

RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 September 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 the IFRS as adopted in the EU.

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 2019 semi-annual financial report and the consolidated 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 | 30 Sep. 2019 | 30 Sep. 2018 | 31 Dec. 2018 |
|--|-------------------|-------------------|-------------------|
| Total assets | 15,228,775 | 14,137,941 | 14,060,065 |
| Total eligible capital in accordance with CRR/CRD IV | 642,140 | 613,184 | 646,153 |
| Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR - fully loaded | 18.27% | 19.89% | 20.97% |
| Total capital ratio in accordance with Art. 92(2)(c) CRR - fully loaded | 18.27% | 19.89% | 20.97% |
| Return on equity (ROE) before tax | 7.02% | 6.50% | 7.01% |
| ROE after tax | 5.30% | 4.90% | 5.33% |
| Cost/income ratio (CIR) | 61.91% | 66.16% | 66.96% |
| NPL ratio | 1.25% | 1.74% | 1.42% |

The intrayear indicators are annualised on a daily basis.

RESULTS ANNOUNCEMENT

of HYPO NOE Landesbank
für Niederösterreich und Wien AG
FOR THE NINE MONTHS ENDED 30
SEPTEMBER 2019 IN ACCORDANCE WITH
IFRS

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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.

While the main focus is on its core market of Lower Austria and Vienna, the HYPO NOE Group also operates in the rest of Austria, in Germany and in selected markets in the European Union. 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 26 branches in Lower Austria and Vienna, serving more than 80,000 customers.

Rating agency Standard & Poor's gives HYPO NOE Landesbank a solid single A rating with a positive outlook. 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 ESG 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 chiefly 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 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. In this vibrant environment, HYPO NOE Landesbank is positioned as a strong partner for the public sector, and real estate, retail and corporate customers.

Financial review

Key developments in the first three quarters of 2019

Earnings (IFRS)

“Group profit before tax” was well up year on year, at EUR 35.3m (Q1-3 2018: EUR 32.2m).

Despite the continued low-interest environment, “Net interest income” advanced by EUR 3.1m to EUR 86.9m (Q1-3 2018: EUR 83.8m).

At EUR 13.1m, “Net fee and commission income” exceeded the comparative period (Q1-3 2018: EUR 11.5m).

“Net gains on financial assets and liabilities” of EUR 6.1m were mainly driven by the net measurement gain on financial assets mandatorily measured at fair value.

Uncompromising implementation of the efficiency programme led to a EUR 1.7m or 1.9% year-on-year fall in “Administrative expenses” to EUR 86.6m (Q1-3 2018: EUR 88.3m). This improvement was due largely to reductions in staff costs and administrative expenses. As in the comparative period, “Administrative expenses” in the first three quarters of 2019 included the special stability contribution payment, as well as the contributions to the resolution fund and the deposit insurance fund (totalling EUR 13.7m). It should be noted that IFRIC 21 required expensing all of the latter item in the first three quarters of 2019, and there will thus be no further charges in the fourth quarter.

“Net other operating income” was down year on year, at EUR 11.6m, reflecting substantial non-recurring income from the disposal of a subsidiary during the first three quarters of 2018.

The “Impairment losses/gains - IFRS 9 ECL” item was positive by EUR 3.6m.

Changes in total assets and consolidated equity (IFRS)

As at 30 September 2019 the HYPO NOE Group’s total assets were EUR 1.2bn or 8.3% above their level at year-end 2018, at EUR 15.2bn. This gain stemmed mainly from the Group’s core business, and in particular the “Financial assets - AC” item, which climbed by EUR 1.3bn. There was a corresponding increase in “Financial liabilities - AC”.

As at 30 September 2019, IFRS consolidated equity including non-controlling interests stood at EUR 682.7m - EUR 19.3m higher than at year-end 2018. Equity was lifted by the high profit for the period, which was partly offset by the dividend payment and the decline in the OCI reserves.

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 consolidated own funds 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 642.1m as at 30 September 2019 (31 Dec. 2018: EUR 646.2m).

The own funds surplus excluding buffers stood at EUR 361.0m as at 30 September 2019 (31 Dec. 2018: EUR 399.6m), compared with a capital requirement of EUR 281.2m (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 Article 92(2)(c) CRR were 18.27% as at 30 September 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%). A pro forma calculation taking intrayear income into account would have produced a total capital ratio of 19.02% as at 30 September 2019.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| Profit or loss (EUR '000) | Q1-Q3 2019 | Q1-Q3 2018 |
|--|---------------|---------------|
| Interest and similar income not measured using the effective interest method | 156,126 | 159,090 |
| Interest and similar income measured using the effective interest method | 183,349 | 180,898 |
| Interest and similar expense | -252,840 | -256,712 |
| Dividend income | 226 | 475 |
| Net interest income | 86,862 | 83,751 |
| Fee and commission income | 15,226 | 13,546 |
| Fee and commission expense | -2,116 | -2,026 |
| Net fee and commission income | 13,111 | 11,520 |
| Net measurement gains or losses | 6,032 | 1,237 |
| Net gains or losses on derecognition of financial assets | 79 | -799 |
| Net gains or losses on financial assets and liabilities | 6,111 | 438 |
| Net other operating income | 11,593 | 15,174 |
| Administrative expenses | -86,617 | -88,289 |
| Impairment losses/gains on financial assets - IFRS 9 ECL | 3,581 | 8,692 |
| Net gains or losses on investments accounted for using the equity method | 676 | 937 |
| Profit before tax | 35,317 | 32,224 |
| Income tax expense | -8,660 | -7,822 |
| Profit for the period | 26,657 | 24,402 |

