FINANCIAL FACT SHEET FOR THE QUARTER ENDED **30 SEPTEMBER 2014**

The Group is under no legal obligation to publish interim reports. This report does not fully comply with, and was not drawn up in accordance with International Financial Reporting Standards (IFRSs).
In particular, paragraphs 8d (statement of cash flows) and 8e (disclosures) IAS 34 were not fully applied and this report should therefore be read in conjunction with the 2014 semi-annual financial report and consolidated annual financial statements as at 31 December 2013.
This report was neither fully audited nor reviewed by independent auditors.

HYPO NOE GRUPPE

Group financial highlights

EUR '000	30 Sep. 2014	30 Sep. 2013	31 Dec. 2013	31 Dec. 2012
Total assets	**15,855,956**	**14,341,992**	**14,209,746**	**14,861,697**
Core capital ratio (%) in accordance with Basel II based on the risk-weighted assessment base for credit risk		12.8%	14.7%	12.3%
Core capital ratio (%) in accordance with the CRR and CRD IV based on the total capital requirement	12.2%			
Cost/income ratio (CIR)	77.8%	79.0%	59.3%	67.6%
Return on equity (ROE) after tax	5.3%	4.0%	10.2%	4.9%

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Economic climate

Global, European and domestic trends

From a global perspective, markets are currently being shaped by two separate trends. While economic developments in the Anglo-Saxon world remained highly encouraging in the third quarter, the outlook for the rest of the world deteriorated. There are indications that growth in Europe, which was already weak, is coming under further pressure due to the Russia-Ukraine crisis and the mutual sanctions imposed by both sides. In most major emerging economies, growth fell short of expectations. Already in freefall since July, raw materials prices continued to plummet partly as a result of the bleak prospects for the global economy. In addition, falling raw material and energy prices have caused inflation to fall in many countries. This was particularly true of the eurozone, where inflation slowed from 1.6% in July 2013 to just 0.4% this July – its lowest level since 2009, when the economy was in recession. In response, the European Central Bank (ECB) initiated a series of new monetary measures to aggressively counter deflationary risks. There are currently no signs of a pick-up in growth as a result of these policies. New EU Commission President Jean-Claude Juncker pushed for a EUR 300 billion (bn) investment programme designed to give the European economy fresh impetus. In the short term, risk factors continue to hold sway, particularly those relating to geopolitical conflicts.

Financial markets

Developments in the financial markets continued to be dominated by central banks' monetary policies. The ECB is adopting new approaches to its accommodatory stance with increased frequency, most recently taking financial markets by surprise at the start of September when it slashed the base rate once again to 0.05% and cut the discount rate -0.20%. Another unconventional move was its decision to embark upon a security purchase scheme which will extend to asset backed securities (ABSs) and covered bonds (bank bonds secured by cover pools, particularly mortgage bonds). In tandem with the targeted long-term refinancing operations (TLTROs) agreed in June 2014, the ECB is aiming to increase its total assets by around EUR 1 trillion. The ECB's monetary policy, combined with the obligations brought about by the new regulatory requirements for banks and other financial intermediaries, has pushed eurozone interest rates to historic lows. Shorter-term interest rates in financial markets are negative and yields on ten-year German government bonds are significantly below 1%. These developments increase the attractiveness of assets which carry higher risk but also have greater earnings potential than secure government bonds. Nevertheless, the performance of higher-risk assets was not positive across the board during this period, a development that can be attributed to the increased uncertainty among investors stemming from geopolitical crises. However, developments on the commodity markets were clearly negative.

Economic trends in the Group's core markets

Austria

The WIFO (Austrian Institute of Economic Research) and the Institute for Advanced Studies (IHS) have downgraded their growth forecasts for 2014 from 1.7% to 0.8% (eurozone: 0.8%, EU-28 1.3%) For Austria, the slowdown is chiefly attributed to heightened geopolitical tensions worldwide and their implications for the Austrian economy, particularly in terms of falling demand. The hoped-for stimulus resulting from a rise in gross fixed capital formation failed to materialise, with investment well below the start-of-year forecasts. Gross fixed capital formation could even end up declining year on year in 2014. Public and private consumption were both weak and made only a minimal contribution to growth.

A reversal in the trend was anticipated at the start of the year, but only materialised in the first quarter. A long-term improvement in the economic climate will only be brought about by de-escalating or resolving current geopolitical crises, combined with a tangible improvement in investor confidence. Activity has been muted thus far as a result of the unsettled political climate.

In addition to the slowdown, the recalculation of sovereign debt (in line with the European System of Accounts, in particular as a result of including off-balance-sheet/implicit liabilities) and the resulting increase in the government debt ratio from 74.5% to 82.6% as at 30 June 2014 (not including Hypo Alpe Adria International AG) placed another limitation on politicians arguing in favour of stimulus programmes. Government debt is expected to reach about 87% of gross domestic product (GDP) by the end of 2014.

