%	-7.1%
Operating ROE before tax**	ROE before tax excl. financial stability contribution, contributions to resolution and deposit insurance funds, and regulatory costs/ave. equity adjusted for financial stability contribution, contributions to resolution and deposit insurance funds, and regulatory costs	10.7%	12.4%	5.7%	-4.7%
ROE after tax**	Profit or loss for the period/ave. equity	1.9%	6.4%	1.1%	-5.5%
Cost/income ratio**	Operating expenses/operating income***	103.8%	75.7%	92.5%	135.2%
Operating cost/income ratio**	Cost/income ratio excl. financial stability contribution, contributions to resolution and deposit insurance funds, and regulatory costs	71.1%	63.1%	77.0%	121.1%
Risk/earnings ratio	Credit provisions/net interest income A negative value indicates gains on credit provisions, a positive value indicates losses on credit provisions.	-16.2%	-3.7%	-0.9%	5.3%

*Operating expenses include administrative expenses. These comprise staff costs, other administrative costs and depreciation, amortisation and impairment. Operating income comprises net interest income, net fee and commission income, net trading income, net other operating income, net gains or losses on investments accounted for using the equity method, net gains or losses on financial assets, net gains or losses on hedges and net gains or losses on other financial investments.

**Intrayear indicators annualised on a per diem basis.

***The CIR as at 31 March 2016 includes the total cost of contributions to the statutory deposit insurance and resolution funds for 2016. If these costs are included for the first quarter only on a pro forma basis, the resulting cost/income ratio is 86.8%.

Assets and liabilities (IFRS)

The Group’s total assets grew by 2.0% as compared with year-end 2015 to reach EUR 16.2bn as at 31 March 2016, mainly due to increases of EUR 0.1bn in loans and advances to banks, EUR 0.1bn in the positive fair value of hedges and EUR 0.1bn in available-for-sale securities. The fall of EUR 0.4bn in loans and advances to customers is related to an increase of EUR 0.3bn in other assets, resulting from the presentation of assets under construction that relate to pending finance lease agreements.

On the equity and liabilities side, deposits from customers rose by EUR 0.7bn and the negative fair value of hedges increased by EUR 0.2bn. There was a decline of EUR 0.4bn in deposits from banks and of EUR 0.2bn in debts evidenced by certificates.

Changes in equity (IFRS)

IFRS consolidated equity including non-controlling interests as at 31 March 2016 was EUR 584.4m, an increase of EUR 2.9m on year-end 2015. This was mainly due to the profit attributable to owners of the parent in the period under review, and the increase in the available-for-sale reserve for remeasurement of financial assets to fair value.

Changes in equity (CRR/CRD IV[1])

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.

[1]CRD IV: Capital Requirements Directive IV; CRR: Capital Requirements Regulation

Consolidated eligible capital in accordance with the CRR was EUR 596.0m as at 31 March 2016 (31 Dec. 2015: EUR 597.7m). Surplus capital as at 31 March 2016 was EUR 270.5m (31 Dec. 2015: EUR 282.2m), in comparison with a capital requirement of EUR 325.5m (31 Dec. 2015: EUR 315.5m). The core capital ratio in accordance with Article 92(2)(b) CRR was 13.2% as at 31 March 2016 (31 Dec. 2015: 13.4%), and the equity ratio in accordance with Article 92(2)(c) CRR was 14.6% (31 Dec. 2015: 15.2%).

Operational review

Gruppe Bank segment

The Group's parent company, HYPO NOE Gruppe Bank, is a regional lender committed to promoting and supporting the development of its home market – Lower Austria and Vienna – and of the wider Danube region. With the State of Lower Austria as its sole shareholder, the Group enjoys stable and reliable ownership. HYPO NOE Gruppe Bank AG concentrates on the larger customer segments, focusing in particular on funding social and hard infrastructure for local authorities, regional governments and other territorial authorities, as well as corporate, project and real estate finance, and providing treasury solutions for clients in Austria and the wider Danube region. The Bank has a strong position in these markets, and scores highly among customers with its extensive experience.

Besides its core Austrian market – the states of Lower Austria and Vienna – HYPO NOE Gruppe Bank focuses on the Danube region, which comprises Germany, the Czech Republic, Slovakia, Poland, Hungary, Romania and Bulgaria. The Bank delivers comprehensive customer service as well as optimum risk assessment through its representative offices in Bucharest, Budapest, Prague and Sofia.

