HYPO NOE Group increases operating profit by 4.7% to EUR 157.3mn in 2019

Highlights 2019

- Further growth in core earnings:
  Net interest income +5.3%, and net fee and commission income +15.1% year on year
- Administrative expenses -2.4% year on year, cost/income ratio (CIR) down to 59.5% (31 Dec. 2018: 67.0%)
- New lending of EUR 1.8bn, compared with EUR 1.4bn in 2018
- Common Equity Tier 1 (CET1) ratio of 19.19% well above the European average
- Non-performing loan (NPL) ratio further reduced to 0.96% (31 Dec. 2018: 1.42%)

Strong operating result

HYPO NOE Group's profit before tax was well above the long-term average, at EUR 37.7mn (2014-2018: 30.4mn). This was chiefly a reflection of increased operating income in the customer business, as well as further reductions in administrative expenses. The key factor behind the previous year's high pre-tax profit of EUR 48.0mn was particularly strong net gains on risk provisions (reversals of risk provisions).

We were more than able to carry the momentum of the previous year into 2019. Despite initial signs of a subdued economy, we managed to expand new lending to EUR 1.8bn. Also, we exceeded our target of further increasing core earnings – net interest income and net fee and commission income rose significantly.

Wolfgang Viehauser
Management Board Member Markets and Speaker of the Board

The operating income of HYPO NOE Group climbed by 4.7% in 2019, to EUR 157.3mn (2018: EUR 150.2mn). After adjustment for extraordinary effects[1], operating income was up by 9.7% to EUR 162.0mn (2018: EUR 148.1mn), underlining the strong operating performance driven by further growth in core earnings. Net interest income advanced by 5.3% to EUR 117.9mn (2018: EUR 111.9mn) despite the prolonged low-interest-rate phase. The positive earnings trend was also supported by the success of new business activities and by lower refinancing costs. The continued emphasis on service business was reflected in the 15.1% surge in net fee and commission income to EUR 17.0mn (2018: 14.8m). Meanwhile, administrative expenses decreased by 2.4% to EUR 110.1mn (after adjustments for extraordinary effects[2]: EUR 96.4mn) thanks to further efficiency measures. The CIR improved by 7.5 percentage points year on year to stand at 59.5%.

[1] Valuation of the "HETA contingent additional purchase price", and additional allocation to the provision for negative interest rates on corporate loans
[2] Contributions to the resolution and deposit insurance funds, as well as the instalment payment to the Austrian banking stability contribution (2017-2020)

Organic growth of core business

The increase of 3.6% in total assets to EUR 14.6bn (31 Dec. 2018: EUR 14.1bn) is principally attributable to the success of the Group's core businesses and reflects the close interlocking of its operations. The financial assets – AC item was 6.7% higher, at EUR 12.4bn (31 Dec. 2018: EUR 11.6bn), due to the growth in new lending. The financial liabilities – AC item increased accordingly, by 3.4% year on year, to EUR 12.5bn. The refinancing structure was further diversified as compared to the previous year. The Group's robust capitalisation and solid market position gave it a strong platform for new business, which grew for a third year in succession, powering ahead to EUR 1.8bn (31 Dec. 2018: EUR 1.4bn). New lending was well balanced among the Group's areas of business, and was aligned with the Group's core competencies.

We made very good progress with our strategic initiatives last year. Today we are more profitable, strong capitalised and hold a higher quality of assets. With a CET1 ratio of 19.19%, we report one of the highest ratios in Austria and within the wider European Union.

Udo Birkner
Management Board Member Finance, Risk & Operations

Robust capital base, high quality of portfolio

At 19.19%, the CET1 ratio at the end of 2019 was clearly within the target corridor for 2019 of 18%-20%. As at 31. Dec. 2019, the Group's capital base was more than six percentage points significantly above the minimum regulatory requirement, including SREP. Thus, HYPO NOE Group ranges among the best capitalised banks relative to Austrian and EU comparables. Along with the noticeable reduction in the NPL ratio to 0.96% (31. Dec. 2018: 1.42%), following a successful continuous intensive care management, the NPL coverage ratio increased significantly to 86.6% (31. Dec. 2018: 63.8%).

Outlook

The strategic alignment of HYPO NOE Group is based on organic growth in the core business, digitalisation and further improvements in profitability, whilst maintaining a conservative capital and risk profile. The Bank's sole owner, the State of Lower Austria, takes a long view and ensures a sustainable implementation of this strategy.

The complete 2019 annual report is available to download at www.hyponoe.at/en/ir.

HYPO NOE Landesbank für Niederösterreich und Wien AG
Die HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks[2], 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 & Rating team:
Claudia Mikes, +43 5 90 910 1536, claudia.mikes@hyponoe.at
Marco Reiter, +43 5 90 910 1589, marco.reiter@hyponoe.at
investorrelations@hyponoe.at | www.hyponoe.at/en/ir

---

[2] By total assets (2018 consolidated financial statements) and date of establishment