Danube region

The countries in the HYPO NOE Group's extended core market (Bulgaria, the Czech Republic, Germany, Hungary, Poland, Romania and Slovakia) again reported growth in excess of the EU average, but their expansion was far more subdued than in recent years. Romania was an exception, posting the strongest growth in the Danube region, at 3.5%. The Czech Republic was the only country in the region to remain in recession.

Despite the revisions outlined above, growth is expected to be higher in 2014 than in 2013, with significant increases in some countries, coming in at between 1.5% and 3.0% (EU-28: 1.3%). Hungary, Poland and the Czech Republic returned some of the strongest growth rates in the Danube region. Initial observations suggest that any effects of the conflict between Russia and Ukraine on the Danube region will be largely dependent on the individual countries' trade structures and energy resources. In this respect, Bulgaria, Slovakia and Hungary have the greatest exposure.

Private consumption and the positive balance of trade remain the key growth drivers in the region. Consumer confidence is rallying throughout the Danube region, with public spending set to grow by between 1% and 2.7% in 2014. With the increase in expenditure hovering at only 0.5%, Hungary is a notable exception. The increases in the Danube region countries (including Romania once again, with an increase of 1%) may be due to the extension of EU support programmes to the end of 2015; these had originally been due to run from 2007 to 2013. The 2014-2020 regional development programme for the Danube region (including the Czech Republic and Poland) amounts to around 12% of aggregate regional economic output in 2013, or EUR 167bn.

Unemployment in the region ranges from 5.1% in Romania to 14% in Slovakia. The countries have met all of the Maastricht criteria for budget deficits and government debt, except Hungary, where sovereign debt exceeded the target value.

Banking sector trends in the eurozone and CEE

The initial effects of geopolitical crises, in particular those of the conflict between Russia and Ukraine, are already making themselves felt in the Austrian banking sector. The Danube region banking sector continues to be dogged by the comparatively high need to recognise impairment allowances. In Hungary, Bulgaria and Romania, the ratio of non-performing loans is still above the 20% mark. Meanwhile, Hungary's new banking act has hit the profitability of Austrian parent banks. A period of economic recovery would help to alleviate the pressure on the nation's banking sector.

Austria's banking market is currently undergoing significant restructuring. In addition to the privatisation of Kommunalkredit Austria AG, the focus is on the cooperative Volksbank sector, with restructuring expected to stimulate competition in the industry. The banking industry is also closely monitoring developments surrounding Hypo Alpe Adria Bank International AG.

Financial review

Key developments in the first nine months of 2014

Earnings (IFRS)

Profit for the period attributable to owners of the parent rose by EUR 6.6 million (m) year on year to EUR 21.7m (Q1-Q3 2013: EUR 15.1m). The Gruppe Bank segment made the largest contribution to profits. The Landesbank and Leasing segments also delivered substantial profits for the period, although the Other segment contributed a minimal loss before tax.

Group net interest income stood at EUR 95.3m, an increase of EUR 0.9m on the like period of 2013 (Q1-Q3 2013: EUR 94.4m).

Mainly as a result of the recovery of impaired bad debt thanks to effective workout management, the cost of risk in the Bank's lending business fell, leading to a net gain on credit provisions of EUR 1.9m (Q1-Q3 2013: costs of EUR 3.1m).

Net fee and commission income fell slightly to EUR 9.4m, down from EUR 9.8m in the same period of 2013.

General administrative expenses climbed by EUR 8.8m to EUR 96.3m (Q1-Q3 2013: EUR 87.5m). This was principally due to the significant increase in the statutory financial stability contribution ("bank tax") for 2014, which amounted to EUR 9.9m (Q1-Q3 2013: EUR 4.7m). Other increased costs were attributable to the extensive requirements for implementing new regulations.

The Bank recorded net other operating income of EUR 15.6m, up on the EUR 13.9m reported in the first nine months of 2013.

Net gains on hedging instruments amounted to EUR 4.1m (Q1-Q3 2013: net losses of EUR 13.2 m). OIS discounting[1], which replaced Euribor discounting as the market standard for pricing collateralised OTC[2] derivatives, played a significant part in the high losses incurred in the comparative period.

The Bank reported low net losses of EUR 0.1m on other financial investments compared with gains of EUR 5.1m in the first three quarters of 2013. The strong positive result in the comparative period was largely due to the Bank's success in negotiating the part-redemption of Hungarian local authority bonds.

Profit before tax amounted to EUR 29.5m, EUR 9.3m higher than in the same period a year earlier (Q1-Q3 2013: EUR 20.1m).

