Investor newsletter – 14 November 2019

HYPO NOE Group: Improved profitability based on rising core earnings in Q1-Q3 2019

- Profit before tax EUR 35.3mn (Q1-Q3 2018: EUR 32.2mn) – normalised[1] +3.7% vs. Q1-Q3 2018
- Core earnings further expanded – net interest income +3.7%, net fee and commission income +13.8%
- Zukunftsfit 2020 with sustained effectiveness – administrative expenses further reduced by 1.9%
- Increase in new business – new lending of around EUR 1.3bn (Q1-Q3 2018: around EUR 800mn)
- CET1 ratio as at 30.9.2019 at 18.3% ("pro-forma" incl. interim results at 19.0%)

HYPO NOE Group reports a profit before tax of EUR 35.3mn for the first nine months of 2019, an increase of 9.6% compared to the same period of the previous year (Q1-Q3 2018: EUR 32.2mn). Also normalised for non-operating components, the Group's pre-tax result was up by 3.7% on the prior-year figure. The again improved profitability thus is due to a further increase in the operating earnings base.

In a persistently challenging environment, net interest income rose noticeably by 3.7% to EUR 86.9mn (Q1-Q3 2018: EUR 83.8mn), based on optimisations on both the asset and liability side. The strategy aimed at expanding the fee and commission-based income is firmly established within the Group – net fee and commission income increased sharply by 13.8% to EUR 13.1mn (Q1-Q3 2018: EUR 11.5mn).

Structural and process optimisations implemented as part of the efficiency enhancement programme Zukunftsfit 2020 result in a sustained fall of administrative expenses, showing a further decline of 1.9% to EUR 86.6mn in the first nine months of 2019. The positive development of operating income and expenses was reflected in a further enhanced cost-income ratio (CIR) of 61.9% as at 30.9.2019 (31.12.2018: 67.0%).

As at 30.9.2019, a Common Equity Tier 1 (CET1) ratio of 18,3% was reported (31.12.2018: 21.0%). Considering the interim results from Q1-Q3 2019, the CET1 ratio increased to 19.0%, despite successful new business underwritten of EUR 1.3bn. HYPO NOE Group's capitalisation thus remained significantly above the minimum regulatory requirement incl. SREP, by more than 5 percentage points.

The Group's high quality of portfolios was reflected in a further slight decline in the NPL ratio to 1.25% as at 30.9.2019 (31.12.2018: 1.42%) driven by successful activities of intensive care management. In the first three quarters of 2019, risk costs were still characterised by positive net gains, shown in the EUR 3.6mn surplus reported under the "Impairment losses/gains on financial assets – IFRS 9 ECL" item.

[1] Q1-Q3 2018: Normalised profit before tax EUR 33.5mn
(proceeds from the sale of a non-operating property; addition to the provision for negative interest on corporate loan agreements)
Q1-Q3 2019: Normalised profit before tax EUR 34.7mn
(measurement of the claim from the HETA contingent additional purchase price; addition to the provision for negative interest on corporate loan agreements)

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
Legal form: Aktiengesellschaft (public limited company) | Head office: St. Pölten | Company register no. FN 99073 x | Registered at St. Pölten Provincial Court | ATU15361203 | BIC (S.W.I.F.T. code): HYPNATWW | DVR: 0042862

The scheduled increase in total assets by 8.3% to EUR 15.2bn in the year to date is due primarily to successful growth in core business. Accordingly, “Financial assets – AC” rose by EUR 1.3bn to EUR 12.9bn, of which loans constitute 92.8%. “Financial liabilities – AC” as the corresponding item on the liabilities side also amounted to EUR 12.9bn as at 30.9.2019 (31.12.2018: EUR 12.1bn). Not yet included is the successful benchmark issue out of the public cover pool. In light of a friendly market window, the issuance in the capital markets was made at the end of September, but with settlement date as at 1 October. This resulted in a temporary accounting capital effect of -0.6 percentage points by the end of the third quarter.

“In the course of the year, we have fulfilled our traditional role as a state-owned regional bank with a new lending of EUR 1.3bn. This, as well as our successful capital markets activities once more underline the solid positioning in our markets”, says Wolfgang Viehauser, Management Board Member Markets & Spokesman.

Udo Birkner, Management Board Member Finance, Risk & Operations adds: “We aim at being a low-risk, well-capitalised bank and strive for a further increase in profitability. The result from Q1-Q3 2019 shows that we succeeded in these aspects. We are in particular satisfied with the further improved operating result. The long-term orientation of our owner supports the sustainable implementation of this strategy.”

The complete Results Announcement for the Quarter ended 30 September 2019 can be found 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/ir