| Other comprehensive income (EUR '000) | Q1-Q3 2019 | Q1-Q3 2018 |
|---|---------------|---------------|
| Profit for the period | 26,657 | 24,402 |
| Items that will not be reclassified to profit or loss | -690 | 415 |
| Change in equity instruments measured at fair value through other comprehensive income (FVOCI) (before tax) | -268 | -102 |
| Change in actuarial gains or losses (before tax) | -653 | 656 |
| Change in deferred tax not recognised in profit or loss | 230 | -139 |
| Items that may be reclassified subsequently to profit or loss | -3,188 | -6,543 |
| Change in debt instruments measured at FVOCI (before tax) | -2,557 | -8,574 |
| Change in debt instruments measured at FVOCI reclassified to profit or loss (before tax) | -1,742 | - |
| Change in hedges not recognised in profit or loss (time value, forward elements and foreign currency basis spread) (before tax) | 48 | -127 |
| Exchange differences on translating foreign operations accounted for using the equity method (before tax) | - | -24 |
| Change in deferred tax not recognised in profit or loss | 1,063 | 2,181 |
| Other comprehensive income | -3,878 | -6,128 |
| Total comprehensive income | 22,779 | 18,273 |
| Non-controlling interests | -290 | -234 |
| Total comprehensive income attributable to owners of the parent | 22,488 | 18,039 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Assets (EUR '000) | 30 Sep. 2019 | 31 Dec. 2018 |
|---|---------------------|---------------------|
| Cash and balances at central banks | 173,280 | 417,130 |
| Financial assets - HFT | 510,304 | 428,983 |
| Financial assets - mandatorily FVTPL | 230,401 | 262,475 |
| Financial assets - FVOCI | 655,455 | 760,216 |
| Financial assets - AC | 12,942,901 | 11,640,675 |
| Positive fair value of hedges (hedge accounting) | 540,353 | 377,134 |
| Investments accounted for using the equity method | 22,993 | 23,148 |
| Investment property | 38,453 | 39,608 |
| Intangible assets | 549 | 755 |
| Property, plant and equipment | 67,604 | 66,779 |
| Current tax assets | 19,829 | 12,147 |
| Deferred tax assets | 3 | - |
| Other assets | 26,650 | 31,013 |
| Total assets | 15,228,775 | 14,060,065 |

| Equity and liabilities (EUR '000) | 30 Sep. 2019 | 31 Dec. 2018 |
|--|---------------------|---------------------|
| Financial liabilities - HFT | 474,690 | 391,428 |
| Financial liabilities - FVO | 4,370 | 3,500 |
| Financial liabilities - AC | 12,939,976 | 12,106,624 |
| Negative fair value of hedges (hedge accounting) | 897,061 | 665,173 |
| Provisions | 59,215 | 58,711 |
| Current tax liabilities | 9,854 | 13,574 |
| Deferred tax liabilities | 26,541 | 27,696 |
| Other liabilities | 132,871 | 128,507 |
| Tier 2 capital | 1,519 | 1,453 |
| Equity | 682,678 | 663,398 |
| Equity attributable to owners of the parent | 674,344 | 655,420 |
| Non-controlling interests | 8,334 | 7,978 |
| Total equity and liabilities | 15,228,775 | 14,060,065 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 Sep. 2019, EUR '000

| | Balance at 1 Jan. 2019 (IFRS 9) | Profit for the period | Dividends paid | Other comprehensive income | Transfers | Balance at 30 Sep. 2019 (IFRS 9) |
|---|------------------------------------|-----------------------|----------------|-------------------------------|------------|-------------------------------------|
| Share capital | 51,981 | - | - | - | - | 51,981 |
| Capital reserves | 191,824 | - | - | - | - | 191,824 |
| Retained earnings | 398,240 | 26,367 | -3,500 | - | -64 | 421,043 |
| Other reserves composed of: | | | | | | |
| Actuarial gains and losses | -3,416 | - | - | -490 | - | -3,906 |
| Available-for-sale financial instruments | N/A | N/A | N/A | N/A | N/A | N/A |
| FVOCI debt instruments | 15,882 | - | - | -3,224 | - | 12,658 |
| FVOCI equity instruments | 986 | - | - | -201 | - | 785 |
| Hedges (time value, forward elements and foreign currency basis spread) | -77 | - | - | 36 | - | -41 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 655,419 | 26,367 | -3,500 | -3,878 | -64 | 674,344 |
| Non-controlling interests | 7,978 | 290 | - | - | 66 | 8,334 |
| TOTAL EQUITY | 663,398 | 26,657 | -3,500 | -3,878 | 2 | 682,678 |