This increase was mirrored in the following financial performance indicators:

		Q3 2014	Q3 2013	2013	2012	2011
Return on equity before tax*	Profit before tax/ ave. equity	7.0%	5.3%	14.3%	6.5%	29.2%
Return on equity after tax*	Profit for the period/ ave. equity	5.3%	4.0%	10.2%	4.9%	22.0%
Cost/income ratio	Operating expenses/operating income	77.8%	79.0%	59.3%	67.6%	40.4%
Risk/earnings ratio	Credit provisions/net interest income	-2.0%	3.3%	4.1%	15.6%	14.5%

*Intrayear indicators annualised on a per diem basis

[1]OTC: Over the counter
[2]OIS: Overnight index swap

Assets and liabilities (IFRS)

The HYPO NOE Group's total assets stood at EUR 15.9bn as at 30 September 2014 – an increase of EUR 1.6bn or 11.6% on year-end 2013, mainly due to increases in loans and advances to banks of EUR 0.2bn and in loans and advances to customers of EUR 0.5bn, a rise of EUR 0.2bn in the positive fair value of hedges, as well as gains of EUR 0.4bn on available-for-sale securities, which are reported as financial assets.

On the equity and liabilities side, deposits from customers rose by EUR 0.2bn and deposits from banks edged up by EUR 0.2bn. There was a net increase of EUR 0.8bn in debts evidenced by certificates due to the successful bond issue, and the negative fair value of hedges went up by EUR 0.3bn.

The rises in loans and advances to customers and in deposits from banks mainly resulted from the inclusion of seven leasing companies in the scope of consolidation as at 30 June 2014; these companies had previously been accounted for using the equity method. The increases in the positive and negative fair value of hedges related to changes in the fair value measurement of hedging derivatives which qualify for hedge accounting. Investments in the own debt issues placed during the period under review resulted in an increase in available-for-sale financial assets.

Changes in equity (IFRS)

IFRS consolidated equity including non-controlling interests was EUR 566.9m, up by EUR 12.5m on 31 December 2013. In spite of the decline in the available-for-sale reserve for remeasurement of financial assets to fair value, equity grew as a result of the profit for the period and the change from accounting using the equity method to consolidation.

Changes in equity (Basel II/Austrian Banking Act and CRR/CRD IV[3])

Regulation (EU) No 575/2013 (CRR), which came into effect on 1 January 2014, requires the calculation of figures for consolidated equity and the consolidated regulatory capital adequacy requirements in accordance with IFRS and with the regulatory scope of consolidation.

Consolidated eligible capital as defined by the Austrian Banking Act (implementing Basel II) was EUR 692.3m as at 31 December 2013. Surplus capital at year-end 2013 was EUR 359.7m, compared with a capital requirement of EUR 332.7m. Calculated using the risk-weighted assessment base for credit risk, the core capital ratio and the equity ratio stood at 14.7% and 17.9% respectively.

On the basis of the total capital requirement in accordance with Basel II and the Austrian Banking Act, the core capital ratio stood at 13.7% and the equity ratio stood at 16.7% as at 31 December 2013.

Consolidated eligible capital in accordance with the CRR was EUR 626.0m as at 30 September 2014, and surplus capital was EUR 291.0m, compared with a capital requirement of EUR 335.0m. On the basis of the total capital requirement, the core capital ratio stood at 12.2% and the equity ratio was 14.9% as at 30 September 2014.

[3] CRD IV: Capital Requirements Directive IV; CRR: Capital Requirements Regulation

Operational review

Gruppe Bank segment

HYPO NOE Gruppe Bank AG is the Group's parent and one of the main financial institutions in Lower Austria and Vienna. Thanks to its dedication to sustainable, customer-focused operations, in the first three quarters of 2014 the Bank further consolidated its position as a solid and reliable source of public, corporate, project and real estate finance, as well as treasury services for customers in Austria and the Danube region. The Bank has defined the Danube region as its extended core market, an area that includes Bulgaria, the Czech Republic, Germany, Hungary, Poland, Romania and Slovakia. It opened a representative office in Romania in the third quarter, its fourth in the region alongside those in Bulgaria, the Czech Republic and Hungary. HYPO NOE Gruppe Bank AG uses these offices to share its expertise with public institutions and major corporations and to support the long-term development of the region – a clear aim of the Group's strategy for the Danube region.

On 13 August 2014 Standard & Poor's suspended the credit watch negative status that it had applied to several Austrian banks and confirmed the HYPO NOE Group's single-A rating with a stable outlook. The ratings agency based its positive decision on the Group's healthy capitalisation, sound risk parameters and stable owner – the State of Lower Austria.

In September HYPO NOE Gruppe Bank continued to build on its strong position as a covered bond issuer, issuing its first benchmark mortgage-backed covered bond. The issue generate widespread interest among investors. The mortgage-backed covered bond – like the public covered bond – was awarded an Aaa rating by Moody's.

At the end of the third quarter HYPO NOE Gruppe Bank AG published its first sustainability report (available on the HYPO NOE Gruppe Bank AG website). Drawn up in accordance with the Global Reporting Initiative (GRI) Guidelines, the report gives an overview of the Group's current activities and sheds light on its upcoming sustainability and CSR projects. At the same time work began on a Group-wide CSR reporting programme and a comprehensive sustainability project.

Public Finance

Our Public Finance Department partners local and regional authorities, public agencies and infrastructure companies. In the first three quarters of 2014, the department focused on growing its business in eastern Austria and with enterprises linked to the federal and state governments.