In June 2015 Standard & Poor's confirmed HYPO NOE Gruppe Bank AG's A/A-1 issuer rating with stable outlook, underlining the rating agency's view that the increased risks in the Austrian banking industry in light of the Heta moratorium did not negatively affect the Bank's creditworthiness. This assessment also reflected the stability and security associated with its sole owner, the State of Lower Austria. Following a change in its rating methodology, Moody's ended its review for downgrade of the covered bond rating in September 2015, and confirmed the Aa1 rating on the mortgage cover pool. In parallel, the public sector cover pool was downgraded from Aaa to Aa1.

Public Finance

The Public Finance Department is a strong partner for local and regional authorities, public agencies and infrastructure companies. In the first quarter of 2016, the department focused on further intensifying the provision of advice on bespoke finance solutions to state governments, local authorities, other public sector bodies and infrastructure companies, as well as to selected countries and major cities covered by the Danube region strategy.

There is increasing demand from state governments and local authorities for a variety of special financing models for public building construction projects. Public Finance's prime objectives are to develop sustainable, integrated solutions for customers, in collaboration with other parts of the Group, and increasingly to act as a provider of expertise and services. HYPO NOE Gruppe Bank AG always sets out to deliver risk-aware advice and support based on an understanding of customers' specific requirements.

A number of projects financed by the department were completed in the first quarter of 2016. These included the comprehensive renovation of the state vocational college in Neunkirchen and the state nursing home in Mödling. A newly built state care home for young people in Perchtoldsdorf was handed over in March. HYPO NOE Gruppe Bank AG is collaborating with the Lower Austria Community Management Academy to promote training and development in municipalities in the state. As part of this initiative, in the first quarter HYPO NOE's headquarters in St. Pölten played host to a joint event focusing on current issues in municipal financial management.

Close customer relationships and high-quality advice are especially important in today's market environment. Accordingly, keeping in close contact with local authorities and their representatives, either directly or at various specialist events, remains the leading priority for Public Finance.

Real Estate Finance

As a specialist in finance for real estate and real estate projects, Real Estate Finance's key strengths lie in the wide range of products it offers, its ability to structure bespoke finance solutions and the expertise of the department's staff.

In the first quarter of 2016 the department mainly concentrated on its core markets (in particular Austria, the Czech Republic, Germany, Poland, Romania and Slovakia). With lending conditions rapidly becoming more and more borrower-friendly, leading analysts in Germany are still predicting a sharp increase in permitted lending limits, and anticipate the emergence of 100% mortgages on some properties as early as this year. In order to minimise the impact of such market pressures, Real Estate Finance has reduced the volume of new business in Germany, while also expanding its activities in other target markets where funding parameters for comparable projects are still in line with the defensive risk profile of the overall portfolio.

Low interest rates and record low returns on alternative investments have led to sharp increases in demand across almost all real estate categories, and especially city centre rental apartment buildings. Central Europe's commercial and residential property markets are still among the most attractive in the world for foreign investors.

In 2016 the department's operations will again centre on the core Austrian and German real estate markets, and on neighbouring EU member states. Real Estate Finance will keep a close watch on macroeconomic developments and regional property market trends in its target markets outside Austria.

The volume of transactions involving commercial properties is expected to hold at last year's levels for the remainder of 2016. The department will give priority to stabilising profitability and optimising the lending portfolio by selectively seeking new customers among institutional investors, funds and property developers. The department's business model is still based on the office, shopping centre, retail park, residential property, logistics facility and city hotel asset classes. Portfolios of mixed-use properties in various locations and with a wide range of tenants also serve to diversify risk. As regards risk allocation, Real Estate Finance remains committed to cooperating with tried-and-trusted partners on projects in prime locations, under long-term financing arrangements.

Corporate and Project Finance

The Corporate & Project Finance Department (CPF) is responsible for HYPO NOE Gruppe Bank AG's corporate banking and structured finance operations.

Corporate and Project Finance recorded satisfactory performance in the first three months of 2016, although demand from corporate customers for traditional financing services such as investment remained subdued.

Term deposits from corporates increased sharply – this underlines the increased confidence of businesses from Austria and abroad in HYPO NOE Gruppe Bank AG.

On the financing side, further steps were taken to boost the profitability of the lending business and raise the department's profile as an expert partner for bespoke financing solutions, especially for larger medium-sized enterprises. Expanding the direct relationship-based business with an attractive product range was again the main aim. Participation in large financing syndicates without corresponding potential for cross-selling is increasingly taking a back seat.

