Investor newsletter – 8 March 2019

HYPO NOE Group's pre-tax profit climbs to EUR 48.0m in 2018

- Profit for 2018[1] well above target and up on the multi-year average
- Trend reversed: net interest income up by 2.8% to EUR 111.9m (2017: EUR 108.9m)
- Further efficiency gains – administrative expenses down again in 2018, by 2.6%, to EUR 112.8m
- Robust CET1 ratio improves once more, to 20.97% (31 Dec. 2017: 19.84%)
- Steady improvements in asset quality: NPL ratio falls to 1.4% (1 Jan. 2018: 1.9%)

"We had a very successful year in 2018. We posted higher net interest income and a significant increase in net profit, to EUR 36m, in spite of the challenging environment. We extended loans worth a total of EUR 1.4bn[2], a year-on-year increase, acting as a driver of the regional economy once again.

Wolfgang Viehauser, Management Board Member Markets, Spokesman

"Our capitalisation is now stronger than ever, with a CET1 ratio of 21%. At the same time we are working rigorously through the items on our efficiency agenda – we have succeeded in cutting administrative expenses sharply in the last two years, by more than 12%. This will give us the flexibility we need going forward."

Udo Birkner, Management Board Member Finance, Risk & Operations

Successful year in 2018

The HYPO NOE Group's profit before tax rose sharply in 2018, by 23.8%, and at EUR 48m was above the long-term average. In parallel, the return on equity before tax jumped by 1.1 percentage points, to 7.0%. After-tax profits stood at EUR 36.4m, an increase of 25.2% on the EUR 29.1m reported in 2017. Extraordinary statutory effects totalling EUR 13.6m[3] weighed on earnings, while extraordinary income amounted to EUR 2.1m.

Increased earnings components and falling costs

In spite of persistently low interest rates, net interest income rose by 2.8% in 2018, to EUR 111.9m (2017: EUR 108.9m). This was driven by higher interest income from the leasing business and further improvements in the refinancing structure. Net fee and commission income was roughly unchanged year on year, at EUR 14.8m. On the cost side, administrative expenses fell further during the reporting period, by 2.6%, to EUR 112.8m.

This decrease in successive reporting periods reflects systematic implementation of the Group-wide Zukunftsfit 2020 efficiency programme. Organisational structures were further streamlined last year, and the Management Board was reduced to two members.

[1]The HYPO NOE Group has applied the mandatory IFRS 9 standard since 1 January 2018
[2]Volume of contractually agreed new business (incl. prolongations)
[3]Supplementary one-off stability contribution: EUR 6.1 (incl. current contribution: EUR 8.7m); deposit insurance and resolution fund contributions: EUR 7.5m

HYPO NOE Landesbank für Niederösterreich und Wien AG

Hypogasse 1 | Postfach 351 | 3100 St. Pölten, Austria | T. +43 (0)5 90 910-0 | landesbank@hyponoe.at | www.hyponoe.at/en/home

Low-risk business model – tried and tested since 1888

There has been a steady increase in the Group's asset quality. The already-low non-performing loan (NPL) ratio fell by 0.5 percentage points in the course of the year, to 1.4% at 31 December 2018. The quality of the loan portfolio was reflected in the substantial EUR 10.6m surplus reported under the "Impairment losses/gains on financial assets – IFRS 9 ECL" item. Although the Group posted strong performance in terms of new lending, which reached EUR 1.4bn in 2018, risk-weighted assets (credit risk) actually declined, to a low EUR 2.7bn at year-end, thanks to the Group's strict risk policies.

Capital base stronger than ever

The robust CET1 ratio stood at 20.97% at 31 December 2018 – a further improvement on the 19.84% recorded 12 months earlier – in spite of the 0.7 percentage point decline recognised at 1 January 2018 as a result of first-time application of IFRS 9. This will enable the HYPO NOE Group to build on its firm foundations, meet future regulatory requirements and capitalise on new growth opportunities without forfeiting its financial strength. In light of the Group's exceptional capital position and its concerted capital generation activities over recent years, in May 2018 Standard & Poor's upgraded the outlook on the solid A/A-1 ratings to positive.

Steady evolution of total assets and broad refinancing base

"Financial assets – AC", of which loans constitute 94%, increased to EUR 11.6bn, mainly as a result of solid performance in new lending. "Financial liabilities – AC" stood at EUR 12.1bn, reflecting the HYPO NOE Group's highly diversified refinancing structure. At year-end 2018, this item comprised EUR 7.6bn in public sector and mortgage covered bonds, other bonds, and customer deposits totalling EUR 4.5bn. The latter have risen significantly since 2013. Due to successful pre-funding and related action to streamline assets, total assets fell by 2.1% compared to 1 January 2018, ending the year at EUR 14.1bn.

Outlook

In 2019, the HYPO NOE Group will again focus on achieving efficiency gains and further diversifying its income structure. At the same time, the Group will look to further improve asset quality and consolidate its strong capitalisation. The State of Lower Austria's long-term perspective as the Group's sole owner will continue to provide firm foundations for the sustained implementation of this strategy.

The full 2018 annual report is available at www.hyponoe.at/en/ir.

Kind regards
The Investor Relations team

HYPO NOE Landesbank
für Niederösterreich und Wien AG
Wipplingerstrasse 2-4
1010 Vienna | Austria
investorrelations@hyponoe.at
www.hyponoe.at/en/home