The department's primary objective is to develop sustainable, integrated finance solutions for customers, in cooperation with other parts of the Group, and increasingly to figure as a provider of expertise and services – for example by acting as the lead bank for lending syndicates, or by structuring tenders. Public Finance always sets out to understand customers' special requirements and to deliver risk-aware advice and service. In line with our Danube region strategy, the Bank offers finance solutions to governments and large cities in the region on a selective basis. Budgetary constraints, including the stability pact, are having a significant impact on states and local authorities, with large investments being postponed. This meant that public finance provided in the first three quarters of the year was mostly required for standard infrastructure investments in water supply and wastewater disposal, as well as the renovation of properties used for education infrastructure and administrative buildings. In this environment, it is clear that close relationships with customers combined with high-quality advisory services are becoming increasingly important. With this in mind, customer relationship managers participate in continuous training programmes, often organised in cooperation with partners such as the Lower Austria Community Management Academy and Danube University Krems.

Public Finance produced a brochure on Contemporary Financial Management for Local and Regional Authorities as part of its work to strengthen ties with representatives of the sector. The publication was presented at HYPO NOE Group headquarters in September at an event hosted in cooperation with the Lower Austria Community Management Academy. Special financing models for public construction projects with single-source solutions were among the subjects up for discussion. The Group offers an end-to-end process chain that covers every stage of the design-develop-finance-build-operate cycle. This model is increasingly in demand from states and municipalities.

The main priority for the fourth quarter will be stepping up advice for federal states, cities, municipalities, public sector bodies and infrastructure companies when it comes to special financing models.

Real Estate Finance

The Real Estate Finance Department specialises in finance for real estate and real estate projects. Its key strengths are the wide range of products it can offer, its ability to structure bespoke solutions and especially the know-how of its staff.

A number of early repayments in the financing portfolio were recorded in the first three quarters of the year, mainly as a result of premature refinancing or real estate disposals by customers. In Germany, experts are expecting a change in the landscape for loan to value ratios. This will translate to significant pressure on margins as well as on lenders' ability to expose themselves to risk. In spite of this, Real Estate Finance remains profitable and made an important contribution to the Bank's results.

Low interest rates and historically weak yields from alternative investment opportunities have driven a spike in demand across almost all real estate categories, most notably city centre rental apartment buildings. The German commercial and residential property markets are still attracting greater interest from foreign investors than other locations in Europe.

In the fourth quarter of 2014 the department's operations will continue to focus on our core real estate markets – Austria, Germany and the Danube region. A close watch will be maintained on macroeconomic trends and regional real estate developments in target markets outside Austria. The volume of transactions relating to commercial buildings is expected to hold at last year's levels for the remainder of 2014. The department will continue to work to stabilise profitability and optimise the finance portfolio by selectively acquiring new business from institutional investors, funds and property developers.

Corporate & Project Finance

The Corporate & Project Finance Department is HYPO NOE Gruppe Bank's competence centre for corporate banking, structured finance for companies, and project finance. The department's strategy is to distinguish itself from competitors by offering corporate customers tailored, sophisticated finance solutions and personal service, and to underline the HYPO NOE Gruppe Bank's importance as a long-term partner for business in Lower Austria. Responsiveness, streamlined decision-making, and relationship management focused on long-term partnerships are the decisive qualities valued by our growing customer base.

A series of events and effective targeting of new customers enabled the Bank to acquire additional clients, and to further enhance its reputation as a long-term partner with a strong commitment to corporate financing that supports its customers in a range of specialised situations. These activities concentrated mainly on major Austrian and Lower Austrian small and medium-sized enterprises (SMEs) which value personal and expert service geared towards the needs of businesses. During the period under review the department played a part in facilitating acquisitions by Lower Austrian companies of businesses in neighbouring countries, and developed attractive solutions for enterprises looking to optimise their relations with the Bank. We are also enhancing our position as a point of contact for questions related to investment and hedging, as well as succession planning. The Bank posted strong performance in the promissory notes business, which it aims to use as a means of setting up new customer relationships. Although investors are still cautious and the wider economic environment remains challenging, HYPO NOE Gruppe Bank AG attracted a number of clients using this approach.

The project and infrastructure finance business faced a rather subdued market for major transport infrastructure initiatives, as well as widespread uncertainty regarding the regulatory framework for renewable energy projects, especially in the Danube region. However, the Bank capitalised on its long-standing focus on social infrastructure, in particular its expertise in publicly and semi-publicly owned medical, education and care facilities. With a view to easing the pressure on public-sector budgets, the number of public-private partnerships in this segment is increasing and an attractive project pipeline is starting to take shape. In terms of large-scale investments by government-related institutions, such as semi-privatised municipal utilities, the Bank deepened its relationships with existing clients as well as acquiring a number of promising new customers.