Performance in the lending and deposits businesses in Germany was very positive. HYPO NOE Gruppe Bank AG is increasingly gaining a reputation as a strong regional partner among German customers looking to enter Austria or expand their operations in the country.

On the whole, in the first quarter of 2016 Corporate & Project Finance made very good progress towards meeting its targets, and benefited from policies aimed specifically at corporate customers.

Religious Communities, Interest Groups and Agriculture

In the first quarter of 2016, the Religious Communities, Interest Groups and Agriculture Department (KIA) saw an increase in the number of customers, principally in the agricultural segment.

Financing agreements were also concluded in the chambers and social sector. The department continues to focus on providing funding for:

- renovating and revitalising churches, abbeys and monasteries;
- regional and social infrastructure projects, such as care and social welfare centres, hospitals, schools and nurseries;
- innovative social and environmentally friendly projects for religious and social purposes.

KIA works in conjunction with high-profile financial partners, investing customers' funds primarily in conservative products on the basis of sustainable, ethical criteria and in accordance with specific customer requirements and guidelines.

The department also serves as an interface for KIA customers looking to take advantage of the Group's comprehensive range of real estate services.

Treasury and Funding

In the first quarter, developments on the capital market are usually shaped by a flurry of issues by numerous international banks, and 2016 was no exception. A range of benchmark issues across the entire capital structure were concluded. However, in contrast to most of the preceding years, Austrian banks' access to the capital market was significantly reduced at the start of the year owing to the continued public debate on the winding-up of Heta Asset Resolution AG and the debt repayment moratorium imposed on it. This resulted in a considerable fall in benchmark covered bond issues.

The HYPO NOE Group has maintained a diversified refinancing base. A drive to generate deposits from institutional customers more than compensated for the decline in the volume of benchmark issues. Demand for HYPO NOE Gruppe Bank AG's private placements remains high, and as a result unsecured capital market funding in the first quarter exceeded initial expectations.

Selective acquisitions were made for the liquidity portfolio to take advantage of the attractive spreads on new covered bond issues at the start of the year. Government bonds with good or very good credit ratings were also purchased. The average volume-weighted rating of the purchased securities was equivalent to AA.

Institutional Customers

Constant maintenance of relationships with other financial institutions is an important aspect of HYPO NOE Gruppe Bank AG's philosophy. The Bank actively manages its business links with numerous banks in Austria and abroad, as well as its relationships with insurance companies, pension funds and investment companies. There is strong focus on continuous dialogue with investors, in collaboration with capital market partners inside and outside Austria. Maintaining dialogue with correspondent banks is also vital to the Bank's future performance, especially in a difficult market environment.

Foreign branches

HYPO NOE Gruppe Bank AG had no foreign branches in the first quarter of 2016, but operated representative offices in Bucharest, Budapest, Prague and Sofia.

HYPO NOE Gruppe Bank AG has operated a branch at Wipplingerstrasse 4, 1010 Vienna since 2008.

Landesbank segment

HYPO NOE Landesbank AG

HYPO NOE Landesbank AG is responsible for the HYPO NOE Group's retail banking and residential housing development businesses. The Bank has defined "finance and housing", "saving and investment" and "accounts and cards" as strategic areas in terms of the needs that it aims to meet. A total of 28 branches in nine regions ensure that private, self-employed and business customers in the Group's core market of Lower Austria and Vienna receive top-quality service.

The Group has further consolidated its traditionally strong position in the residential housing development segment, mainly by providing both non-profit and commercial developers with the full range of banking products, in combination with comprehensive expert support.

A number of changes were made in the branch network in the quarter under review. The branch at Herrengasse 10 in Vienna's first district merged with the Wipplingerstrasse branch with effect from 29 February 2016, while customers of the Alt Erlaa branch (Anton-Baumgartner-Strasse 40, 1230 Vienna) were transferred to the Mariahilf branch as of 31 March 2016. The Alt Erlaa branch has been redesigned as a commercial customer centre.

In terms of the strategic pillars mentioned above, HYPO NOE Landesbank AG posted particularly strong performance in savings and investments, thanks to two primary funds. This was achieved in spite of the prevailing market trend and the Heta situation.

