

## HYPO NOE Group makes stronger start to 2020 despite Covid-19 pandemic

### Highlights Q1 2020

- Strong growth in core earnings: “Net interest income” up by 12.6% and “Net fee and commission income” by 13.5% year on year
- Further efficiency gains: “Administrative expenses” down 1.3% on Q1 2019, CIR at 60.0% (Q1 2019: 60.3%)
- Profit for the period affected by the final, non-accruable instalment of the financial stability contribution, amounting to EUR 6.1m; additional risk provisions recognised for potential effect of the Covid-19 pandemic
- New business totalling EUR 380m in the first quarter of 2020 (Q1 2019: EUR 300m)
- Conservative capital and risk profile maintained:  
CET1 ratio of 17.65% as at 31 March 2020 (31 Dec. 2019: 19.19%), NPL ratio of 0.94% (31 Dec. 2019: 0.96%)

### Operating performance remains strong

The spread of Covid-19 and the onset of a global pandemic, coupled with the resulting uncertainty regarding the duration of the crisis led to extreme volatility on the markets. But in spite of this, the HYPO NOE Group kept up its strong performance in the first three months of 2020. This was mainly due to a surge in core earnings, which rose by 12.8% to EUR 37.7m and more than offset the net measurement losses of EUR 2.7m; the latter were the result of increased market volatility. “Administrative expenses” dropped by 1.3% to EUR 37.0m, which reflected the efficiency measures currently under implementation. The cost/income ratio (CIR) stood at 60.0% - close to the strong level seen in the first quarter of last year (Q1 2019: 60.3%).

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*The health of our employees, customers and all of the Group’s partners is our leading priority. This is why in February we launched - and are continuously extending - a raft of measures intended to protect our stakeholders as effectively as possible and help contain the spread of the virus. Our first quarter results underline once again that HYPO NOE is a stable partner, especially in times of crisis, thanks to its proven, low-risk business model.*

### Wolfgang Viehauser

Management Board Member Markets and Speaker of the Board

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The loss before tax of EUR 2.6m (Q1 2019: EUR 3.9m) was mainly due to the final, non-accruable instalment of the financial stability contribution (“bank tax”), which amounted to EUR 6.1m, and the foresighted recognition of additional risk provisions intended to counter the effects of changes in the macroeconomic climate and the potential impact of the Covid-19 pandemic on the lending portfolio.

### Continued demand for loans

Total assets went up by 2.6% as compared with year-end 2019, to EUR 14.9bn (31 Dec. 2019: EUR 14.6bn). This was the result of organic growth in the Group's core business during the period under review. In spite of the Covid-19 pandemic, new lending climbed to EUR 380m (Q1 2019: EUR 300m), and was well above budget in terms of both volumes and margins. There was a corresponding increase of 3.7% in "Financial assets - AC", which reached EUR 12.9bn as at the end of the first quarter, while "Financial liabilities - AC" stood at EUR 12.8bn, a rise of 2.2%.

### Balance sheet shaped by low-risk lending

As at 31 December 2019, low-risk public sector and housing development finance, and treasury positions held primarily in order to satisfy regulatory requirements accounted for a substantial 79% of the HYPO NOE Group's assets. Lending in these segments has always been particularly resilient, and the non-performing loan (NPL) ratio associated with them was 0.07% as at 31 December 2019. The remainder of the portfolio mainly relates to private and corporate customer business, which is characterised by a significant proportion of mortgages, while a large number of customers are public servants.

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*Our prudent management in recent years means that - especially in the current situation - we are more strongly placed than ever. We have a solid balance sheet, coupled with excellent capitalisation and high-quality assets. This primarily reflects our low-risk business model and conservative lending policies. The Bank also has significant liquidity reserves and a diversified funding mix, giving us the flexibility we need in terms of re-financing.*

### Udo Birkner

Management Board Member Finance, Risk & Operations

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### Conservative capital and risk profile

The Common Equity Tier 1 (CET1) ratio as at the end of the reporting period was 17.65% (31 Dec. 2019: 19.19%), which was well in excess of the legal minimum including SREP of 13.14%, and far higher than the EU average. The change in the CET1 ratio during the first quarter reflects successful organic growth, as well as the negative impact on earnings of regulatory costs and the additional risk provisions recognised in order to offset the potential effects of the Covid-19 crisis. The NPL ratio remained at a record low of 0.94% as at 31 March 2020 (31 Dec. 2019: 0.96%), and the NPL coverage ratio improved to an impressive 88.81%, compared with 86.58% at year-end 2019.

## Outlook

Thanks especially to its low-risk business model and the successful strategic initiatives implemented in recent years, the HYPO NOE Group is ideally placed to weather the effects of the crisis triggered by the Covid-19 outbreak. Financing for the public sector and large-scale residential construction has always shown itself to be a particularly resilient and crisis-resistant business throughout the economic cycle. The Group has no equity or fund exposures and has steadily reduced the level of fair value positions on the balance sheet over the past few years, in order to minimise volatility as far as possible. Positions accounted for at cost made up a hefty 91% of financial assets as at the end of the first quarter.

The strategic alignment of HYPO NOE Group continues to be 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 Results Announcement for the Quarter ended 31 March 2020 is available to download at [www.hyponoe.at/ir](http://www.hyponoe.at/ir).

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### HYPO NOE Landesbank für Niederösterreich und Wien AG

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks<sup>1</sup>, 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.

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<sup>1</sup> By total assets (2019 consolidated financial statements) and date of establishment