Church Bodies, Interest Groups and Agriculture

The third quarter of operations in the strategically important Church Bodies, Interest Groups and Agriculture business was marked by further growth in the support provided to customers for their financing and investment needs, as well as the implementation of broad-based customer acquisition and advisory activities for church and social institutions, statutory self-governing bodies and agricultural enterprises.

One of the main areas of focus established was financing for the renovation, rehabilitation and structural enhancement of religious buildings and associated outbuildings. In the agriculture segment, we concluded a number of syndicated financing transactions for equipment and investments on behalf of specialist agribusinesses.

The expansion of our expertise in ethical investment continued on the basis of our traditionally conservative and high-value product portfolio, with a view to satisfying the specific investment guidelines of church bodies and institutional investors in this segment as effectively as possible. Over the next few months we will concentrate on developing and launching a certified range of sustainable products in collaboration with selected partners. In light of current developments and the upheaval on the Austrian and international financial markets, demand for investment products which offer the additional security of public-sector finance and mortgage cover pool is particularly strong. The dual security provided by the Bank's top-rated bonds also plays a decisive role.

We are still committed to becoming one of the top three banks for church bodies and interest groups in Lower Austria, and to bundling the Group's financial product and service know-how in line with the needs of selected target groups.

Treasury & Funding

In the third quarter HYPO NOE Gruppe Bank AG again lived up to its reputation as an established issuer of covered bonds. The mortgage cover pool set up last year enabled us to place our first benchmark mortgage-backed covered bond on the Austrian and international capital markets in September. The bond has a maturity of seven years and was priced below the secondary market curve for our public covered bonds at seven basis points above the mid swap rate. Demand came mainly from Germany and Austria. The issue, which attracted investors from across Europe and once again from Asia, is also rated Aaa by Moody's. By the end of the third quarter the Group had largely met its financing needs for 2014.

As a significant portion of planned investments were made in the first half of 2014, volumes fell in the third quarter. In line with the requirements of liquidity coverage ratio management, we maintained our focus on investments in government bonds and covered bonds from issuers with strong ratings.

Landesbank segment

HYPO NOE Landesbank AG

HYPO NOE Landesbank AG is responsible for the HYPO NOE Group's retail operations. Its 30 branches provide outstanding service to private, self-employed and business customers in the Group's core market of Lower Austria and Vienna. The Bank has defined family and housing, health, and education as the pillars of its strategy.

The lending business continued to grow in the third quarter of the year. Growth was particularly strong in the private housing construction segment, and the Bank performed very well in comparison with the rest of the market. Customer deposits were also above the market average. The Bank's customer advisers have acquired many new customers since the beginning of 2014, partly as a result of the Lower Austrian Weeks campaign. Revenue from services was close to the target level. The rating of the Bank's loan portfolio remained stable despite the rise in total lending, which led to healthy earnings growth.

The Aufwertung Filialbetrieb project – which is aimed at further enhancing front office operations and ensuring top-quality advice and services for customers – remained on track in the third quarter. Implementation is set to begin in the fourth quarter.

Leasing segment

HYPO NOE Leasing GmbH

HYPO NOE Leasing GmbH manages a number of project companies and provides leasing solutions to the public sector, primarily in the form of complex agreements for real estate projects. The company also offers business management and real estate project management services.

A flurry of attractive tenders in the health and education sectors were announced in the third quarter. HYPO NOE Leasing submitted bids in cooperation with construction industry partners in response to a number of calls for tenders for schools and kindergartens, as well as for a hospital, and is well placed to secure the contracts. On this basis the outlook for the year as a whole is decidedly positive, both in terms of earnings and and the acquisition of new business.

Other segment

HYPO NOE Real Consult GmbH

HYPO NOE Real Consult GmbH is active in property development, construction, management and restructuring, and focuses on the Lower Austria and Vienna region. With a comprehensive range of services, the company is a one-stop shop providing personalised support to customers for all of their real estate needs.

In project development, the company made further progress on its own high-end home building projects in attractive locations in Vienna, as well as those of third parties. On the project management side HYPO NOE Real Consult continued to provide high-quality services for existing projects, as well as attracting new business in the universities segment. The company has also concluded new property management contracts with third parties.

HYPO NOE Real Consult is responsible for the management of several Group project companies set up to handle property developments. The results for the first three quarters include budgeted start-up losses at a number of newly established project companies. Two or three development projects are scheduled for completion by the end of 2015.

HYPO NOE First Facility GmbH

HYPO NOE First Facility GmbH is a leading provider of facility management and technical facility management services for demanding and complex properties, forming a key link in the HYPO NOE Group's real-estate value chain. Its target area comprises Lower Austria, Vienna and the Danube region. The company's core customers include property funds, banks and insurance companies, as well as a growing number of public sector clients.

Saturation of the market and the implications of this remain unchanged: in public and private sector calls for tenders for facility management services, competitors continue to pursue aggressive pricing strategies. HYPO NOE First Facility is going against this trend, as part of the repositioning and continuous development of the company's service portfolio in line with the HYPO NOE Group's strengths. Following a period in which reorganising operational management structures in Austria and at key foreign subsidiaries, optimising procurement and reinforcing sales activities took priority, the next phase will involve developing new service packages and addressing additional customer segments.