Marketing activities concentrated primarily on the topic of subsidies. Close cooperation with the State of Lower Austria enabled us to offer end-to-end support on loans and subsidies.

Leasing segment

HYPO NOE Leasing GmbH

HYPO NOE Leasing GmbH and its project companies look after the leasing business with the public sector as a whole, and the Lower Austrian state government in particular. Its core competency is complex lease agreements connected with real estate projects. Against the backdrop of changing public-sector financing needs, the company has seen increasing demand for operating leases and PPP models.

In the first three months of 2016 one transaction was completed and a number of financing agreements were concluded in the care sector. Thanks to these transactions, HYPO NOE Leasing GmbH's performance was in line with the budgeted targets.

Other segment

HYPO NOE Immobilien Beteiligungsholding GmbH

In 2015 the HYPO NOE Group's real estate activities, comprising HYPO NOE Real Consult GmbH and HYPO NOE First Facility GmbH, were merged into HYPO NOE Immobilien Beteiligungsholding GmbH.

The registration of NOE Immobilien Development AG on 21 November 2015 as a wholly owned subsidiary of HYPO NOE Immobilien Beteiligungsholding GmbH laid the foundations for consolidation of the Group's property portfolio, with the aim of creating investor-friendly structures and facilitating the implementation of development projects currently at the planning stage by involving all of the services offered by the Group.

As far as project development is concerned, **HYPO NOE Real Consult GmbH** is preparing to pitch for a wide variety of development projects in Lower Austria. In terms of construction management, good progress has been made on the continued development of Karl Landsteiner University of Health Sciences and on further expansion phases at the Institute of Science and Technology Austria

(IST Austria). A number of important milestones were reached in the Galerie NÖ project in Krems, and further headway was also made on building improvement projects at various hospitals. The company again increased its market share in property management services for Lower Austrian municipalities. In terms of sales and estate agency services, HYPO NOE Real Consult GmbH is making progress on work connected with Group projects, and its activities under contracts with third parties in Lower Austria and Vienna.

In addition to providing products in energy management as well as measurement and control services, **HYPO NOE First Facility** is broadening its skills and service offerings in the health sector. The company is entering another new line of business in the form of PPP models. The aim is to win the trust of new customers through the firm's expertise and the advantage generated by economies of scale, and to convince new business partners of the quality of its services.

Accounting and measurement policies

Essentially the same accounting policies were applied to this quarterly report as to the consolidated financial statements of the HYPO NOE Group for the year ended 31 December 2015.

This report was neither fully audited nor reviewed by independent auditors.

The Group is under no legal obligation to publish interim reports. This report does not fully comply with, and was not drawn up in accordance with International Financial Reporting Standards (IFRSs).

In particular, paragraphs 8d (statement of cash flows) and 8e (explanatory notes) IAS 34 were not fully applied and this report should therefore be read in conjunction with the consolidated annual financial statements as at 31 December 2015.

STATEMENT OF COMPREHENSIVE INCOME

Earnings are reported as positive amounts and expenses as negative amounts in the statement of comprehensive income.

Profit or loss (EUR '000)	**Q1 2016**	**Q1 2015**
Interest and similar income	141,456	148,957
Interest and similar expense	-110,667	-115,644
Net interest income	**30,789**	**33,313**
Credit provisions	4,980	1,252
Net interest income after risk provisions	**35,769**	**34,565**
Fee and commission income	4,185	3,595
Fee and commission expense	-800	-713
Net fee and commission income	**3,385**	**2,882**
Net trading income	-12,218	287
Administrative expenses*	-38,290	-34,134
Net other operating income	11,565	10,057
Net gains or losses on investments accounted for using the equity method	243	207
Net gains or losses on available-for-sale financial assets	-18	-131
Net gains or losses on financial assets designated as at fair value through profit or loss	-24	-18
Net gains or losses on hedges	3,168	-1,899
Net gains or losses on other financial investments	14	379
Profit before tax	**3,594**	**12,195**
Income tax expense	-901	-3,055
Profit for the period	**2,693**	**9,140**
Non-controlling interests	-123	-282
Profit attributable to owners of the parent	**2,570**	**8,858**

Other comprehensive income (EUR '000)	**Q1 2016**	**Q1 2015**
Profit attributable to owners of the parent	**2,570**	**8,858**
Items that will not be reclassified to profit or loss		
Items that may be reclassified subsequently to profit or loss		
Other changes (before tax)	*6*	*1*
Change in available-for-sale financial instruments (before tax)	*2,513*	*15,340*
Exchange differences on translating foreign operations accounted for using the equity method (before tax)	*1*	*12*
Change in deferred tax	*-629*	*-3,838*
Total other comprehensive income	**1,892**	**11,514**
Total comprehensive income attributable to owners of the parent	**4,462**	**20,372**

Other comprehensive income is entirely attributable to owners of the parent.

