RESULTS ANNOUNCEMENT FOR THE QUARTER ENDED 31 MARCH 2020

GROUP FINANCIAL HIGHLIGHTS

EUR '000	31 Mar. 2020	31 Mar. 2019	31 Dec. 2019
Total assets	14,945,722	14,249,556	14,571,762
Total eligible capital	659,600	645,050	666,345
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR (= fully loaded)	17.65%	20.42%	19.19%
Total capital ratio in accordance with Art. 92(2)(c) CRR (= fully loaded)	17.65%	20.42%	19.19%
Return on equity (ROE) before tax	-1.55%	2.39%	5.60%
ROE after tax	-1.09%	1.76%	4.51%
Cost/income ratio (CIR)	60.04%	60.28%	59.51%
NPL ratio	0.94%	1.39%	0.96%

The intrayear indicators are annualised on a daily basis.

COMPANY PROFILE

Profile of the HYPO NOE Group

This HYPO NOE Group quarterly results announcement was prepared by the Group's parent, HYPO NOE Landesbank für Niederösterreich und Wien AG (HYPO NOE Landesbank).

HYPO NOE Landesbank is the largest and oldest-established of Austria's state mortgage banks[1], and has been a dependable commercial bank, stable state bank and specialist mortgage lender for over 130 years. Using its strong position in Lower Austria and Vienna as a springboard, the Bank operates primarily in Austria and Germany, as well as in selected markets elsewhere in the European Union.

The HYPO NOE Group serves as a one-stop shop for public sector, real estate and corporate customers for a comprehensive range of financial services, in line with its business model as a mortgage bank. The product portfolio focuses on the funding of hard and social infrastructure, non-profit and commercial housing construction and other large property development projects. Retail customers benefit from the expert personal service provided by the branch network in the Group's Lower Austria/Vienna home market, with its focus on housing finance.

The Group concentrates on five business segments that play to its core competencies: Public Sector, Real Estate Customers, Retail and Corporate Customers, Treasury & ALM, and Real Estate Services. The Group also includes HYPO NOE Leasing, which works with large state and local government customers, as well as HYPO NOE Real Consult and HYPO NOE First Facility, which look after real estate customers. This allows the Group to provide services across the entire real estate management value chain.

HYPO NOE Landesbank is one of Austria's leading covered bond issuers and is a regular participant on the capital markets through the flotation of secured and unsecured benchmark bonds. Based on the solid foundations provided by customer deposits, and on its closer cooperation with development banks, HYPO NOE Landesbank also takes steps aimed at diversifying its sources of refinancing. Standard & Poor's currently gives the Bank a solid single A rating with a stable outlook, while Moody's ratings on the public sector and mortgage cover pools are also unchanged at Aa1.

HYPO NOE Landesbank is backed by a stable and reliable sole owner in the shape of Austria's largest state, Lower Austria. The Bank's owner takes a long view and ensures that it stays true to its strategy of organic growth in its core business, best-in-class digital solutions in its mortgage lending, and further improvements in profitability, whilst maintaining a conservative risk and capital profile.

The Bank's sustainable approach to its core operations is underpinned and promoted by its clear ethical principles and business policies. Its portfolio leans strongly towards sustainability due to the large proportion of lending that creates social value added. ISS ESG Prime status underlines its commitment to environmental and social responsibility.

[1] In terms of total assets (2019 consolidated financial statements) and foundation dates.

FINANCIAL REVIEW

- 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%)

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%).

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.

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%.

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.

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.

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.

STATEMENT OF PROFIT OR LOSS

Profit or loss (EUR '000)	Q1 2020	Q1 2019
Interest and similar income not measured using the effective interest method	48,989	52,762
Interest and similar income measured using the effective interest method	61,048	61,137
Interest and similar expense	-77,692	-85,182
Net interest income	32,345	28,717
Fee and commission income	6,266	5,392
Fee and commission expense	-958	-716
Net fee and commission income	**5,308**	**4,676**
Net measurement gains or losses	-2,679	1,302
Net gains on derecognition of financial assets	14	-
Net gains or losses on financial assets and liabilities	**-2,665**	**1,302**
Other operating income	10,117	7,415
Other operating expense	-6,083	-2,528
Administrative expenses	-36,960	-37,433
Impairment losses/gains on financial assets – IFRS 9 ECL	-5,138	1,980
Net gains or losses on investments accounted for using the equity method	489	-227
Profit before tax	-2,587	3,902
Income tax	769	-1,032
Profit for the period	-1,818	2,870
Non-controlling interests	-20	-182
Profit attributable to owners of the parent	-1,838	2,688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (EUR '000)	31 Mar. 2020	31 Dec. 2019
Cash and balances at central banks	197,690	235,481
Financial assets - HFT	484,690	438,035
Financial assets - mandatorily FVTPL	196,936	224,413
Financial assets - FVOCI	549,744	620,063
Financial assets - AC	12,875,671	12,417,093
Positive fair value of hedges (hedge accounting)	448,280	436,278
Investments accounted for using the equity method	27,998	27,510
Investment property	37,901	38,235
Intangible assets	375	463
Property, plant and equipment	67,319	68,201
Current tax assets	32,632	26,319
Deferred tax assets	1,174	1,162
Other assets	25,312	38,507
Total assets	**14,945,722**	**14,571,762**