High-quality service, transparency and process reliability remain the features which set HYPO NOE First Facility apart from its competitors. The impact of the quality drive initiated in 2013 was confirmed once again with the recent completion of an ISO 9001 external audit.

Strategic Equity Beteiligungs GmbH

Group subsidiary Strategic Equity Beteiligungs GmbH is responsible for the acquisition, management and disposal of investments associated with restructuring projects. In September 2014, the company sold its 44% stake in Backhausen GmbH to a private strategic investor. Backhausen GmbH was formed in conjunction with as Cudos Capital AG and Interfides Management Solutions GmbH, and in December 2012 acquired Backhausen interior textiles GmbH, a Lower Austrian company that was subject to bankruptcy proceedings at that time. This allowed Backhausen's plant in the Waldviertel region of Lower Austria to be retained, as well as safeguarding the jobs of the majority of the workforce. In the last two years the foundations were laid for the sustainable restructuring of Backhausen GmbH, and the sale has helped to secure the company's future . The transaction is testimony to the HYPO NOE Group's workout management capabilities, and the provisions that had been recognised were recouped in full. The sale also demonstrated the Group's strong commitment to its local region.

Risk report

Significant risk-related developments in the third quarter of 2014

The HYPO NOE Group has sufficient access to short- and long-term refinancing mechanisms, and regularly makes use of long-term sources of finance. In September 2014 the Bank placed a EUR 500m mortgage-backed benchmark covered bond issue, demonstrating that our measures to secure medium-to-long-term liquidity in the current climate can be implemented as planned.

We are continuing to monitor developments and our exposures in Italy, Ireland, Greece, Spain, Hungary and Cyprus very closely. We further reduced our exposures in Hungary during the third quarter of 2014.

In order to meet our reporting obligations under the Basel III framework in good time, we regularly examine the new requirements, assess whether there is need to implement them, and take appropriate action.

During the period under review, we made further progress on drafting a restructuring plan in accordance with the new *Bundesgesetz über die Sanierung und Abwicklung von Banken* (Bank Restructuring and Resolution Act), which is due to come into force on 1 January 2015. Work on the plan will largely be completed by the end of this year. The restructuring plan will form an integral part of the Bank's risk and capital management framework.

Accounting policies/ accounting and measurement policies

Essentially the same accounting policies were applied to this interim report as to the consolidated IFRS financial statements of the HYPO NOE Group for the year ended 31 December 2013, taking account of new standards which entered into effect on 1 January 2014 and are applicable to the Group's business activities.

This report was neither fully audited nor reviewed by independent auditors.

The Group is under no legal obligation to publish interim reports. This report does not fully comply with, and was not drawn up in accordance with International Financial Reporting Standards (IFRSs).

In particular, paragraphs 8d (statement of cash flows) and 8e (selected explanatory notes) IAS 34 were not fully applied and this report should therefore be read in conjunction with the 2014 semi-annual financial report and consolidated annual financial statements as at 31 December 2013.

STATEMENT OF COMPREHENSIVE INCOME

Profit or loss (EUR '000)	Q1-Q3 2014	Q1-Q3 2013
Interest and similar income	449,552	434,172
of which income from investments accounted for using the equity method	*772*	*1,958*
Interest and similar expense	-354,267	-339,793
Net interest income	**95,286**	**94,379**
Credit provisions	1,919	-3,116
Net interest income after risk provisions	**97,205**	**91,263**
Fee and commission income	11,352	11,797
Fee and commission expense	-1,951	-2,031
Net fee and commission income	**9,401**	**9,766**
Net trading income	435	774
General administrative expenses*	-96,302	-87,536
Net other operating income	15,583	13,871
Net gains or losses on disposal of consolidated subsidiaries	-	150
Net gains or losses on available-for-sale financial assets	-949	26
Net gains or losses on financial assets designated as at fair value through profit or loss	66	-76
Net gains or losses on hedges	4,128	-13,229
Net gains or losses on other financial investments	-112	5,103
Profit before tax	**29,456**	**20,112**
Income tax expense	-7,171	-5,027
Profit for the period	**22,285**	**15,085**
Non-controlling interests	-595	-8
Profit attributable to owners of the parent	**21,690**	**15,077**

Other comprehensive income (EUR '000)	Q1-Q3 2014	Q1-Q3 2013
Profit attributable to owners of the parent	**21,690**	**15,077**
Items that may be reclassified subsequently to profit or loss		
Other changes (before tax)	*8*	*-*
Change in available-for-sale financial instruments (before tax)	*-7,760*	*12,795*
Change in cash flow hedge (before tax)	*-*	*-599*
Exchange differences on translating foreign operations accounted for using the equity method (before tax)	*-36*	*-3*
Change in deferred tax	*1,949*	*-3,048*
Total other comprehensive income	**-5,839**	**9,145**
Total comprehensive income attributable to owners of the parent	**15,851**	**24,221**

Other comprehensive income is attributable to owners of the parent.