*Administrative expenses include the financial stability contribution ("bank tax") of EUR 3,720.0thsd (31 Mar. 2015: EUR 3,626.0thsd), as well as contributions to the deposit insurance and resolution funds totalling EUR 8,281thsd (31 Mar. 2015: EUR 1,977thsd).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Items are reported as positive amounts on both the assets and liabilities sides; negative amounts result in a reduction in total assets.

Assets (EUR ’000)	31 Mar. 2016	31 Dec. 2015
Cash and balances at central banks	77,580	68,986
Loans and advances to banks	1,040,865	922,091
Loans and advances to customers	11,201,678	11,557,287
Risk provisions	-96,021	-100,423
Assets held for trading	644,169	586,811
Positive fair value of hedges (hedge accounting)	610,602	509,458
Available-for-sale financial assets	2,161,066	2,104,338
Financial assets designated as at fair value through profit or loss	4,145	4,118
Investments accounted for using the equity method	21,046	20,937
Investment property	68,374	68,704
Intangible assets	1,455	1,411
Property, plant and equipment	79,401	80,159
Current tax assets	19,921	19,653
Deferred tax assets	1,927	2,105
Other assets	383,553	50,010
Total assets	**16,219,761**	**15,895,645**

Equity and liabilities (EUR ’000)	31 Mar. 2016	31 Dec. 2015
Deposits from banks	1,865,998	2,217,495
Deposits from customers	3,931,880	3,260,856
Debts evidenced by certificates	7,935,056	8,165,837
Liabilities held for trading	596,220	516,969
Negative fair value of hedges (hedge accounting)	895,656	740,962
Provisions	55,736	55,794
Current tax liabilities	9,979	10,073
Deferred tax liabilities	35,866	34,434
Other liabilities	104,226	106,297
Subordinated capital	204,787	205,449
Equity (incl. non-controlling interests)*	584,357	581,479
Equity attributable to owners of the parent	575,316	572,855
Non-controlling interests	9,041	8,624
Total equity and liabilities	**16,219,761**	**15,895,645**

*A detailed presentation is given in the consolidated statement of changes in equity, overleaf.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 Mar. 2016 (EUR '000)	Balance at 1 Jan. 2016	Profit/loss for the period	Dividends paid	Other comprehensive income	Balance at 31 Mar. 2016
Share capital	51,981	-	-	-	51,981
Capital reserves	191,824	-	-	-	191,824
Retained earnings	293,267	2,570	-2,000	6	293,844
IAS 19 reserve	-4,393	-	-	-	-4,393
Available-for-sale reserve	40,246	-	-	1,885	42,131
Currency translation reserve	-70	-	-	1	-69
PARENT SHAREHOLDERS' EQUITY	**572,855**	**2,570**	**-2,000**	**1,892**	**575,316**
Non-controlling interests	8,624	123	-	-	9,041
TOTAL EQUITY	**581,479**	**2,693**	**-2,000**	**1,892**	**584,357**

31 Mar. 2015 (EUR '000)	Balance at 1 Jan. 2015	Profit/loss for the period	Dividends paid	Other comprehensive income	Balance at 31 Mar. 2015
Share capital	51,981	-	-	-	51,981
Capital reserves	191,824	-	-	-	191,824
Retained earnings	287,115	8,858	-	1	295,974
IAS 19 reserve	-5,011	-	-	-	-5,011
Available-for-sale reserve	36,506	-	-	11,505	48,011
Currency translation reserve	-60	-	-	9	-51
PARENT SHAREHOLDERS' EQUITY	**562,355**	**8,858**	**-**	**11,514**	**582,726**
Non-controlling interests	8,371	282	-	-	8,654
TOTAL EQUITY	**570,726**	**9,140**	**-**	**11,514**	**591,379**

EUR 1,166thsd in after-tax gains on available-for-sale (AFS) financial instruments (31 Mar. 2015: gains of EUR 1,791thsd) were recycled from other comprehensive income to profit or loss.