Equity and liabilities (EUR '000)	31 Mar. 2020	31 Dec. 2019
Financial liabilities - HFT	452,642	406,606
Financial liabilities - FVO	4,806	4,432
Financial liabilities - AC	12,794,378	12,522,091
Negative fair value of hedges (hedge accounting)	835,081	767,441
Provisions	66,682	68,270
Current tax liabilities	5,614	6,034
Deferred tax liabilities	23,142	26,238
Other liabilities	87,731	85,695
Subordinated capital	1,453	1,453
Equity	674,193	683,502
Equity attributable to owners of the parent	665,748	675,087
Non-controlling interests	8,445	8,415
Total equity and liabilities	**14,945,722**	**14,571,762**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 Mar. 2020, EUR '000	Balance at 1 Jan. 2020	Profit for the period	Dividends paid	Other comprehensive income	Balance at 31 Mar. 2020
Share capital	51,981	-	-	-	51,981
Capital reserves	191,824	-	-	-	191,824
Retained earnings	424,697	-1,838	-3,500	-	419,358
Other reserves composed of:					
Actuarial gains and losses	-5,878	-	-	211	-5,667
Debt instruments - FVOCI	11,717	-	-	-4,270	7,448
Equity instruments - FVOCI	809	-	-	-41	768
Hedges (hedge accounting)	-72	-	-	109	37
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	675,078	-1,838	-3,500	-3,991	665,748
Non-controlling interests	8,425	20	-	-	8,445
EQUITY	683,502	-1,818	-3,500	-3,991	674,193

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
Share capital	51,981	-	-	-	51,981
Capital reserves	191,824	-	-	-	191,824
Retained earnings	398,240	2,688	-3,500	-	397,428
Other reserves composed of:					
Actuarial gains and losses	-3,416	-	-	-163	-3,579
Debt instruments - FVOCI	15,882	-	-	-997	14,885
Equity instruments - FVOCI	986	-	-	-	986
Hedges (hedge accounting)	-77	-	-	-68	-145
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	655,420	2,688	-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

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 2019.

The HYPO NOE Group prepared this quarterly results announcement 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 results announcement should be read in conjunction with the annual financial statements as at 31 December 2019.

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 31 Mar. 2020	CRR/CRD IV 31 Dec. 2019
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	524,964	531,865
Retained earnings	415,555	417,536
Other reserves	104,744	104,744
Accumulated comprehensive income	4,666	9,585
Prudential filter: adjustments due to the prudential measurement requirements	-1,553	-1,620
Other transitional adjustments to Common Equity Tier 1 (CET1) capital	-	-
Intangible assets	-358	-446
CET1 capital	659,600	666,345
Additional Tier 1 capital	-	-
Tier 1 capital	**659,600**	**666,345**
Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR	-	-
Eligible Tier 1 capital	**659,600**	**666,345**
Deductions due to investments, pursuant to Art. 36 and Art. 89 CRR	-	-
Total eligible capital	**659,600**	**666,345**
Capital requirement	**298,913**	**277,828**
Excess equity	**360,687**	**388,517**
Coverage ratio	220.67%	239.84%
Tier 1 capital ratio in accordance with Art. 92(2)(b) CRR (= fully loaded)	17.65%	19.19%
Total capital ratio in accordance with Art. 92(2)(c) CRR (= fully loaded)	17.65%	19.19%
Own funds requirement incl. all buffer requirements	13.14%	13.14%

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

EUR '000	CRR/CRD IV 31 Mar. 2020	CRR/CRD IV 31 Dec. 2019
Risk-weighted exposure to credit risk	3,366,087	3,102,800
8% minimum capital requirement	269,287	248,224
Own funds requirement for open currency positions	-	-
Own funds requirement for operational risk	22,527	23,263
Own funds requirement for CVA risk	7,099	6,341
Total own funds requirement	**298,913**	**277,828**

Publisher: HYPO NOE Landesbank für Niederösterreich und Wien AG

Editorial content: HYPO NOE Landesbank für Niederösterreich und Wien AG

Website: www.hyponoe.at/en/home

E-mail: landesbank@hyponoe.at

Tel. +43 5 90 910 - 0

Production: produced internally using the Certent CDM editing system

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 actually occur; actual results are subject to risks and other factors, and could therefore differ materially from results contained in forecasts or forward-looking statements. The Group is not obliged to update its 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.