*General administrative expenses include the financial stability contribution ("bank tax") of EUR 9,895thsd (30 September 2013: EUR 4,732thsd).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets (EUR '000)	30 Sep. 2014	31 Dec. 2013
Cash and balances at central banks	321,953	56,609
Loans and advances to banks	929,195	773,381
Loans and advances to customers	11,045,430	10,590,574
Risk provisions	-101,818	-111,156
Assets held for trading	599,583	457,965
Positive fair value of hedges (hedge accounting)	601,754	377,938
Available-for-sale financial assets	2,223,517	1,801,467
Financial assets designated as at fair value through profit or loss	4,214	4,200
Investments accounted for using the equity method	33,723	44,437
Investment property	70,644	65,545
Intangible assets	1,853	2,172
Property, plant and equipment	81,822	86,460
Deferred tax assets	4,555	3,874
Other assets	39,531	56,280
Total assets	**15,855,956**	**14,209,746**

Equity and liabilities (EUR '000)		
Deposits from banks	2,359,651	2,149,698
Deposits from customers	2,364,545	2,168,943
Debts evidenced by certificates	8,914,863	8,163,364
Liabilities held for trading	533,120	389,775
Negative fair value of hedges (hedge accounting)	734,821	423,103
Provisions	49,159	50,362
Current tax liabilities	7,774	12,454
Deferred tax liabilities	28,940	21,175
Other liabilities	89,253	65,960
Subordinated capital	206,970	210,512
Equity (including non-controlling interests)*	566,860	554,400
Equity attributable to owners of the parent	558,105	553,254
Non-controlling interests	8,755	1,146
Total equity and liabilities	**15,855,956**	**14,209,746**

*A detailed presentation is given in the consolidated statement of changes in equity, overleaf.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 Sep. 2014, EUR '000	Balance at 1 Jan. 2014	Profit/loss for the year	Dividends paid	Changes in scope of consolidation	Other comprehensive income	Balance at 30 Sep. 2014
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	329,439	21,690	-11,000	-	8	340,137
IAS 19 reserve	-4,651	-	-	-	-	-4,651
Available-for-sale reserve	-15,324	-	-	-	-5,820	-21,144
Cash flow hedge reserve	-	-	-	-	-	-
Currency translation reserve	-15	-	-	-	-27	-42
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**553,254**	**21,690**	**-11,000**	**-**	**-5,839**	**558,105**
Non-controlling interests	1,146	595	-	7,014	-	8,755
TOTAL EQUITY	**554,400**	**22,285**	**-11,000**	**7,014**	**-5,839**	**566,860**

30 Sep. 2013, EUR '000	Balance at 1 Jan. 2013	Profit/loss for the year	Dividends paid	Changes in scope of consolidation	Other comprehensive income	Balance at 30 Sep. 2013
Share capital	51,981	-	-	-	-	51,981
Capital reserves	191,824	-	-	-	-	191,824
Retained earnings	286,762	15,077	-11,000	-	-	290,840
IAS 19 reserve	-5,498	-	-	-	-	-5,498
Available-for-sale reserve	-29,964	-	-	-	9,596	-20,368
Cash flow hedge reserve	1,875	-	-	-	-449	1,426
Currency translation reserve	-3	-	-	-	-3	-6
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**496,977**	**15,077**	**-11,000**	**-**	**9,145**	**510,199**
Non-controlling interests	565	8	-	563	-	1,136
TOTAL EQUITY	**497,542**	**15,085**	**-11,000**	**563**	**9,145**	**511,334**

Consolidated capital resources and regulatory capital adequacy requirements

Regulation (EU) No 575/2013 (Capital Requirements Regulations, CRR) and the Capital Requirements Directive IV (CRD IV), which came into effect in 2014, require the calculation of figures for consolidated equity and the consolidated regulatory capital adequacy requirements in accordance with IFRS, as well as with the regulatory scope of consolidation.

The significant effects on total eligible core capital are primarily the result of changes in the regulatory scope of consolidation, which does not correspond to the scope of consolidation in accordance with IFRS and also differs from the previous banking group as defined by section 30 Austrian Banking Act. These effects include regulatory changes as well as additions to the scope of consolidation in the current financial year.

The first-time application of the regulatory credit value adjustment (CVA), amendments to the regulations on deductions with regard to interests in credit institutions and financial institutions, and the adaptation of the definition of default in the standardised approach for the measurement of credit risk in line with the regulations for the internal ratings-based (IRB) approach all had a negative effect on the risk-weighted assessment base. However, the reduction in the haircut from 40% to 20% when applying the fair value approach to residential properties pledged as collateral, and the introduction of the deduction for credit risk on exposures to small and medium-sized enterprises (SMEs; see Art. 501 CRR) had a positive impact on the assessment base.