Consolidated capital resources 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 Group's own funds, calculated in accordance with the CRR/CRD IV, are broken down as follows:

EUR '000	CRR/CRD IV 31 Mar. 2016	CRR/CRD IV 31 Dec. 2015
Share capital	136,546	136,546
of which paid-up capital instruments	*51,981*	*51,981*
of which premiums	*84,566*	*84,566*
Reserves, differences and non-controlling interests	423,085	423,200
of which retained earnings	*282,255*	*282,249*
of which other reserves	*104,744*	*104,744*
of which transitional adjustments for additional minority interests	*242*	*363*
of which accumulated comprehensive income	*35,845*	*35,845*
Prudential filter: adjustments based on the requirements for prudential measurement	-4,936	-4,487
Other adjustments to hard core capital	-16,120	-24,180
Intangible assets	-886	-824
Hard core capital	537,689	530,256
Additional core capital	-	-
Core capital (tier 1 capital)	**537,689**	**530,256**
Deductions pursuant to Art. 36 and Art. 89 CRR	-	-
Eligible core capital	**537,689**	**530,256**
Eligible subordinated debt issued by the Group's parent	44,283	51,758
Eligible subordinated debt issued by subsidiaries	14,043	15,662
of which grandfathering	*470*	*2,366*
Supplementary capital (tier 2 capital)	**58,325**	**67,419**
Deductions pursuant to Art. 36 and Art. 89 CRR	-	-
Eligible supplementary capital (after deductions)	**58,325**	**67,419**
Total eligible capital	**596,014**	**597,675**
Capital requirement	**325,498**	**315,497**
Surplus capital	**270,516**	**282,178**
Coverage ratio (%)	183.11%	189.44%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR	13.22%	13.45%
Total capital ratio in accordance with Art. 92(2)(c) CRR	14.65%	15.16%

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

EUR '000	CRR/CRD IV 31 Mar. 2016	CRR/CRD IV 31 Dec. 2015
Risk-weighted assessment base for credit risk	3,514,554	3,485,514
of which 8% minimum capital requirement	281,164	278,841
Capital requirement for open currency positions	-	-
Capital requirement for operational risk	23,704	23,262
Capital requirement for CVA	20,630	13,394
Total capital requirement	**325,498**	**315,497**

Risk management

Significant risk-related developments in the first quarter of 2016

The HYPO NOE Group's liquidity situation remains stable and is not a cause for concern. There are sufficient assets eligible as collateral for ECB tenders, and a broad funding portfolio is available. However, the Heta situation has severely restricted Austrian issuers' market access. Nevertheless, the Group has completed a number of transactions so far this year. Additionally, deposit taking has increased substantially, significantly reducing the HYPO NOE Group's dependence on the capital markets. The liquidity coverage ratio (LCR) was well above 100% in the first quarter of 2016, and the long-term forecast, which is conducted regularly, shows that the Group will remain in compliance with the statutory requirements.

Owing to the HYPO NOE Group's strategic focus and business model, public finance is the largest line of business, so low-risk loans make up a large proportion of the lending portfolio. As a result, the NPL ratio is low, at around 3%.

Risk management processes focus primarily on the Group's remaining exposures in countries such as Croatia, Cyprus, Greece, Hungary, Ireland, Italy and Slovenia, and developments in those countries are being monitored closely. The Group is also keeping a close eye on events related to the Heta moratorium, as well as analysing their impacts on the Bank and devising appropriate strategies to counter them.

The parameters for the internal Heta valuation model were updated on 31 March 2016. As there was only a minor change in the parameters, the valuation remained unchanged at 64.15% of the nominal euro price. The cancellation of interest payments in 2015 still applies.

During the first quarter of 2016, the adaptations to the restructuring indicators and thresholds to be applied under the restructuring plan, which the Financial Market Authority had demanded pursuant to section 13 *Bundesgesetz über die Sanierung und Abwicklung von Banken* (Federal Act on the Recovery and Resolution of Banks), were made and submitted to the authority on time. Work also started on the annual update of the entire restructuring plan, which forms an integral part of the Group's risk and capital management framework.

Under the 2016 annual plan for less significant institutions (LSIs), part of the supervisory review and evaluation process (SREP), the HYPO NOE Group has been allocated to cycle 1 and received the SREP questionnaire in March 2016. The collection of qualitative and quantitative data has already begun, to ensure that the questionnaire is submitted on time.

