

Investor newsletter – 10 May 2019

HYPO NOE Group lifts profitability in the first quarter of 2019

- Profit after tax increased to EUR 2.9mn (Q1 2018: EUR 1.7mn)
- Rising income components – net interest income and net fee and commission income expanded: Net interest income up by 7.6% to EUR 28.7mn (Q1 2018: EUR 26.7mn)
- Further efficiency improvements – administrative expenses continue to fall by 2.6% to EUR 37.4mn
- CET1 ratio as at 31.3.2019 at a high 20.42%
- Already low NPL ratio further reduced to 1.39% (31.12.2018: 1.42%)

HYPO NOE Landesbank für Niederösterreich und Wien AG Group (HYPO NOE Group) increased its profit before tax to EUR 3.9mn in the first three months of 2019 (Q1 2018: EUR 2.2mn). After tax profits climbed to EUR 2.9mn (Q1 2018: EUR 1.7mn), although extraordinary statutory effects totalling EUR 13.7mn¹ heavily weighed on earnings.

The measures initiated in the lending and services business are reflected in operationally increasing income components, contributing to a continued rise in profitability. Net interest income of EUR 28.7mn was up year-on-year by 7.6% (Q1 2018: EUR 26.7mn). The broadening of the Group's earnings base was also achieved by means of an increased net fee and commission income to EUR 4.7mn, up by 22.2% on the prior-year figure (Q1 2018: EUR 3.8mn).

At the same time, the cost discipline implemented as part of the Zukunftsfit 2020 efficiency enhancement program is continuing. Administrative expenses, significantly reduced by more than 12% since the end of 2016, showed a further reduction of 2.6% to EUR 37.4mn in the first quarter of 2019. This development corresponds with a falling cost-income-ratio (CIR) of 60.28% as at 31.3.2019 (31.12.2018: 66.96%). Following the successful completion of the structural alignments, the focus is now as planned on process optimisation by using the opportunities offered by digitalisation, both in operations and sales.

As at 31 March 2019, HYPO NOE Group again reported one of the highest CET1 ratios in the Austrian banking sector, at 20.42%. The capital position is thus substantially above minimum requirements totalling 13.3% (incl. combined buffer requirement and SREP) at the end of the first quarter of 2019. The composition of the Group's capitalisation entirely consisting of Common Equity Tier 1 emphasises its high quality.

¹ Supplementary one-off stability contribution: EUR 6.1mn; deposit insurance and resolution fund contributions: EUR 7.6mn

Successful intensive care management once again laid the foundation for a further reduction of the NPL ratio to 1.39% as at 31.3.2019, which is a significant decline of 0.53ppts year-on-year (31.3.2018: 1.92%). Despite strong new lending, risk-weighted assets showed only a marginal increase to EUR 2.8mn, as a reflection of the Group's low risk business model (31.12.2018: EUR 2.7mn).

Total assets of EUR 14.2mn were up slightly by 1.4% compared to the end of 2018. The planned increase stems in particular from the successful granting of new loans of around EUR 300mn, which is reflected in higher Financial assets – AC of EUR 11.9bn at the end of the first quarter of 2019 (31.12.2018: EUR 11.6mn). Correspondingly, the Financial liabilities – AC rose to EUR 12.2bn as at 31.3.2019 (31.12.2018: EUR 12.1bn). Not yet included is the successful issuance of a CHF 100mn senior unsecured benchmark bond in May 2019, finally priced at mid-swaps +44bps due to strong demand.

Further efficiency improvements are on the agenda for 2019, in particular the intensification of the Group-wide initiated optimisation of processes. Besides, the activities on the market side aim at a sustainable broadening of the earnings base. In order to be able to exploit growth opportunities without sacrificing the financial strength, maintaining a strong capital position is a declared aim of the Group, which can continue to rely on the State of Lower Austria as a stable 100% owner.

The complete Results Announcement for the Quarter ended 31 March 2019 can be found at:
www.hyponoe.at/en/ir.

Kind regards
The Investor Relations team

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