The capital resources of the HYPO NOE Group as at 30 September 2014, calculated in accordance with the CRR and CRD IV, as well as the capital resources as at 31 December 2013, calculated in accordance with the Basel II regulations, are broken down as follows:

EUR '000	CRR/CRD IV 30 Sep. 2014	BASEL II* 31 Dec. 2013
Share capital, incl. premiums from 2014	136,546	51,981
Reserves, differences and non-controlling interests	378,237	520,602
Prudential filter – adjustments based on the requirements for prudential measurement	-4,717	-
Intangible assets	-809	-1,104
Hard core capital	509,257	-
Additional core capital	-	-
Core capital (tier 1 capital)	**509,257**	**571,478**
Deductions related to holdings pursuant to Art. 36 and Art. 89 CRR	-	-
Deductions pursuant to sections 23(13) and 29(1-2) Banking Act	-	-2,068
Eligible core capital	**509,257**	**569,410**
Undisclosed reserves (grandfathering)	-	5,000
Eligible subordinated debt issued by the Group's parent	89,299	90,000
Eligible subordinated debt issued by subsidiaries	27,484	30,000
Supplementary capital (tier 2 capital)	**116,783**	**125,000**
Deductions related to holdings pursuant to Art. 36 and Art. 89 CRR	-	-
Deductions pursuant to sections 23(13) and 29(1-2) Banking Act	-	-2,068
Eligible supplementary capital (after deductions)	**116,783**	**122,932**
Total eligible core capital	**626,041**	**692,342**
Capital requirement	**335,042**	**332,665**
Surplus capital	**290,999**	**359,677**
Coverage ratio (%)	186.85%	208.12%
Core capital ratio (%) in accordance with Basel II based on the risk-weighted assessment base for credit risk		14.71%
Core capital ratio (%) in accordance with the CRR and CRD IV based on the total capital requirement	12.16%	
Equity ratio (%) in accordance with Basel II based on the risk-weighted assessment base for credit risk		17.89%
Equity ratio (%) in accordance with the CRR and CRD IV based on the total capital requirement	14.95%	

Movements in the risk-weighted assessment base and the resultant capital requirements were as follows:

EUR '000	CRR/CRD IV 30 Sep. 2014	BASEL II* 31 Dec. 2013
Risk-weighted assessment base for credit risk	3,725,527	3,870,824
of which 8% minimum capital requirement	298,042	309,666
Capital requirements for open currency positions-	-	-
Capital requirement for operational risk	22,986	22,999
Capital requirement for CVA	14,013	-
Total capital requirement	**335,042**	**332,665**

*The comparative figures for the year ended 31 December 2013 were not adapted to the current structure and methodology, and correspond to the published figures.

Group outlook for 2014

HYPO NOE Group expects to further enhance its market position in the fourth quarter of 2014. Based on its strong operating performance in the first three quarters of the year, the Group has maintained its positive outlook for 2014 as a whole. We currently anticipate solid performance from all of the HYPO NOE Group's business lines, which comes as an endorsement of our long-term strategy. We will retain a tight focus on our core customer target groups and regions, and the Bank will continue to examine various options for promoting the Group's development.

As far as the economic climate in the eurozone is concerned, the HYPO NOE Group does not see any improvement in the fourth quarter of 2014, with no notable changes expected in the ECB's monetary policy. The supply of liquidity in the European financial system will remain extremely generous in the fourth quarter thanks to the recent introduction of new long-term tenders, although these come with a number of conditions attached. In light of the ECB's announcement that it would begin buying up securities under a quantitative easing programme in the fourth quarter, HYPO NOE Group expects market interest rates and credit spreads for relatively secure bonds to remain very low, or even fall further still.

The Group's 2014 forecast sees solid growth coupled with a better-than-expected operating result. In spite of the challenging climate for banks, with interest rates at record lows, the Group's expertise and long-term approach to customer service have enabled it to hold earnings at a consistent level. Thanks to the far-sighted and risk-aware lending strategy we have adopted in recent years, as well as the recent fall in bankruptcy rates in the market, the HYPO NOE Group's risk provisions will come in below the long-term projections for 2014. The Group's leasing business is again forecasting very strong performance for the fourth quarter.

In response to ongoing amendments to the regulatory and statutory framework, the HYPO NOE Group will continue to focus on implementing and completing the numerous changes required during the quarter ahead. Keeping pace with these additional changes and levies – in particular the sharp rise in the financial stability contribution – which place a considerable burden on the banking sector, will have a strong influence on the HYPO NOE Group's activities in the final quarter of the financial year. In line with its ethical and environmental responsibilities as a modern business, HYPO NOE took steps to expand its Group-level corporate social responsibility (CSR) reporting activities in the third quarter. A wide-ranging sustainability programme will also be drawn up.

The Group's interim results, positive operating conditions and solid equity base have put us in an excellent position to carry on justifying our customers' trust in us, and to provide comprehensive project support to corporate, institutional and retail clients.

St. Pölten, 10 November 2014
The Management Board

Peter Harold
Chairman of the Management Board

Nikolai de Arnoldi
Member of the Management Board