30 Sep. 2018, EUR '000

| | Balance at 31 Dec. 2017 (IAS 39) | IFRS 9 remeasurement | Balance at 1 Jan. 2018 (IFRS 9) | Profit for the period | Dividends paid | Other comprehensive income | Transfers | Balance at 30 Sep. 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 | 24,167 | -3,620 | - | - | 385,915 |
| Other reserves composed of: | | | | | | | | |
| Actuarial gains and losses | -5,191 | - | -5,191 | - | - | 492 | - | -4,699 |
| Available-for-sale financial instruments | 47,010 | -47,010 | N/A | N/A | N/A | N/A | N/A | N/A |
| FVOCI debt instruments | N/A | 24,153 | 24,153 | - | - | -6,431 | - | 17,722 |
| FVOCI equity instruments | N/A | 889 | 889 | - | - | -76 | - | 813 |
| Hedges (time value, forward elements and foreign currency basis spread) | N/A | - | - | - | - | -95 | - | -95 |
| Currency translation | -53 | - | -53 | - | - | -18 | - | -71 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT | 666,891 | -37,920 | 628,971 | 24,167 | -3,620 | -6,128 | - | 643,390 |
| Non-controlling interests | 8,385 | -6 | 8,379 | 234 | -116 | - | - | 8,497 |
| TOTAL EQUITY | 675,276 | -37,926 | 637,350 | 24,401 | -3,736 | -6,128 | - | 651,887 |

Significant accounting policies

In all material respects, this quarterly results announcement by the HYPO NOE 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.

This quarterly results announcement by 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 the IFRS as adopted in the EU.

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 2019 semi-annual financial report and the consolidated annual financial statements as at 31 December 2018.

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

Consolidated own funds and regulatory capital adequacy requirements

Regulation (EU) No 575/2013 (Capital Requirements Regulation, CRR) 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 Group, calculated in accordance with the CRR/CRD IV requirements, are broken down as follows:

| EUR '000 | CRR/CRD IV 30 Sep. 2019 | CRR/CRD IV 31 Dec. 2018 |
|---|----------------------------|----------------------------|
| Share capital | 136,546 | 136,546 |
| Paid-up capital instruments | 51,981 | 51,981 |
| Premiums | 84,566 | 84,566 |
| Reserves, differences and non-controlling interests | 507,904 | 512,118 |
| Retained earnings | 391,611 | 391,791 |
| Other reserves | 104,744 | 104,744 |
| Accumulated comprehensive income | 11,550 | 15,584 |
| Prudential filter: adjustments due to the prudential measurement requirements | -1,784 | -1,793 |
| Other transitional adjustments to Common Equity Tier 1 (CET1) capital | - | - |
| Intangible assets | -526 | -719 |
| CET1 capital | 642,140 | 646,153 |
| Additional Tier 1 capital | - | - |
| Tier 1 capital | 642,140 | 646,153 |
| Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR | - | - |
| Eligible Tier 1 capital | 642,140 | 646,153 |
| Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR | - | - |
| Total eligible capital | 642,140 | 646,153 |
| Own funds requirement | 281,159 | 246,527 |
| Own funds surplus | 360,981 | 399,626 |
| Coverage ratio | 228.39% | 262.10% |
| Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR - fully loaded | 18.27% | 20.97% |
| Total capital ratio in accordance with Art. 92(2)(c) CRR - fully loaded | 18.27% | 20.97% |

Changes in the risk-weighted measurement basis and the resultant own funds requirement are shown below:

| EUR '000 | CRR/CRD IV 30 Sep. 2019 | CRR/CRD IV 31 Dec. 2018 |
|---|----------------------------|----------------------------|
| Risk-weighted measurement basis for credit risk | 3,136,316 | 2,690,759 |
| 8% minimum capital requirement | 250,905 | 215,261 |
| Capital requirement for open currency positions | - | 2 |
| Capital requirement for operational risk | 23,263 | 24,367 |
| Capital requirement for CVA risk | 6,990 | 6,897 |
| Total capital requirement | 281,159 | 246,527 |

Events after the reporting period

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

St. Pölten, 6 November 2019
The Management Board

Wolfgang Viehauser
Management Board Member Markets and Spokesman

Udo Birkner
Management Board Member Finance, Risk &
Operations

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Important information

The greatest possible care has been taken in preparing this quarterly results announcement. However, transmission, typesetting and printing errors cannot be ruled out. Minor rounding differences may occur in connection with totals of rounded amounts and percentages.

The forecasts and forward-looking statements contained in the announcement are based on current estimates and information available at the time of writing. They should not be taken as a guarantee that results expressed in forecasts and forward-looking statements will occur; actual results are subject to risks and other factors, and could therefore differ materially from the results contained in forecasts or forward-looking statements. We are under no obligation to update forecasts and forward-looking statements.

The German version of this announcement is the definitive version. The English version is a translation of the German announcement. Formulations referring to people are intended to be gender-neutral.