The HYPO NOE Group monitors offshore relationships particularly closely in view of the inherent reputational risks, and the various requirements are included in a corresponding policy.

In order to meet the additional reporting obligations under the Basel III framework and those arising from future measures (currently referred to as Basel IV) in good time, the Group regularly examines the new requirements, assesses whether there is a need to implement them, and takes appropriate action.

Group outlook for 2016

Economic environment

World economy

The first few months of 2016 have shown that this will be another difficult year. According to the latest forecast from the World Trade Organisation (WTO), the rise in global trade in 2016 will be far lower than previously anticipated. The WTO has revised its growth forecast down from 3.9% to 2.8%, which is the same level as in 2015. The global economy is still struggling to pick up steam, even though the monetary policies adopted by most central banks remain exceptionally loose. Recent leading indicators for 2016 are down in the USA and the eurozone. The Federal Reserve has indicated that interest rates will rise more slowly than planned, and its members anticipate two increases this year. Affairs in Europe will continue to be dominated by the wave of migrants and tense security situation. The June referendum on whether the UK will remain a member of the EU is also causing uncertainty. At its March meeting, the ECB decided to implement a wide-ranging package of measures for 2016. In addition to lowering the interest rate corridor, the asset purchase programme was extended to corporate bonds and the monthly value of purchases was raised. The package also included the introduction of new long-term tenders coupled with lending. However, due to persistent structural and trade balance problems, this is not expected to result in a significant pick-up in lending, growth or inflation. As far as the global economy is concerned, the most significant steps to kick-start growth have been taken in China, where the government is looking to stabilise growth at 6.5-7% by means of stimulus programmes, and the country's central bank has implemented a more expansive monetary policy.

Austria

According to the WIFO (Austrian Institute of Economic Research), growth will again remain weak in 2016. This will once more be attributable to high unemployment, the modest rise in incomes, and marked increases in rents and the cost of services. The WIFO's February business survey showed a sharp deterioration in companies' expectations. Private consumption will receive a boost from the tax reform in 2016. Overall, the WIFO is forecasting a 1.8% rise in private consumption and a 0.8% increase in public consumption. In spite of the growing number of people in employment, the situation on the labour market will take a turn for the worse. The WIFO sees inflation stabilising at 1.2% in 2016 (2015: 0.9%), with oil prices keeping a lid on the inflation rate.

Expected Group financial performance

After recording solid operating performance in the first quarter of 2016, the Group still expects to report a rise in operating profit this year, in spite of low interest rates and the economic conditions outlined above. Allocations to the deposit insurance fund and the resolution fund, together with the substantial financial stability contribution, will have a negative impact on the full-year results. In order to counter this effect and strengthen the earnings base, the HYPO NOE Group plans to implement modest measures aimed at reducing material and staff costs.

Growth in customer volumes in the lending business is expected to be in line with the market average. Bolstering the primary funding base remains a strategic priority for 2016, and the HYPO NOE Group is aiming to achieve increases well in excess of the industry average.

We are constantly monitoring and assessing the Heta situation, in particular the ongoing negotiations with the State of Carinthia and their impact. The Group's interim operating results and solid equity base have put HYPO NOE in an excellent position to carry on justifying its customers' trust, and to provide comprehensive project support to businesses, public sector bodies, and institutional and retail clients.

Events after the reporting period

By way of an emergency administrative decision issued on 10 April 2016, in exercising its function and powers as the resolution authority for Heta, the Financial Market Authority (FMA) wrote down the value of eligible preferential Heta liabilities to 46.02% of the nominal value determined as at 1 March 2015 (the date of the emergency administrative decision on the debt repayment moratorium), or the outstanding residual amount including interest accrued up to 28 February 2015. Additionally, the interest rate on residual liabilities was set at 0% from 1 March 2015, and the maturity date was extended to 31 December 2023, unless a resolution is passed dissolving Heta before that time. These circumstances are deemed non-adjusting (as opposed to adjusting), so any potential implications for the financial statements and the corresponding accounting methods will be recognised as of 10 April 2016 at the earliest. The implications of recognising these circumstances in the financial statements are currently under analysis. The decision does not at present imply any negative factors that would call into question the current carrying amount of the Heta assets reported in the consolidated statement of financial position.

St. Pölten, 12 May 2016
The Management Board

Peter Harold
Chairman of the Management Board

Nikolai de Arnoldi
Member of the Management Board